

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

THURSDAY, MARCH 15, 2018 ~ VOL. CCLXXI NO. 61

WSJ.com

★★★★ \$4.00

DJIA 24758.12 ▼ 248.91 1.0% NASDAQ 7496.81 ▼ 0.2% STOXX 600 374.94 ▼ 0.1% 10-YR. TREAS. ▲ 9/32, yield 2.815% OIL \$60.96 ▲ \$0.25 GOLD \$1,324.40 ▼ \$1.50 EURO \$1.2369 YEN 106.32

## What's News

### Business & Finance

**T**heranos CEO Holmes agreed to settle SEC securities-fraud charges in a deal that strips her of voting control and requires her to pay a \$500,000 fine. A1

◆ Disney is reorganizing its operations in a move that positions two top executives as potential successors to CEO Iger. A1

◆ The Senate approved legislation to ease crisis-era regulations for small and midsize banks. A3

◆ Toys "R" Us told employees that the struggling big-box retailer will sell or close all its U.S. stores. B1

◆ A former Equifax executive was charged with insider trading tied to last year's massive data breach. B1

◆ Retail sales fell in February despite a thriving economy, puzzling analysts. A2

◆ Stocks fell amid renewed worries about protectionist trade policies. The Dow shed 248.91 points to 24758.12. B1

◆ U.S. importers will face high hurdles to avoid steel and aluminum tariffs under new government rules. A8

◆ U.S. tech firms could see fines and tougher tax rules in Europe amid rising trans-Atlantic trade tensions. B4

◆ A Chinese oilman who shot from obscurity to spearhead multibillion-dollar deals is under investigation in China. B1

◆ Glencore has agreed to sell a big supply of cobalt, a key metal in electric-car batteries, to a Chinese firm. B6

◆ Saudi Arabia said it would continue to curb oil output, underscoring a split with Iran. B6

### World-Wide

◆ Documents tie Trump's flagship holding company to the continuing effort to silence a former adult-film actress who says she had an affair with Trump. A1

◆ Britain is expelling 23 Russian diplomats, saying Moscow is culpable for the poisoning of a former spy and his daughter. A1

◆ Democrat Lamb claimed victory with a razor-thin lead in Pennsylvania's special U.S. House election. A3

◆ CNBC analyst Kudlow was named to succeed Cohn as Trump's National Economic Council director. A4

◆ The White House is bracing for more changes in the administration after the departures of Tillerson and Cohn. A4

◆ GOP Sen. Paul said he would oppose Trump's nominees for secretary of state and CIA director. A4

◆ Students across the U.S. walked out of school to protest government inaction on gun control. A7

◆ The commander of U.S.-led forces in Afghanistan said prospects for reconciliation between Kabul and the Taliban are improving. A10

◆ China is sidelining a family-planning bureaucracy originally set up to manage Beijing's one-child policy. A20

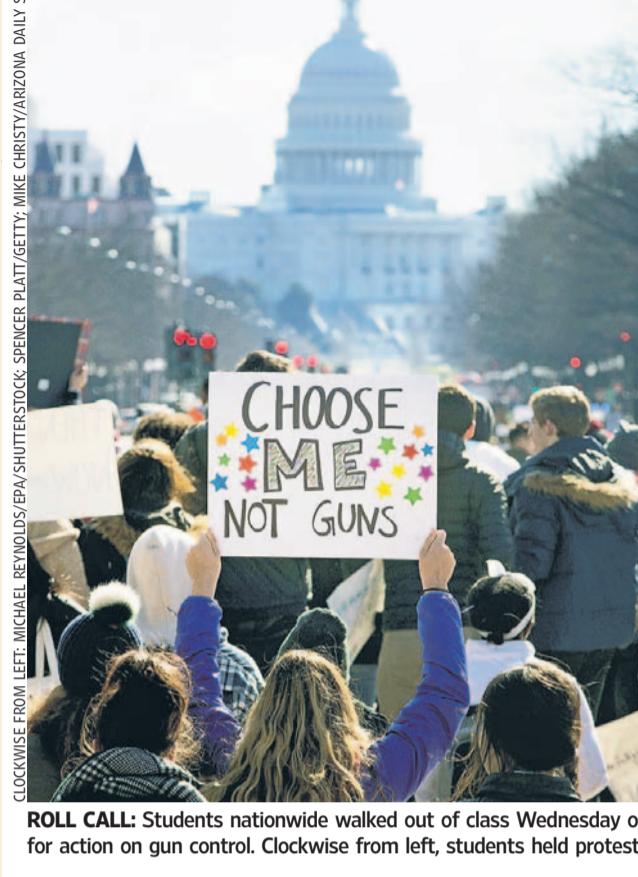
◆ Slovakia's prime minister offered to resign in the wake of the country's biggest protests since the fall of communism. A11

◆ Lebanon is seeking aid from allies as it faces tensions on the Syrian border and financial strains. A10

**CONTENTS** Markets B11-12 Business News... B3-6 Opinion A17-19 Capital Account... A2 Sports A16 Crossword..... A16 Technology..... B4 Head on Street B12 U.S. News.... A2-8 Life & Arts.... A13-15 Weather..... A16 Management..... B5 World News... A10-11

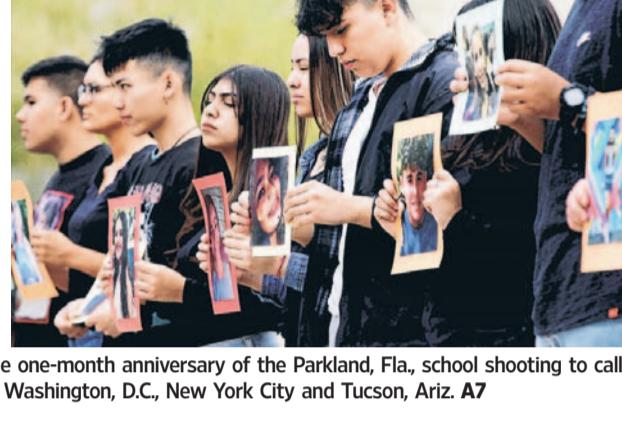
11431>  
0 78908 63141  
Copyright 2018 Dow Jones & Company. All Rights Reserved

## A Day of Protests Brings Out a Million Students Across the U.S.



CLOCKWISE FROM LEFT: MICHAEL REYNOLDS/EPA/SHUTTERSTOCK; SPENCER PLATT/GETTY; MIKE CHRISTY/ARIZONA DAILY STAR/AP

ROLL CALL: Students nationwide walked out of class Wednesday on the one-month anniversary of the Parkland, Fla., school shooting to call for action on gun control. Clockwise from left, students held protests in Washington, D.C., New York City and Tucson, Ariz. A7



## Trump Firm Tied to Silencing Deal

Lawyer to president's company is listed as counsel in arbitration case with ex-porn star

By MICHAEL ROTHFELD AND JOE PALAZZOLO

Documents marked "HIGHLY CONFIDENTIAL PROCEEDING" for the first time tie President Donald Trump's flagship holding company to the continuing effort to silence a former adult-film actress who says she had

an affair with Mr. Trump.

A Trump Organization lawyer, Jill A. Martin, is listed as counsel in an arbitration demand for Essential Consultants LLC, a Delaware company formed by Mr. Trump's personal lawyer and used to pay \$130,000 to Stephanie Clifford in exchange for her silence, according to Feb. 22 arbitration documents filed in Orange County, Calif.

At issue is a high-profile battle between Mr. Trump's personal lawyer and Ms. Clifford, also known as Stormy Daniels.

Michael Cohen, Mr. Trump's lawyer, has obtained a temporary restraining order against Ms. Clifford in the arbitration to stop her from talking about an alleged 2006 sexual encounter with Mr. Trump. Ms. Clifford has asked a judge to declare the nondisclosure agreement invalid.

The White House and Mr. Cohen repeatedly have sought to distance the president from the porn-star pact and payment.

Mr. Cohen, who was employed by the Trump Organiza-

tion when he brokered the deal with Ms. Clifford shortly before the 2016 presidential election, has maintained he was acting on his own and has called it a "private transaction." Soon after Mr. Trump's electoral victory, Mr. Cohen left the company to establish Please see TRUMP page A7

◆ White House braces for more staff changes..... A4

◆ Rand Paul to oppose State, CIA nominees..... A4

◆ High bar is set for tariff exclusions..... A8

Please see HOLMES page A6

## Disney Moves Reboot Race For Successor To CEO Iger

By BEN FRITZ

Walt Disney Co. is reorganizing its operations in a move that positions two top executives as potential successors to Chief Executive Robert Iger.

Kevin Mayer, the company's longtime head of strategy who has specialized in acquisitions and digital investments, was named chairman of a new direct-to-consumer and international segment, while parks chief Robert Chapek added consumer products to his portfolio, giving him oversight of what would be the company's biggest business unit by revenue and profit.

Wednesday's moves come a week after Disney made former consumer products head James Pitaro the head of Please see DISNEY page A11

## TV Commentator Is Trump Pick



RICHARD DREW/ASSOCIATED PRESS  
Lawrence Kudlow, a conservative commentator who appears on CNBC, will become one of President Donald Trump's top economic advisers as director of the National Economic Council. A4

## Stock Traders Race The Closing Bell

Index funds stir a frenzy in the day's final auction at the New York Stock Exchange

Around 3:40 p.m. on a recent trading day, a dozen or so brokers at the New York Stock Exchange hustled back to their posts after bathroom breaks and a last coffee.

By Corrie Driebusch, Alexander Osipovich and Gregory Zuckerman

They strapped on headphones to prepare for the closing minutes of the U.S. stock market—the pinnacle moment for investors worldwide.

As the clock neared 4 p.m., a buzz grew on the trading floor of mutual-fund giant Vanguard Group 100

miles away in Malvern, Pa., while Michael Buek, head of U.S. equity trading, and his team prepared billions of dollars in trades.

In downtown Milwaukee, Michael Antonelli, a trader for R.W. Baird & Co., joined the late-day countdown, poring through data from exchanges while entering stock orders for large mutual- and pension-fund clients.

Millions of investors, from retired teachers to hedge-fund titans, rely on the footwork of such traders in the run-up to 4 p.m., when exchanges like the NYSE and Nasdaq Inc. conclude the day with a burst

Please see STOCKS page A12

## U.K. Expels Russians Over Spy's Poisoning

By JENNY GROSS

LONDON—Prime Minister Theresa May said the U.K. is kicking out 23 Russian diplomats, its single biggest expulsion in more than three decades, and described Moscow as showing complete disdain for the gravity of the use of a nerve agent on British soil.

In the most dramatic diplomatic confrontation between London and Moscow since the end of the Cold War, Mrs. May on Wednesday said the Russian state was culpable for the attempted murder of Sergei Skripal, a 66-year-old former Russian spy, and his daughter Yulia, 33, earlier this month. Moscow missed a midnight Tuesday deadline to explain how Mr. Skripal, a former informant for Britain's foreign intelligence service, was poisoned with a deadly Soviet-era nerve agent. He and his daughter are in critical but stable condition.

"This represents an unlawful use of force by the Russian state against the United Kingdom," Mrs. May said in the House of Commons. "In the aftermath of this appalling act against our country, this relationship cannot be the same."

Despite the strong rhetoric, analysts said the U.K. government's response was measured and moderate, suggesting that British officials were reserving stronger measures—such as expelling the Russian ambassador to the U.K. or leveling new sanctions on figures close to President Vladimir Putin—in case of further escalation between London and Moscow.

"I expected a stronger reaction, but I can understand the need for caution," said Jonathan Eyal, international director at the Royal United Services Institute, a security think tank. Please see RUSSIA page A10

◆ May seeks legislation similar to U.S. Magnitsky Act..... A10

## An Eye-Roll Captivates A Nation

\* \* \*

Beijing confab's big take-away: a look of disdain

By TE-PING CHEN AND CHUN HAN WONG

BEIJING—The eye-roll that transfixed the nation came on a day of tightly choreographed political theater.

For the past week or so, delegates to China's National People's Congress have dined about government policy, stopping occasionally to field prearranged questions.

Then came the drama of the two reporters, one in red, one in blue.

Midway through a news briefing Tuesday, the blue-clad reporter had enough. A fellow journalist in a red jacket beside her was asking how Bei-

Please see EYE page A12

## World's First "Self-Driving" Database

Oracle Autonomous Database

No Human Labor – Half the Cost  
No Human Error – 100x More Reliable

ORACLE®

oracle.com/selfdrivingdb

Human labor refers to tuning, patching, updating, and maintenance of database.  
Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Seeds of Instability Are Germinating Again



Since the bailout of Bear Stearns Cos. a decade ago this week and the failure of Lehman Brothers six months later, regulators have made it their mission to prevent a repeat.

Yet even though a big financial-firm collapse in the near future is exceedingly unlikely, another crisis isn't. Bear and Lehman were the manifestation of deeper economic forces that since the 1970s have produced crises roughly every decade. They are still at work today: ample flows of capital across borders, mounting debts owed by governments, corporations and households, and ultralow interest rates that nurture risk-taking in hidden corners of the economy.

For a quarter-century after World War II, the world was virtually crisis-free. Widespread defaults during the Great Depression and the war left a relatively debt-free path for economic growth, says Harvard University economist Kenneth Rogoff, co-author with Carmen Reinhart of "This Time is Different: Eight Centuries of Financial Folly." Capital

controls limited how much money could cross borders, while rules such as interest-rate ceilings limited who could borrow and how much.

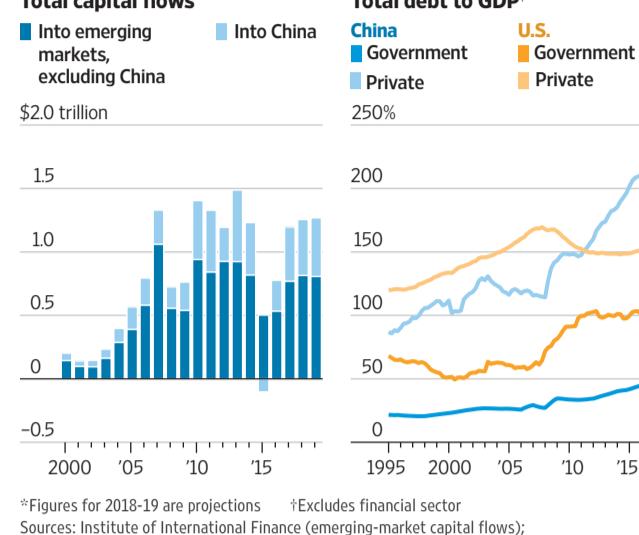
**B**y the early 1980s, though, deregulation had allowed capital to flow freely within and across borders and crises became a regular occurrence: the Latin American debt crisis that began in 1982, the U.S. commercial real-estate and savings-and-loan crisis of the 1980s, the Asian and Russian financial crisis of 1997-98, the dot-com bubble of 1998-2000, the U.S. mortgage crisis of 2007-09 and the European sovereign-debt crisis of 2009-13, interspersed with country-level crises.

Bear was both facilitator and victim of a housing bubble inflated by low interest rates and huge inflows of foreign capital—a "global saving glut" as then-Federal Reserve Chairman Ben Bernanke put it. It arranged mortgages that financed the housing bubble while borrowing heavily with short-term IOUs. When those mortgages went bad, Bear's creditors yanked their funds, a de facto run on the bank.

Most of the regulatory effort since has been to ensure

## Debts Roll On

Cross-border capital flows and debt growth haven't let up since the crisis.



\*Figures for 2018-19 are projections. †Excludes financial sector.  
Sources: Institute of International Finance (emerging-market capital flows); Bank for International Settlements (China, U.S. total debt)

THE WALL STREET JOURNAL.

the largest financial institutions such as JPMorgan Chase & Co., which bought Bear Stearns in a fire sale brokered by the Fed, don't succumb to anything similar: thicker buffers of capital to absorb losses, more reserves of cash and liquid assets to pay off skittish creditors, restrictions on trading and

compensation that incentivize risk-taking, and new procedures for winding down failing institutions without taxpayer bailout or a chaotic bankruptcy. Though President Donald Trump's appointees and Congress are beginning to dial back the regulations, the failure of a systemically important institution now

looks pretty remote.

But Hyun Song Shin, research chief at the Bank for International Settlements, warned in a 2014 speech against the tendency to "focus on known past weaknesses rather than asking where the new dangers are." Banks may be stronger than a decade ago, but the financial system hasn't returned to its pre-1980 repressed state.

Mr. Shin pointed out that bond markets are growing at the expense of banks in supplying credit, enabling business and government debt loads in many countries to surpass their precrisis peaks. Emerging markets have borrowed heavily in dollars, which leaves them vulnerable should the dollar's value rise sharply.

Total U.S. debt, at around 250% of GDP, still stands at crisis-era peaks while debt levels in China have caught up and passed the U.S., according to the BIS. U.S. companies' debts had reached 34% of assets by the end of 2016, the highest at least since 2000. Debt-servicing burdens haven't risen commensurately thanks to low inflation and low rates, but they have begun climbing. More than \$1 trillion a year

still flows into emerging markets each year, according to the Institute of International Finance.

**T**his tells us little about when or where a crisis will happen or what may trigger it. Crises surprise because they usually start with an assumption so sensible that everyone acts on it, planting the seeds of its own undoing: in 1982 that countries like Mexico don't default; in 1997 that Asia's fixed exchange rates wouldn't break; in 2007 that housing prices never declined nationwide; and in 2011 that euro members wouldn't default.

James Bianco, who runs his own financial research firm in Chicago, speculates that the equivalent today might be, "We will never see higher inflation or higher growth." If either in fact occurs, the low interest rates that have raised household stock and property wealth to an all-time high relative to disposable income won't be sustainable.

Central banks know this, of course, which is one reason they are wary of raising interest rates too quickly—while nervous that if they raise them too slowly, the problem will get worse.

## CORRECTIONS &amp; AMPLIFICATIONS

**Russian banker Boris Berezhovsky** was found dead on his bathroom floor with part of a scarf around his neck in 2013, while another opposition businessman, Alexander Perepilichny, collapsed and died while jogging in 2012. A World News article on Wednesday about Russian exiles living in the U.K. incorrectly transposed the years of the men's deaths.

**Slightly more** than one-third of Rome's public water is either lost or illegally diverted

because the city's infrastructure is decrepit. A World News article Wednesday about the 5 Star Movement's bid to govern all of Italy after almost two years in power in Rome incorrectly said nearly half of the water is lost.

**Laurence Norman** contributed to a Page One article Wednesday about the nomination of Mike Pompeo as secretary of state. In some editions his first name was misspelled as Lawrence.

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.

**THE WALL STREET JOURNAL**  
(USPS 664-880) (Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)  
Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036  
Published daily except Sundays and general legal holidays.  
Periodicals postage paid at New York, NY, and other mailing offices.  
**Postmaster:** Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.  
All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.  
**Letters to the Editor:** Fax: 212-416-2891; email: [wsjtrs@wsj.com](mailto:wsjtrs@wsj.com)

**NEED ASSISTANCE WITH YOUR SUBSCRIPTION?**  
By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com)  
By phone: 1-800-JOURNAL (1-800-568-7625). Or by live chat at [wsj.com/livechat](http://wsj.com/livechat)

**REPRINTS & LICENSING**

By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com); By phone: 1-800-843-0008

**GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS**

BARNEYS.COM

NEW YORK BEVERLY HILLS SAN FRANCISCO  
CHICAGO BOSTON LAS VEGAS PHILADELPHIA SEATTLE

FOR INSIDER ACCESS: THEWINDOW.BARNEYS.COM

**CIFONELLI**

E X C L U S I V E L Y  
O U R S

SAME DAY DELIVERY  
AVAILABLE IN MANHATTAN AND SELECT ZIP CODES  
IN THE GREATER METROPOLITAN AREA

BARNEYS  
NEW YORK

EXCLUSIVELY OURS

## U.S. NEWS



Democrat Conor Lamb declared victory Wednesday, while his opponent said he wouldn't concede until all the votes were counted.

## Lamb Claims Win in Pennsylvania

Both parties look to learn from upset as Democrat clings to razor-thin advantage

Democrat Conor Lamb claimed victory with a razor-thin lead in Pennsylvania's special election for a U.S. House seat Wednesday, as members of both parties sought strategic lessons from the political upset.

By Reid J. Epstein, Joshua Jamerson and Janet Hook

Mr. Lamb's Republican opponent, Rick Saccone, is declining to concede as absentee ballots are still being counted. The state is unlikely to officially certify the results, which show Mr. Lamb eking out a win by a few hundred votes, until next week.

Democrats were emboldened by their party's show of strength in a district President Donald Trump won in 2016 by 20 percentage points. The seat became vacant when GOP Rep. Tim Murphy resigned in October after it was revealed he had asked a woman with whom he'd had an affair to consider terminating a pregnancy.

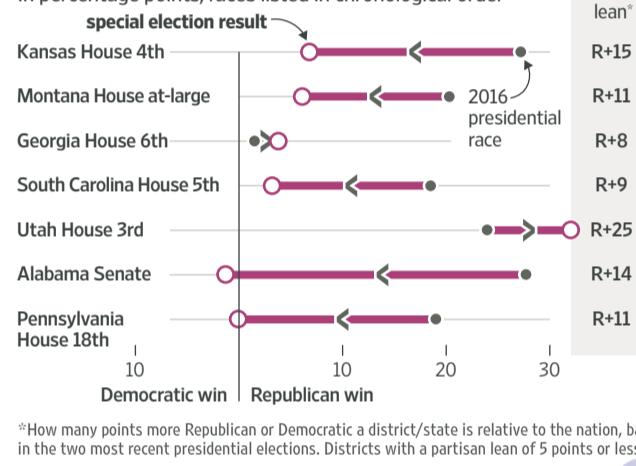
The results provided fresh momentum to scores of Democratic House candidates looking to oust Republicans from areas Mr. Trump won in 2016. There are 97 GOP-held House districts in which Mr. Trump's victory margin was closer than it was in the Pennsylvania district.

Andrew Janz, a Democrat running against GOP Rep. Devin Nunes in a heavily Republican California district, said he was

### Shifting Ground

In elections for Senate and House vacancies, all but two Republicans underperformed President Donald Trump's 2016 margins. While the GOP retained most of those seats, the narrower-than-expected margins in deep red areas could signal trouble for Republicans in more competitive congressional districts in November.

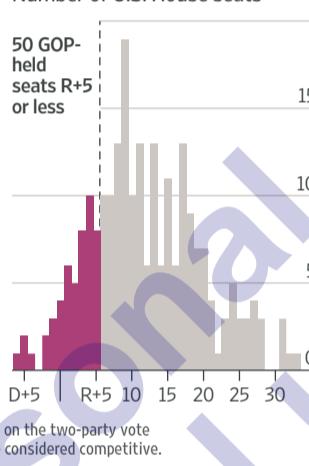
#### Margin of victory in U.S. House and Senate contests since 2016



\*How many points more Republican or Democratic a district/state is relative to the nation, based on the two-party vote in the two most recent presidential elections. Districts with a partisan lean of 5 points or less are considered competitive.

Sources: Daily Kos Elections (2016); the states (2017); Cook Political Report (House seats)

#### Partisan lean of GOP districts



Randy Yip/THE WALL STREET JOURNAL.

inspired by Mr. Lamb's showing in an even more conservative district than his own. "I can't thank Conor enough for having the tenacity to take on" such a tough district, Mr. Janz said.

House Speaker Paul Ryan of Wisconsin told fellow House Republicans in a closed-door meeting Wednesday that it was a "wake-up call" for the GOP.

Speaking to reporters after the meeting, Mr. Ryan predicted most Democratic candidates in the midterms would run races to the left of Mr. Lamb.

The Democrat has said he is personally opposed to abortion—but supports the legal right to abortion—and said he wouldn't support Rep. Nancy Pelosi of California as the House Democratic leader.

"This is something you are

not going to see repeated," Mr. Ryan said. "They were able to pick a candidate who ran as a conservative, who ran against the minority leader."

Mr. Lamb has bucked the liberal wing of his party by opposing a Medicare-for-all health-care system, but he also ran against the new GOP tax law, describing it as a "giveaway" to the wealthy and large corporations at the expense of the middle and lower classes. Mr. Lamb also vowed to be a champion for organized labor, and he garnered the support of unions whose membership included steelworkers and coal miners.

Tuesday's special election followed four in 2017 in which Democrats came close but failed to win Trump-friendly House seats. The result Tues-

day suggests a shifting landscape. Mr. Lamb carried 172 precincts Mr. Trump won in 2016, while Mr. Saccone didn't win any precincts Democrat Hillary Clinton carried, according to Miles Coleman of the elections website Decision Desk HQ.

Mr. Trump didn't comment on the results, but White House spokesman Raj Shah said the president, who campaigned twice for Mr. Saccone, "turned what was a deficit for the Republican candidate to what is essentially a tie."

Mr. Shah added that "the Democrat in the race really embraced the president's policies and his vision" rather than his party's hierarchy. The only major issue on which Mr. Lamb lined up with the president was his imposition of steel tariffs.

## Senate Passes Bill Easing Banking Rules

By ANDREW ACKERMAN



Senate Majority Leader Mitch McConnell was one of 67 senators who approved a bill to relax restrictions on the banking industry.

Approved on a 67-31 vote, the legislation seeks to cut red tape and relieve lenders from some of the most onerous rules put in place after the financial crisis, including restrictions meant to limit the damage firms could cause to the economy.

Seventeen centrists from the Democratic caucus supported the bill, bucking the party's liberals who have fought changes to the 2010 Dodd-Frank financial law, a sweeping initiative meant to prevent another financial meltdown.

Supporters said the bill will spur more lending and boost the U.S. economy. "This bill has received widespread support for good reason: the cycle of lending and job creation has been stifled by onerous regulation," said Sen. Mike Crapo (R., Idaho), the bill's main author and chairman of the banking committee, on the floor ahead of the vote.

Opponents said it would

bring back unnecessary risks to the nation's financial system and harm consumers. They noted the bill passed on the 10-year anniversary of the collapse of Bear Stearns Cos., a key developer in the 2008 crisis.

The legislation now moves to the House, where top Republicans said they want to add provisions to the bill. Adding to it could upset the deal between Mr. Crapo and a group of moderate Democrats, possibly delaying final passage for weeks or months, or derailing the legislation altogether, Senate aides said.

In a statement after the vote, the White House said Mr. Trump, a Republican, would sign the Senate bill into law without additional changes, though he "looks forward to discussing any further revisions the House is interested in making."

A spokeswoman for House Speaker Paul Ryan (R., Wis.) said Mr. Ryan is working with Rep. Jeb Hensarling (R., Texas), chairman of the Financial Services Committee, and the GOP conference "to determine next steps."

Wednesday's bill marks one of the Senate's few bipartisan accomplishments in recent memory.

Last year, the biggest legislative battles over health care and taxes both relied on a procedural shortcut tied to the budget process. That allowed Republicans to pass a tax overhaul with a simple majority in the Senate, although they fell short of that on health care. Most legislation needs 60 votes to clear procedural hurdles in the Senate.

A core piece of the Senate bill could cut to 12 from 38 the

number of banks subject to heightened Federal Reserve oversight by raising a key regulatory threshold to \$250 billion in assets from the current \$50 billion. The Fed has already eased stress tests for midsize banks, but Dodd-Frank limits the Fed's reach because it spells out that all banks above \$50 billion in assets must face stricter rules. By effectively raising that threshold to \$250 billion, the new legislation would give regulators more space to lighten the load.

The bill would also give the Fed some discretion to keep a closer eye on banks in the \$100 billion to \$250 billion range, depending on their perceived risk levels.

Another provision—a flashpoint in the debate over the bill—would exclude banks that originate fewer than 500 mortgages annually from having to report certain racial and income data on their mortgages, unless they perform poorly on tests of lending discrimination.

Critics charge the provision could make it tougher to police racial discrimination in lending, though supporters have denied the charge. They point to a Fed Bank of Kansas City analysis that found about 3.5% of total reportable data would be lost, while about 75% of banks would receive relief under the provision.

◆ Heard: Big winners in bill to help small banks.....B12

© D. YURMAN 2018

**DAVID YURMAN**

DAVIDYURMAN.COM • 888-DYURMAN

**TOD'S**  
MADE IN ITALY

TOD'S NEOPRENE SNEAKER - \$595

650 MADISON AVENUE  
NEW YORK CITY - 212 644 5945  
800-457-TODS  
SHOP TODS.COM

*Misahara*

HOW DOES YOUR JEWELRY  
MAKE YOU FEEL?



18k, Diamonds and Rose de France  
Also available in your choice of colors, \$5,500

NEW YORK - PORTO MONTENEGRO

THE PLAZA  
NEW YORK

(212) 371-7050

[www.misahara.com](http://www.misahara.com)

At select Neiman Marcus

## U.S. NEWS

# Kudlow Gets Economic Adviser Post

CNBC commentator, who had informal role in president's 2016 race, to succeed Cohn

By NICK TIMIRAO

Lawrence Kudlow, a conservative economic commentator whose career included jobs in the White House, Wall Street, radio and business television, will become one of President Donald Trump's top economic advisers as director of the National Economic Council.

Mr. Kudlow said he was offered the job after a series of recent phone conversations with the president in which the two discussed differences of opinion about trade, among other things.

Beyond trade, Mr. Kudlow, a former budget aide to President Ronald Reagan, has urged the Trump administration to pay more attention to growing budget deficits.

At 20 years by interviewing him on those shows.

Mr. Kudlow's appointment suggests Mr. Trump will continue to hear conflicting voices in the White House.

The president has said he likes fielding competing views. In the tariff debate, Mr. Trump sided with trade skeptics who sought to crack down on cheap imports of steel and aluminum.

"The president wants to hear me, even if we disagree. He told me that several times," Mr. Kudlow said Wednesday.

After a turn through government—he served as the top economist to Reagan budget director David Stockman—he returned to Bear Stearns.

At 28 years old, Mr. Kudlow became chief economist at Paine Webber, a prominent brokerage firm, and later took the same position at Bear Stearns, even though he lacked an economics degree.

In 1994, he resigned and subsequently acknowledged a drug and alcohol addiction. It isn't clear whether that episode could complicate efforts to obtain security clearances.

For the past 17 years, he has appeared as a commentator and host on various CNBC and radio programs, and he has toyed with running for the Senate as a Republican.

He developed a relationship with Mr. Trump over the past



## As Seen on TV, a Trump Fan, Critic

By DAVID HARRISON

President Donald Trump's pick for National Economic Council director has an extensive record of policy views.

Lawrence Kudlow has been a vocal advocate of "supply-side" economics, the idea that cutting business taxes and regulation will lead to greater investment, hiring and economic growth.

The prominent Republican economic analyst and television commentator supports free trade and a strong dollar, positions at odds with those of his new boss. He also favors tax cuts and low interest rates, putting him in sync with the president.

Here is a brief summary of his comments on some issues:

### TRADE

Mr. Kudlow has criticized Mr. Trump's decision to impose tariffs on imported steel and aluminum. In a recent National Review article written with economist Arthur Laffer

and policy analyst Stephen Moore, Mr. Kudlow said tariffs were equivalent to a tax on American consumers who will have to pay more for goods that use steel and aluminum.

Mr. Kudlow has privately said, however, he could support tariffs with some modifications if they are used as a negotiating tool to achieve better trade relationships, according to a person who has spoken with him in recent days. Unlike the president, Mr. Kudlow isn't overly concerned about the U.S. trade deficit.

### DOLLAR

Mr. Kudlow says a strong U.S. currency keeps a lid on inflation and interest rates and gives American firms and households more purchasing power, all of which fuels faster economic growth.

Mr. Trump has expressed support for a weaker dollar as a way to help American exporters by making their products cheaper in global markets.

### TAXES

Mr. Kudlow has said the tax cuts enacted last year would boost annual economic growth to 3% or 4% because they make it cheaper for firms to borrow and increase returns on investment.

Those higher growth rates will lead to increased government revenue, more than offsetting the amount forgone because of lower tax rates, he said.

The congressional Joint Committee on Taxation has found more modest growth effects and estimated the tax cuts would cost roughly \$1 trillion after taking additional economic growth into account.

### INTEREST RATES

In 2015, he supported then-Federal Reserve Chairwoman Janet Yellen's policy of taking a cautious and slow approach to raising rates from near zero. At the time, many Republicans on Capitol Hill were calling for higher borrowing

### At a Glance

- ◆ Age: 70.
- ◆ Antiwar movement leader during the Vietnam War.
- ◆ Bachelor's degree, history, University of Rochester, 1969.
- ◆ Assistant to Paul Volcker, president, New York Fed.
- ◆ Chief economist, Bear Stearns.
- ◆ Budget aide to President Ronald Reagan.
- ◆ CNBC commentator, host.
- ◆ Avid tennis player.

BRENDAN McDERMID/REUTERS

## White House Braces for More Staff Changes

By REBECCA BALLHAUS

**WASHINGTON**—The White House is preparing for more changes in the administration's senior ranks following this week's dismissal of Secretary of State Rex Tillerson and last week's resignation of top economic adviser Gary Cohn.

President Donald Trump has hinted at a further shuffle. "I'm really at a point where we're getting very close to having the cabinet and other things that I want," said Mr. Trump on Tuesday, hours after announcing via Twitter that he was ousting Mr. Tillerson.

Last week, on the day Mr. Cohn resigned, Mr. Trump wrote on Twitter that he was "always seeking perfection" in staffing the White House. Still, he wrote: "There is no Chaos, only great Energy!"

In the past, the president has privately discussed ousting aides, only to reconsider, and at times he has publicly criticized cabinet members but taken no further action.

But White House officials said they are expecting more changes, which can come quickly once the Republican president decides to show a colleague the exit.

Here is a look at members of Mr. Trump's administration whose futures appear uncertain, based on Wall Street Journal reporting.

### David Shulkin

Mr. Trump has been considering replacing Veterans Affairs Secretary David Shulkin since an inspector general's report released last month found the secretary had misspent taxpayer money during an official trip to Europe last year. Among the candidates Mr. Trump is considering: Energy Secretary Rick Perry, with whom the president lunched on Monday, according to an administration official.

### H.R. McMaster

National security adviser Lt. Gen. H.R. McMaster is working with strained alliances both inside and outside the White House and faces persistent speculation that he will be pushed out as soon as the Pentagon finds a suitable new job for him—or the White House settles on someone to take his place. Gen. McMaster has little chemistry with the president, and has often frustrated Mr. Trump with lengthy policy dissertations in the Oval Office,



President Donald Trump addressing a cabinet meeting earlier this month. A number of administration officials may be on their way out.

### Ex-FBI Deputy Chief McCabe Faces Firing

Attorney General Jeff Sessions is considering a recommendation to fire former Deputy FBI Director Andrew McCabe and could order his ouster this week, shortly before Mr. McCabe's expected retirement, according to a person familiar with the matter.

Mr. McCabe allegedly wasn't forthcoming with investigators probing the disclosure of information to a Wall Street Journal reporter for an October 2016 article about an inquiry into the Clinton Foundation, said the person.

Mr. McCabe left his post in



January after he was told to step aside, but had been expected to take vacation time until he was eligible to retire this month.

A spokeswoman for Mr. Sessions said that the Justice Department "follows a prescribed process by which an employee

may be terminated," and said she had "no personnel announcements at this time."

The inspector general concluded that Mr. McCabe participated in the release of the information and wasn't forthcoming during its review. Mr. McCabe couldn't be reached to comment. The review triggered an FBI inquiry into Mr. McCabe's alleged conduct. That process resulted in the recommendation that he be fired, the person said.

Mr. McCabe has told friends he didn't intentionally mislead investigators and was never dishonest, according to another person familiar with the matter.

—Del Quentin Wilber and Aruna Viswanatha

for referring a probe of the Justice Department's handling of secret surveillance warrants to the department's inspector general—the usual venue for such allegations—rather than to another office. Mr. Sessions' response that he had acted with "integrity and honor" only infuriated the president further, according to people close to the White House.

John Kelly

Chief of staff John Kelly, who joined the White House

workarounds to some of Mr. Kelly's measures to limit access to the president, such as relying on first lady Melania Trump to field calls from friends. Some of the president's friends said last month that Mr. Trump has started to ask them about Mr. Kelly's performance, and two people said he has sought opinions on potential replacements.

### Jared Kushner and Ivanka Trump

The president has held conflicting views about what to do with Jared Kushner, his son-in-law, and Ivanka Trump, his elder daughter, both of whom serve as senior advisers in the White House. Mr. Kushner's security clearance was downgraded to secret from top secret late last month, following a push by Mr. Kelly to tighten control of classified information inside the administration. And Mr. Kushner has figured prominently in the special counsel's Russia probe, which is focusing on a number of episodes during the campaign that involved him. He has denied any wrongdoing.

Inside the West Wing, the president has repeatedly wondered whether the couple would be better off returning to their private-sector lives in New York. Mr. Trump has already found

## Rand Paul To Oppose State, CIA Nominees

By KRISTINA PETERSON

President Donald Trump's picks to run the Central Intelligence Agency and the State Department will likely need votes from Democrats to get confirmed by the closely divided Senate, after a Republican lawmaker said he would oppose their nominations.

Sen. Rand Paul (R., Ky.) on Wednesday said he would oppose the nomination of Gina Haspel to lead the CIA, citing her involvement with the harsh interrogation program used in the wake of the Sept. 11, 2001, attacks. He also said he would oppose the nomination of Mike Pompeo to be secretary of state, citing his apparent stance on foreign wars.

President Donald Trump on Tuesday fired Rex Tillerson as secretary of state and named Mr. Pompeo, currently the CIA director, to succeed him. Ms. Haspel, the agency's deputy director, would be the first woman to lead the CIA if confirmed.

Lawmakers expect Mr. Pompeo to face few hurdles to confirmation. He was confirmed to his current CIA post in January 2017 in a 66-32 vote three days after Mr. Trump's inauguration. But Ms. Haspel could face a tougher time, and her nomination has already drawn concern from lawmakers.

Nominees need a majority vote to clear the Senate, where the GOP has a 51-49 advantage. Vice President Mike Pence would break any ties. GOP Sen. John McCain has been battling brain cancer and is expected to stay home in Arizona.

"This is a very closely divided body, and if even one or two Republicans choose to oppose a nominee, then it opens the door for us to defeat that nominee," said Sen. Chris Coons (D., Del.), who said he is starting to review Ms. Haspel's record.

Mr. Paul said Wednesday he worried Mr. Pompeo hadn't drawn the same lessons from the Iraq war as he had: that "regime change has unintended consequences" that could be repeated in Iran. Mr. Pompeo has been a critic of the 2015 nuclear agreement that the U.S. and five other nations struck with Iran.

PAID ADVERTISEMENT

BEFORE YOU CAN SUPPORT AMERICA'S JOB CREATORS,

YOU NEED TO KNOW WHO THEY ARE.



To everyone who believes in supporting and incentivizing the American entrepreneurs who generate thousands of jobs every day, we couldn't agree more.

- Latino-owned new business formation skyrocketed 47% between 2007 and 2012.<sup>1</sup>
- Non-Latino new business formation declined by 2% over the same period.<sup>2</sup>
- Latino-owned businesses created 1.9 million jobs in 2007 and have been outperforming non-Latino job creation every year since.<sup>3</sup>

For even more eye-opening facts about this extraordinary group of American taxpayers, neighbors, soldiers, churchgoers and job creators, visit [www.thepowerofall.us](http://www.thepowerofall.us).

Brought to you by the Latino Donor Collaborative. LDC is a group of Latino business leaders committed to a bigger, more prosperous US economy that includes and benefits everyone.

1. Rivers, Douglas, J. I. Porras, R. Arteaga, T. Chapa, J. Salinas. *State of Latino Entrepreneurship, 2015, Final Report*. Stanford Graduate School of Business, <https://www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2015>, 11.

2. Rivers and Porras. *State of Latino*, 11.

3. United States, Department of Commerce. Minority Business Development Agency Office of Public Affairs, 21 Sept. 2010. <https://www.mbda.gov/news/press-releases/2010/09/commerce-department-report-shows-hispanic-owned-businesses-are-growing>.

**LDC** LATINO DONOR  
COLLABORATIVE

The Power Of All

## U.S. NEWS

# First Stop for New Navy Medics: Chicago

By SHIBANI MAHTANI

CHICAGO—Konrad Poplawski, a 22-year-old Navy hospital corpsman, is about to be deployed as a battlefield medic with the 2nd Marine Division, which has served in deadly battlefields in Iraq and Afghanistan.

But first, he is making a pit stop at Cook County's Stroger Hospital, which the Navy says is among few places in the U.S. that provide experience treating the types of wounds he will inevitably see on the battlefield.

Though Chicago is experiencing a sustained drop in murders since a dramatic spike in 2016, it remains a city where a high number of gunshot victims cycle through the trauma center night after night.

About 30% of patients at Stroger Hospital, on Chicago's near West Side, are admitted to the trauma ward with wounds from firearms, compared with a national average of 4.2% for level 1 trauma centers—hospitals certified to have the re-

mobilize a pilot program that has been tested here for three years, rotating newly enlisted hospital corpsmen—the combat medics for the Navy and Marines—and those needing a refresher while they are back home, for six to eight weeks through Stroger Hospital's trauma center. The 14-bed unit treats over 6,000 trauma patients yearly, many of them with penetrating, life-threatening wounds akin to those on the battlefield.

The experience here can't be replicated elsewhere, unless you have a major land invasion," said Dr. Faran Bokhari, who chairs the trauma and burn surgery unit at the hospital.

The Navy is working to for-



Navy hospital corpsman Konrad Poplawski, center, and Andrew Swain, right, speak with Evoria Williams at Stroger Hospital.

and patient care in Fort Sam Houston in Texas after initial boot camp, and then have the option for additional training.

The program at Stroger Hospital is part of a new push from the Department of Defense to prioritize civilian and military partnerships, specifically budgeted for in last year's National Defense Authorization Act. Navy corpsmen started embedding at Stroger Hospital as part of a pilot program in 2014, but the program will be expanded and designated an official training rotation this spring.

"Corpsmen are not routinely exposed to trauma or critically injured patients during their first assignments," said Defense Department spokeswoman Maj. Carla Gleason. This "realistic, hands-on trauma training will allow them to hone their skills and increase their readiness."

In recent days, the group of corpsmen have learned skills including how to scrub in before entering an operating the-

ater and how to operate a range of machinery, including suction machines for patients who are losing blood. After just two days of training, they are fully immersed in the trauma unit's team of doctors and surgeons, expected to help with procedures during the unit's busiest shift from 3 p.m. to 3 a.m.

Navy corpsmen often operate independently in combat zones, and the immersion helps them learn protocol and procedures in a large hospital so they can later replicate that.

"A lot of it is, here's your training, you learn, it gets drilled in into your head—then it's just go," said Andrew Swain, a 26-year-old corpsman who has served as a medic in Iraq. During that deployment, in his first "mass-casualty incident," he and just a handful of other medics had to treat about eight injured at the same time, all with traumatic injuries.

—Ben Kesling contributed to this article.

## HOLMES

*Continued from Page One*  
pin of the company's strategy handled just a small fraction of the tests sold to consumers. Some employees also were leery about the machine's accuracy, the Journal reported. Theranos was valued at more than \$9 billion at the time and Ms. Holmes's majority stake at more than half that.

Before the Journal's articles, Ms. Holmes's bold talk and black turtlenecks drew comparisons to Apple Inc. co-founder Steve Jobs. She was featured on the covers of Fortune and Forbes magazines, and she was a fixture at industry conferences.

She started Theranos in 2003 after dropping out of Stanford University as a 19-year-old sophomore. Over the next dozen years, she successfully raised money from wealthy investors such as venture capitalist Tim Draper and Rupert Murdoch, who is the executive chairman of News Corp., which publishes the Journal. Theranos's board included former U.S. Secretary of State George Shultz and other high-profile directors. Messrs. Murdoch and Shultz declined to comment.

Theranos's rise and fall became a symbol of the excesses of the current technology boom, and the company exacted a painful financial and personal toll. The widow of a British biochemist who worked at Theranos and committed suicide in 2013 told the Journal her late husband had become frustrated at the company's lack of progress.

Tyler Shultz, a grandson of the former secretary of state and the first employee to blow the whistle to a state regulator about what he saw as troubling practices, became estranged from his grandfather.

An assistant to the elder Mr. Shultz has said that he "is deeply sorry that Tyler's experience at Theranos was so unsatisfactory for Tyler."

Many Theranos investors have lost the entire value of their investment. The losses for Mr. Murdoch, once the company's largest investor, total more than \$100 million, people familiar with the matter said.

The SEC said in its civil lawsuit Wednesday that Theranos was "on the verge of bankruptcy" in late 2017. The company has been kept afloat by a loan from a private-equity firm that is secured by Theranos's patents.

At the height of her fame, Ms. Holmes claimed she had developed revolutionary technology that would bring about earlier disease detection by making blood testing more user-friendly. She described a world in which no one would have to say goodbye to a loved one too soon.

In response to the Journal's articles, Ms. Holmes sought to discredit its reporting, and Theranos threatened the newspaper with litigation. The company later shut down several of its laboratories and voided nearly a million test results, leaving a trail of agitated patients who had been drawn to Theranos by its claims of convenience, low cost and reliability.

Walgreens, a unit of Walgreens Boots Alliance Inc., terminated a three-year partner-

## A PRIZED STARTUP'S STRUGGLES

Silicon Valley lab Theranos is valued at \$9 billion but isn't using its technology for all the tests it offers

By Ian Katz, with reporting by Michael S. Schmidt

THE WALL STREET JOURNAL, OCTOBER 15, 2015

### Walgreens Puts End To Theranos Alliance

Drugstore operator Walgreen's, including many

THE WALL STREET JOURNAL, JUNE 13, 2016

### FLAWED THERANOS TESTS HURT PATIENTS

THE WALL STREET JOURNAL, OCTOBER 21, 2016

### WHISTLEBLOWER SHOOK THERANOS AND HIS FAMILY

THE WALL STREET JOURNAL, NOVEMBER 17, 2016

### High-Profile Investors Bought Into Theranos

THE WALL STREET JOURNAL, NOVEMBER 29, 2016

Read the articles by The Wall Street Journal that led to the investigation of Theranos and its founder, Elizabeth Holmes, at WSJ.com.

#### Sky High

Enthusiastic investors boosted Theranos's value to more than \$9 billion.

#### Theranos valuation

February 2014  
\$9 billion

December 2004  
\$30 million

2003 05 10 15

#### Money raised from investors

\$600 million

400

200

0

Dec. '04 Feb. '06 Oct. '06 June '10 Feb. '14

Source: Company filings

#### Number Gap

The SEC alleged that potential investors got these projections in October 2014...

#### Revenue sources

Pharmaceutical services

Hospitals

Physicians' offices

— Lab services for —

\$40 million

\$46

\$9

...and Elizabeth Holmes allegedly showed this 2014 revenue total in 2015...

\$108 million

...but the company's actual revenue was far lower.

\$100,000

THE WALL STREET JOURNAL

ship with the startup and shut down the Theranos lab-testing centers it introduced in 40 drugstores in Arizona and California. The two companies had been about to expand the partnership to Walgreens's other U.S. stores.

Theranos later settled lawsuits filed by Walgreens and a hedge-fund investor, and the blood-testing company agreed to reimburse patients in Arizona as part of a settlement with the state's attorney general.

In its civil suit, the SEC alleged Ms. Holmes and Theranos "never told" Walgreens about the blood-testing firm's technological challenges.

The SEC filed separate civil fraud charges against Theranos's former president and chief operating officer, Ramesh "Sunny" Balwani. Ms. Holmes and Mr. Balwani jointly ran the company for seven years before he retired in May 2016, even as the two executives were in a romantic relationship, according to people familiar with the matter.

It isn't clear why the SEC didn't reach a settlement with Mr. Balwani. His lawyer, Jeffrey B. Coopersmith, said in a statement: "Sunny Balwani accurately represented Theranos

to investors to the best of his ability. He believed in the potential and mission of the company and its technology to promote transparency and benefit people by empowering them with access to their own health care information at a low cost."

Theranos is still facing a criminal investigation led by the U.S. attorney's office in San Francisco, people familiar with the investigation said. They said investigators in that probe have interviewed former Theranos employees and doctors in Arizona who ordered blood tests from the company.

"The Theranos story is an important lesson for Silicon Valley," said Jina Choi, director of the SEC's regional office in San Francisco, in a statement Wednesday. "Innovators who seek to revolutionize and disrupt an industry must tell investors the truth about what their technology can do today, not just what they hope it might do someday."

The SEC accused Ms. Holmes and Mr. Balwani of an elaborate, yearslong fraud in which they exaggerated or made false statements about the company's technology, business and financial performance.

While telling investors it had developed a portable blood analyzer that could conduct the full range of laboratory tests from just a few drops of blood pricked from a finger, Theranos was actually conducting the vast majority of the tests it offered to consumers in Walgreens stores on commercial analyzers manufactured by other companies, the SEC alleged in its lawsuits against Ms. Holmes, Mr. Balwani and Theranos.

Ms. Holmes and Mr. Balwani allegedly claimed falsely that Theranos's portable blood analyzers were deployed by the Defense Department in the battlefield in Afghanistan and on medevac helicopters.

The two Theranos executives also allegedly told investors that the company would generate revenue of more than \$100 million in 2014, according to the SEC. In fact, Theranos had barely \$100,000 of revenue that year, securities regulators alleged.

Many of the SEC allegations Wednesday tracked closely with the Journal's previous reporting. While Theranos offered more than 240 tests, ranging from cholesterol to cancer, former employees had told the Journal that its proprietary device, code-named Edison after the prolific inventor, could handle just one type of blood test known as immunoassays. A newer device called miniLab

could do more than one class of test but was a malfunctioning prototype, according to the former employees.

When Theranos launched its finger-prick blood tests in Walgreens stores in September 2013, it relied on commercial devices made by third-party manufacturers to make up for the Edison's limited capabilities, according to the former Theranos employees. The vast majority of tests offered to consumers were run on the commercial analyzers, according to the former employees and the SEC's suits.

The few blood tests that were run on the Edison were considered unreliable by employees in Theranos's main lab, the former employees said.

While Ms. Holmes was the public face of Theranos, Mr. Balwani ran the company day to day and enforced a culture of secrecy, according to former Theranos employees.

Tyler Shultz, the former secretary of state's grandson, was one of several former employees who were sources for the Journal article in October 2015. He said Theranos lawyers pressured him to retract statements he made before the article was published.

He said he refused to do so, even after being approached at the elder Mr. Shultz's house near the Stanford campus by two lawyers from Boies, Schiller & Flexner, a law firm representing Ther-

anos at the time. Mr. Shultz and his parents told the Journal they spent more than \$400,000 on legal fees.

Meanwhile, outside counsel David Boies, one of the country's best-known litigators since the late 1990s, twice came to the Journal's offices in Midtown Manhattan to try to persuade the paper not to publish the October 2015 article. Mr. Boies no longer does legal work for Theranos.

Many lab experts and doctors say the greatest damage caused by Theranos's actions was to the public health.

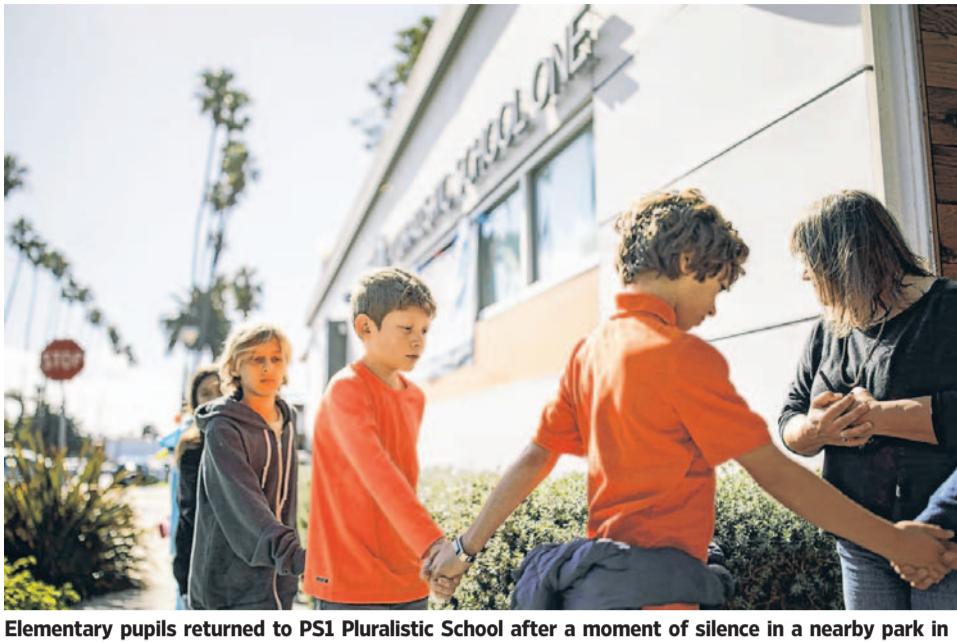
One of the tests Theranos voided measured coagulation and was relied on by doctors to adjust the dosage of blood thinners prescribed to patients at risk of blood clots and strokes. Following an inspection of Theranos's main lab in late 2015, the Centers for Medicare and Medicaid Services said Theranos's mis-handling of that and other tests had put patients in "immediate jeopardy." Theranos stopped doing any tests in October 2016.

Ten patients have since filed lawsuits against the company alleging consumer fraud and medical battery. The suits have been consolidated in federal court in Arizona. Theranos has said it would defend itself against the allegations in those lawsuits.

—Christopher Weaver contributed to this article.

JEFF HU/ASSOCIATED PRESS

## U.S. NEWS



Elementary pupils returned to PS1 Pluralistic School after a moment of silence in a nearby park in Santa Monica, Calif., on Wednesday. Students across the U.S. walked out of classes as a gesture.

# Students Protest Gun Violence

BY ARIAN CAMPO-FLORES

At 10 a.m., 1,000 students walked out of Stuyvesant High School in New York City. An hour later, 2,800 filed out of Curie Metropolitan High School in Chicago. An hour after that, 1,000 went to the Capitol in Boise, Idaho. And an hour after that, 1,000 walked out of Hamilton High School in Los Angeles, with signs that read "Am I next?"

In a wave across the country on Wednesday, students voted with their feet to protest government inaction on gun control. Nearly 1 million students took part in the protests, which included kindergartners through high-school seniors. In New York, the nation's largest school district, 100,000 students walked out.

The 17-minute walkouts came a month after a gunman killed 17 at Marjory Stoneman Douglas High School in Parkland, Fla. In that same span, there have been 10 school shootings in the U.S.

Far from big cities, in states with high levels of gun ownership, students protested. Anna Strong Garcia, a 17-year-old senior at Billings Senior High School, said, "We don't expect Montana to be the leader in gun-control

laws, but we don't want to be left behind."

More than 3,000 registered demonstrations took place in all 50 states, according to organizers with Women's March Youth Empower, which helped coordinate the "#Enough" school walkouts. It put the initial tally at nearly 1 million and said it was still counting. About 56 million students attend pre-K through 12th grade in public and private schools, according to federal data.

In the Atlanta Public Schools, about 16,000 students—mostly middle- and high-school students—participated in walkouts, officials said. The school system has about 52,000 students.

In Los Angeles, student leaders urged 1,000 students gathered at Hamilton High School not to let the issue fade after the moment had passed. "I'm begging you—call your representatives," Miriam Schweiger, 17, a senior, said on a microphone.

At Parkland's Stoneman Douglas High School, whose students have taken to traditional and social media to help turn their own tragedy into a national campaign for tougher gun laws, students filed onto the football field

## Some Districts Punish Protesters

Some students who walked out of school Wednesday faced unexcused absences or more serious penalties, as school districts in a number of states cracked down on demonstrations aimed at pressuring politicians to toughen gun laws.

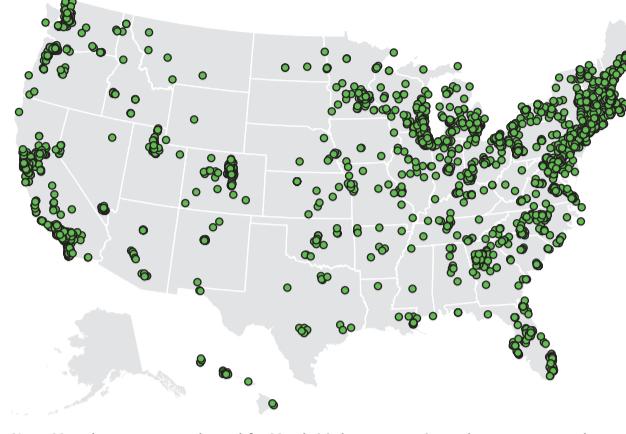
Cobb County School District in Georgia, which has nearly 113,000 students, said on Wednesday that those who participate in disruptive demonstrations may be subject to punishment in accordance with the student code of conduct. This could range from administrative meetings to a five-day suspension, depending on the severity of the offense.

for a 17-minute protest. Principal Ty Thompson addressed them: "We are going to make change, and it's already starting."

Outside, Allison Macleod, whose son Jack is a junior, carried a sign reading, "Our Kids Will Not Be Ignored." She wrote it on the back of an advertisement for a gun show that she said she pulled out

## A Wave of Walkouts

More than 3,000 student walkouts were planned across the U.S. to press elected officials to take action on school gun violence, one month after the Parkland shooting left 17 dead.



Note: Map shows protests planned for March 14 that were registered on womensmarch.com. Some protests may have been registered by students. Some protests may not have registered and aren't represented on the map.

Source: Womensmarch.com

THE WALL STREET JOURNAL.

Kevin Ciak, school board president in Sayreville, N.J., said about two dozen of the high school's roughly 1,800 students protested, with about a dozen going to the auditorium and a dozen leaving the building. He said those who went outside despite warnings of penalties would get suspensions.

Mr. Ciak said the district sought to avoid interruptions to instruction, and had to treat all viewpoints equally. "Schools don't have the ability to pick political issues," said Mr. Ciak.

Nancy Diaz, the mother of a Sayreville sixth-grader who had wanted to walk out, said he wouldn't due to the suspension threat. "My son is so upset, and his friends are so upset," she said Tuesday.

—Melissa Korn  
and Leslie Brody

of the ground after the shooting.

"These kids have been activated," said Ms. Macleod, 51, a real-estate agent who plans to attend the "March for Our Lives" rally in Washington, D.C., on March 24.

In the wake of the Parkland shooting, Stoneman Douglas students "took that moment and their frustration and

grievance to speak up about gun violence and demand Congress's action," said Winter Minsee, 17, a senior in Riverside, Calif., and one of the Enough organizers. "We want to capitalize off that."

Sustained pressure from students has been pushing politicians to action.

President Donald Trump on Sunday unveiled proposals for reducing gun violence at schools that included training school staffers to carry concealed weapons but not his earlier calls to raise the age limit for buying guns.

On Wednesday, the House passed the Stop School Violence Act, which will authorize \$50 million in annual funding for school security upgrades. Last week, Florida Gov. Rick Scott signed measure that added gun restrictions, such as raising the minimum age to buy any type of firearm to 21.

But many students are calling for more action. Among the demands listed by the Enough campaign are a ban on semiautomatic rifles and high-capacity magazines, and the expansion of background checks to all gun sales.

—Zusha Elinson, Shabani Mahtani and Ian Lovett contributed to this article.

# Schools Grapple With New Threats

BY SCOTT CALVERT

When students in Birmingham, Ala., walked out of class Wednesday morning to honor the 17 victims in last month's school shooting in Florida, they had one of their own to mourn.

Courtlin Arrington, a 17-year-old high-school senior and aspiring nurse, was fatally shot with a pistol on March 7 inside a classroom at Huffman High School. The alleged shooter, a fellow student, is charged with manslaughter.

"Our students are obviously very shaken," said Birmingham School Superintendent Lisa Herring.

After the Feb. 14 rampage at Marjory Stoneman Douglas High School in Parkland, Fla., students there launched a high-profile push for tougher gun laws and safer schools under the banner "never again."

But school shootings—including on college campuses—have already happened again, though not on the same scale.

In the past month, there have been 10 cases in which a live round was fired inside or into a school building, or on or onto school grounds, that resulted in injury or death, including suicides, according to Everytown for Gun Safety, a group that advocates stricter gun laws.

Meanwhile, police from California to Vermont say they have thwarted at least seven potential gun attacks on schools.

Before Parkland, there were 11 school threats a day on average this school year, according to Educator's School Safety Network, an Ohio-based nonprofit that sells safety-training programs to schools. In the seven school days after the shooting, the daily total ranged from 64 to 98. The tally has since dropped but remains "very elevated," said co-founder Amy Klinger.

# TRUMP

Continued from Page One  
his own legal practice.

Mr. Cohen and White House representatives have denied any sexual encounter took place between Mr. Trump and Ms. Clifford. White House press secretary Sarah Huckabee Sanders has referred questions about the agreement to Mr. Cohen.

It isn't known whether Mr. Trump participated in the agreement or was aware of it. The Federal Election Commission is reviewing complaints by interest groups alleging the transaction violated campaign-finance law. Proving any violation would require evidence of coordination between Messrs. Cohen and Trump or his campaign, campaign-finance experts say.

Mr. Trump took a leave from the Trump Organization after the election and turned over management to his two eldest sons and another executive, but retains a major financial interest in the company. A financial-disclosure form released last year shows Mr. Trump continues to derive significant income from the company.

Ms. Martin emailed a statement from the company that said she facilitated the filing "in her individual capacity" until a New York-based lawyer gained approval to practice in California. "The company has had no involvement in the matter," the statement said.

Asked for comment, Mr. Cohen referred the Journal to the Trump Organization's statement. The White House hasn't responded to requests for comment.

The arbitration filings, revealed by Michael Avenatti, Ms. Clifford's attorney, show a direct connection between Mr. Trump's company and the non-disclosure agreement with Ms. Clifford.

"We are uncovering more and more evidence that demonstrates that the American people have not been told the truth," Mr. Avenatti said in a statement. "We will not stop until we get to the bottom of this."

In January, The Wall Street



President Donald Trump's lawyer Michael Cohen brokered a deal with actress Stephanie Clifford.

Journal first reported the existence of the nondisclosure agreement and the payment to Ms. Clifford, who had privately alleged she had a sexual encounter with Mr. Trump after they met at a celebrity golf tournament in 2006.

Ms. Martin, 38 years old, is a vice president and assistant general counsel at the Trump Organization based in Los Angeles, according to her LinkedIn page.

In the arbitration proceedings, Ms. Martin signed a declaration listing her office address as One Trump National Drive, which is at the Trump Organization's Trump National Golf Club in Rancho Palos Verdes, Calif.

Ms. Martin, a lawyer for the Trump Organization since 2010, has defended Mr. Trump both in court and in the media.

She was a lead attorney for the Trump Organization in lawsuits alleging Mr. Trump's real estate seminars, Trump University, had defrauded customers.

The company settled the lawsuits in November 2016, after Mr. Trump's victory in the presidential election, without admitting wrongdoing.

While she had no formal role in Mr. Trump's presidential campaign, Ms. Martin vouched for his character in media interviews during the 2016 campaign, after several

women accused him of sexual harassment and assault, which he denied.

"Thousands of women have worked for him, including myself, and he's treated us with nothing but respect and appropriately. And he's always been someone who none of us would ever imagine he would do something like this," Ms. Martin said of the accusations in an October 2016 interview with CNN.

Mr. Cohen, who was a se-

made on behalf of "EC, LLC," an acronym for Essential Consultants used in the nondisclosure agreement, and against "Peggy Peterson," a pseudonym for Ms. Clifford used in the agreement in an effort to conceal her true identity.

Ms. Clifford last week filed a lawsuit in Los Angeles County Superior Court seeking to have the agreement declared null and void. Neither the White House nor Mr. Cohen has responded to the suit.

Among the arguments in her complaint is that Mr. Trump didn't sign the agreement even though he was party to it. He was listed as

"David Dennison," also a pseudonym, her court filings show.

In the "highly confidential" documents Ms. Clifford filed with the arbitration demand, she said the nondisclosure agreement allowed for a restraining order to be issued against "Peggy Peterson" without advance notice in the event of a threatened breach of the contract.

On Feb. 27, an arbitrator issued a temporary restraining order against Ms. Clifford barring her from violating the nondisclosure agreement. Mr. Avenatti challenged the legitimacy of the arbitration.

—Jim Oberman  
contributed to this article.

niair lawyer at the Trump Organization when he made the deal with Ms. Clifford in October 2016, said in a Feb. 13 statement to the media that he "facilitated" the payment using his own funds.

Mr. Cohen said he hadn't been reimbursed by the Trump Organization or by Mr. Trump's campaign, but declined to say if he had been reimbursed by Mr. Trump or anyone else.

The arbitration filing signed by Ms. Martin was

# Use of Tax Break Draws Scrutiny

BY RICHARD RUBIN

WASHINGTON—More than 15,000 investors have participated in certain tax deals involving charitable contributions of land rights, according to new IRS data that was given to lawmakers who are scrutinizing the practice, which is estimated to cost the government more than \$1 billion in revenue annually.

The data provide the clearest big-picture look yet at the opaque world of syndicated conservation easements, transactions giving some investors tax breaks worth more than the amount they originally invested in the property. In late 2016, the Internal Revenue Service began requiring participants and advisers to alert the agency to the transactions to aid in determining who should be audited.

The new data, provided to senators and reviewed by The Wall Street Journal, come from the first wave of those disclosures. The reports show 552 separate transactions covering several years and exceeding previous estimates.

The Brookings Institution has estimated that the total revenue loss from syndicated easement deals was between \$1.3 billion and \$2.4 billion in 2016.

"What started as a critical tool for land preservation has been systematically exploited by bad actors peddling tax shelters to the highest bidder," said Sen. Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee. "Congress must act swiftly to protect the integrity of the conservation easement program."

Under U.S. law, land owners can donate the development rights to their property to land trusts, other charities or governments. For example, a farmer with a \$5 million piece of land can place an easement on the property that restricts development. By donating the easement to a charity and getting an appraisal, the farmer

could show that the land's value has diminished by \$3 million and thus can claim that amount as a deduction.

That is relatively noncontroversial in Congress.

The syndicates that popped up in recent years, however, are more aggressive because they can let people profit quickly from tax breaks. They have led to a rift in the conservation world, with more established land trusts worrying that more aggressive deals undermine support for conservation easements more broadly.

In a syndicated easement, the organizer recruits investors who buy a piece of a partnership. The organizer identifies property, buys it, makes the donation and then parcels out the deduction. The syndicated deals are popular in the Southeast, and their backers say they efficiently promote conservation by getting tax deductions to people who have the income to use them.

The key, critics say, is often an inflated appraisal and a relatively small network of advisers and charities supporting the transactions. The disclosures identified 38 appraisers involved in the 552 deals.

The IRS's 2016 requirement forced advisers and taxpayers to disclose transactions where the value of the deduction was at least 2.5 times the investment, roughly the point where the tax deduction exceeds the original investment for many taxpayers.

The average deduction was 4.07 times the investment, with some exceeding seven times the investment, according to the IRS data.

Sens. Steve Daines (R., Mont.) and Debbie Stabenow (D., Mich.) introduced a bill last month that would deny the tax break when the deduction-to-investment ratio exceeds 2.5. Mr. Wyden backed that bill on Wednesday and Reps. Mike Thompson (D., Calif.) and Mike Kelly (R., Pa.) have a companion House bill.

## U.S. NEWS

# High Bar Set For Tariff Exclusions

By WILLIAM MAULDIN

**WASHINGTON**—U.S. businesses seeking to avoid tariffs on imported supplies that incorporate steel and aluminum will face high hurdles under rules being developed by the Commerce Department, which is signaling it will grant exclusions only sparingly and based on national-security concerns.

Commerce Department officials are preparing to release, either at the end of this week or early next week, a detailed blueprint for industry groups seeking exclusions, according to people familiar with the plans.

President Donald Trump last week announced the tariffs on global steel and aluminum imports, of 25% and 10%, respectively, to protect domestic metal producers. The move generated retaliation threats around the world and started a competition for countries and industries seeking exceptions to the trade barriers.

U.S. importers would likely have to pay tariffs on metals imported this month after they are implemented, even if they are applying for an eventual exclusion, according to people familiar with the discussions.

It isn't clear if the tariffs would be refunded if a firm is subsequently granted an exclusion, the people said. More than a dozen Republican lawmakers who oversee trade policy wrote to Commerce Secretary Wilbur Ross on Wednesday asking for tariffs to be repaid if companies get product exclusions in order to avoid a "chilling effect on commerce and jobs."

Commerce officials briefed congressional aides Tuesday.

Mr. Ross, along with officials from other agencies, will take into consideration arguments

focused on national security, the legal basis for the tariffs under Section 232 of a 1962 trade law, according to people familiar with the process.

Mr. Ross is set to answer questions about the tariffs at a public House committee hearing on March 22, a day before the tariffs are expected to take effect, according to a congressional aide.

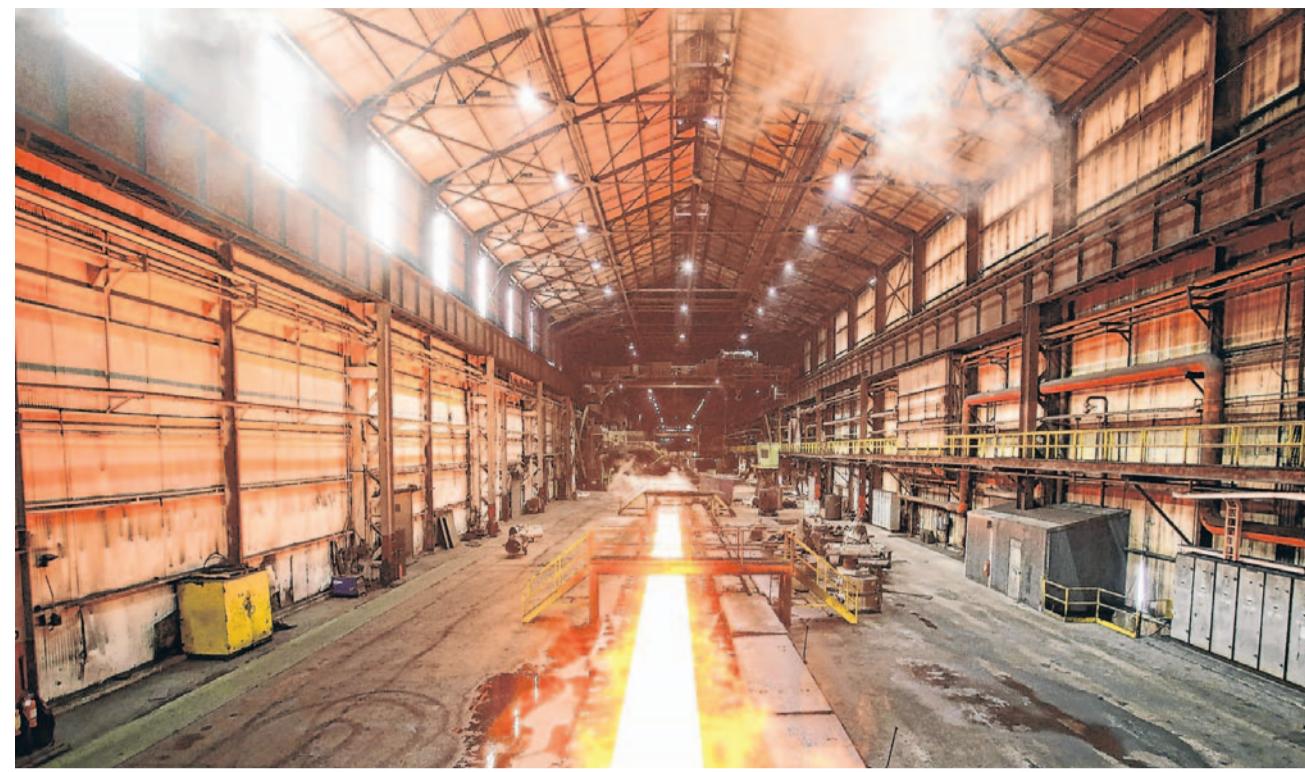
The Commerce rules will allow for a 90-day application process for exclusions that includes public comment.

U.S. Trade Representative Robert Lighthizer's team has been negotiating with foreign governments about national-level tariff exemptions, also based largely on national-security concerns.

Companies ranging from auto-parts producers worried about rising steel costs to brewers concerned about aluminum for cans are expected to seek exclusions.

Commerce officials are sending the message that they don't want to exclude many products, preferring instead that the U.S. metal industry add production to supply any needed products, the people said. A high-quality steel used in tires could in theory be excluded from the tariffs if administration officials determine it can't be produced in sufficient quantities in the U.S. and if the material is obtainable in the Japanese market or that of another U.S. ally.

Backers of the tariffs are pushing for exclusions to be temporary or subject to renewal, hoping U.S. industry will soon be able to supply more items that are now imported. Manufacturers and commodities traders are watching because the rules are likely to affect the prices of raw materials



Rules are soon to be released governing exemptions to U.S. tariffs on foreign metals, which are designed to aid domestic producers.

used in manufacturing a range of products.

Following the passage of tax legislation, the Trump administration has shifted toward implementing the America First trade policy the president promised during the 2016 campaign. The push has generated complaints from many GOP lawmakers worried about economic damage or retaliation from abroad. Congressional Republicans, however, say they don't have the votes to block the tariffs and override a likely veto.

The administration sees the steel and aluminum tariffs as a way of addressing—somewhat indirectly—China's high levels of metal production and exports, blamed for lowering prices and threatening the industry around the world.

In recent years, the Commerce Department has set some individual tariffs blocking many types of allegedly dumped and subsidized steel and aluminum from the U.S., but the administration is hoping the global tariffs—likely to hit some top allies—will lead to more international pressure on Beijing.

◆ Europe zeroes in on U.S. tech firms amid rising tensions... B4

## Levies Could Unite Allies Against China

U.S. allies seeking exemptions from President Donald Trump's steel and aluminum tariffs are showing signs of coalescing around a common appeal: a promise to join forces with the U.S. in addressing a metal glut emanating from China.

Leading the negotiations with foreign governments is U.S. trade representative Robert Lighthizer.

People familiar with Mr. Lighthizer's discussions with foreign counterparts say countries are arguing they shouldn't have to pay the tariffs if they have security partnerships with the U.S.

They are further seeking favorable consideration if they agree to take measures addressing overcapacity—largely blamed on China—and ship products that don't undermine production by American metals firms.

Some U.S. lawmakers and foreign officials have criticized the tariffs and sought to learn more about how to obtain coun-



President Donald Trump's tariffs could be imposed next week.

try exclusions and product exemptions. Mr. Trump has alarmed trading partners by asking for unrelated economic and trade concessions in order to avoid the tariffs. He has also suggested additional barriers against European cars.

"We are in contact with U.S. counterparts to obtain more clarity," the European Union's trade chief, Cecilia Malmström, said Wednesday.

An EU official said Mr. Lighthizer "indicated that there would be some criteria applied

for country exclusions" and that "jointly tackling steel overcapacity is one."

A spokeswoman for Mr. Lighthizer declined to comment.

Mr. Lighthizer raised the possibility of allies limiting their steel and aluminum exports to the U.S. in exchange for obtaining waivers exempting them from the tariffs, an EU official said.

The tariffs could be imposed as early as next week.

—William Mauldin and Emre Peker

## BUSINESS IS ACTIVE. IS YOUR WORKSPACE?

Every business wants an energetic workforce, but traditional office furniture forces them to sit 8 hours a day. It's not good for their health or your business, but there's a simple solution. Introducing the VARIDESK® ProDesk® 60 Electric – the commercial-grade standing desk that assembles in under 5 minutes. Now it's easy to create an active workspace that attracts the best talent by showing you care about their well-being.

Visit [VARIDESK.com/biz](http://VARIDESK.com/biz)  
Or Call (855) 637-5817

**VARIDESK**  
ACTIVE WORKSPACE™

Availability subject to change. \* All sources cited available at [VARIDESK.com/resources](http://VARIDESK.com/resources).

Patent and trademark information: VARIDESK.com/patents. ©2018 VARIDESK®. All rights reserved.

## ROSS + SIMONS

fabulous jewelry & great prices for more than 65 years

Our twice-as-nice silver necklace

Combining two polished rope chains into one stunning necklace creates a rich, dramatic presence. Textural and gleaming in polished sterling.

Created with craftsmanship for perfect elegance.

\$129  
Plus Free Shipping

Sterling Silver Double Rope Necklace  
18" length. 1/4" wide. Lobster clasp. Shown larger for detail.

Also available in 14kt gold. Item #837545 \$395

Ross-Simons Item #878138

To receive this special offer, use offer code: **ALLURE39**

1.800.556.7376 or visit [www.ross-simons.com/ALLURE](http://www.ross-simons.com/ALLURE)

# TECH'S MOST AMBITIOUS MINDS, ON STAGE AND ON THE RECORD

HONG KONG | SHENZHEN  
4.19.18–4.20.18

Connect, debate and discover the most compelling ideas emerging globally with an unmatched group of CEOs, founders, investors and luminaries. Only at D.LIVE will you also take an exclusive behind the scenes tour of companies in Shenzhen, the Silicon Valley of China. Limited seats are available, secure yours today.

## Speaker Lineup

- MAXIMILIAN BITTNER | LAZADA GROUP  
CONNIE CHAN | ANDREESSEN HOROWITZ  
ALICE H. CHANG | PERFECT CORP.  
NICOLE EAGAN | DARKTRACE  
BROOKS ENTWISTLE | UBER TECHNOLOGIES  
CARLOS GHOSN | RENAULT-NISSAN-MITSUBISHI ALLIANCE  
JENNY LEE | GGV CAPITAL  
ZHEN LIU | BYTEDANCE  
ELIZABETH ROSSIETTO | BITPESA  
CAESAR SENGUPTA | GOOGLE  
VIJAY SHARMA | PAYTM  
EDITH YEUNG | 500 STARTUPS GREATER CHINA  
RICHARD YU | HUAWEI CONSUMER BUSINESS GROUP  
WENSONG ZHANG | DIDI CHUXING

View full list of speakers online at [dliveasia.wsj.com](http://dliveasia.wsj.com)

**Secure Your Seat Today:  
[D.LIVEASIA.WSJ.COM](http://D.LIVEASIA.WSJ.COM)**

THE WALL STREET JOURNAL.  
**D.LIVE**

## WORLD NEWS

## U.S. Says Afghan Peace Prospects Improve

Army Gen. John Nicholson, on Kabul visit, strikes upbeat note on reconciliation

By GORDON LUBOLD  
AND NANCY A. YOUSSEF

**KABUL**—The commander of American-led military forces in Afghanistan said prospects for reconciliation between the Afghan government and Taliban militants are improving, though former officials and experts expressed concern that U.S. diplomatic resources for negotiating a solution are inadequate.

A comprehensive offer by Afghan President Ashraf Ghani late last month, coupled with a recent Taliban request for talks with the U.S., come as the U.S. and its allies start a military campaign with thousands of new forces.

"We have a moment where the objective of our campaign and reconciliation are in play, so this is significant," Army Gen. John Nicholson, the commander of U.S. and NATO forces in the country, told reporters here Wednesday.

However, questions about Washington's willingness and capacity to negotiate have been raised by former officials and experts, some citing departing Secretary of State Rex Tillerson's decision last year to eliminate the post of senior envoy for Afghanistan and Pakistan.



JAVAD JALAL/EP/SHUTTERSTOCK

Gen. John Nicholson, left, commander of American-led military forces in Afghanistan, said conditions for peace in the country are improving.

"If there was the prospect of real substantive talks being launched, the U.S. would need someone to work on this full time," said Laurel Miller, who until 2017 served as the State Department's special representative for Afghanistan and Pakistan. "The fact that there is not such a person now sug-

gests it is not a priority or the process is not there yet."

Mr. Tillerson's ouster on Tuesday added a new wrinkle to diplomatic prospects in Afghanistan. Mr. Tillerson was fired by President Donald Trump, who nominated Central Intelligence Agency Director Mike Pompeo to succeed

him. Mr. Pompeo, once confirmed, would have to install his own senior aides and organize any U.S. diplomatic effort.

Talk of a political settlement in the 16-year war comes amid pressure in the U.S. to show progress in Afghanistan through Mr. Trump's new strategy, announced in August,

to send more troops as advisers and not remove them until conditions improve. He sent nearly 4,000 more troops last fall to join the roughly 10,000 already in Afghanistan.

The Taliban haven't formally responded to Mr. Ghani's offer of reconciliation, which Gen. Nicholson said he takes

as a positive sign. The group did publish an open letter last month urging the U.S. to negotiate and small numbers of the Taliban have hinted they are interested in talks. American officials, however, have insisted that any settlement must be Afghan-led.

Meanwhile, some elements of the Taliban are fracturing, Defense Secretary Jim Mattis, said on a two-day visit here this week. "All wars come to an end," Mr. Mattis said on Tuesday. "You don't want to miss an opportunity because you weren't alert to an opportunity, so you want that door open."

Besides the special envoy post, the State Department has a number of other officials with responsibilities for Afghanistan. The new U.S. ambassador in Kabul, John Bass, is experienced and well-regarded, but has limited experience there. Alice Wells, the principal deputy assistant secretary for South and Central Asia, is among officials who would lead U.S. efforts to reach a diplomatic settlement with the Taliban.

Other experts said the U.S. has emphasized the military fight over diplomatic efforts.

"We have been much more clear about the fighting piece than the talking piece," said Andrew Wilder, vice president of Asia programs at the U.S. Institute of Peace. "To really move it forward, it really does need more diplomatic attention."

## Merkel Resumes in a Tough Milieu

BY BOJAN PANCEVSKI

**BERLIN**—Angela Merkel began her fourth and likely last term as German chancellor on Wednesday facing some of the toughest domestic and international challenges of her years in power.

Germany's parliament formally elected Ms. Merkel as chancellor after a long and complicated coalition-building exercise.

As she heads a fractious government of political opposites whose popular support is waning, Ms. Merkel will have to fend off economic threats from the U.S., address neighbors' demands for European Union reform, and try to preserve political and social cohesion in a country tested by a huge inflow of migrants.

Ms. Merkel's renewed grand coalition between her conservatives and the Social Democrats is beginning under the threat of a trade war. With President Donald Trump at its helm, the U.S. has turned from Germany's closest postwar partner into a rival.

Mr. Trump has piled criticism on Berlin for the country's vast trade surplus and its meager defense spending, demanding it decrease the former and boost the latter, neither of which Ms. Merkel's coalition appears to have any intention of doing.



The German chancellor, seated, starts a fourth term tested by trade, EU reform and migration.

Mr. Trump's recent threats that Washington could impose a 25% levy on European car imports hit at Germany's flagship industry and at the heart of its export-oriented economic model.

After almost a year of absence from the international stage during the electoral campaign and protracted coalition talks, Berlin must now take a position on demands by

French President Emmanuel Macron for reform of the EU.

Mr. Macron outlined an ambitious set of proposals that would require higher German spending and sharing of financial risks—neither of which is popular in Europe's largest economy. His agenda includes a common budget and a joint eurozone finance minister.

More than in her previous terms, Ms. Merkel will have to

contend with domestic headwinds.

The 2015-16 migration crisis, in which more than a million asylum seekers streamed into the country, played a big role in her disappointing election results. It also helped propel the five-year-old Alternative for Germany, a strident anti-immigration movement, into parliament as the largest opposition party.

## War-Rattled Lebanon Seeks Aid From Abroad

BY SUNE ENGEL RASMUSSEN  
AND NAZIH OSSEIRAN

**BEIRUT**—A high-level Lebanese delegation, faced with tensions on the border with Syria and financial strains at home, is setting off on a European tour to solicit aid from allies who see the country as a bulwark for stability in a volatile region.

At a 40-nation donor conference in Rome on Thursday, Lebanon will seek to bolster its security forces with fresh pledges of support and aid. The delegation, which is led by Prime Minister Saad Hariri and includes his top security chiefs, also aims to strengthen ties with foreign governments that want to counterbalance Iran's growing influence in the country. U.N. Secretary-General António Guterres and European Union foreign-policy chief Federica Mogherini will lead the donor side.

At a conference in Paris in April, Lebanese officials are

then expected to seek \$17 billion in economic support for Beirut, likely in the form of soft loans to invest in infrastructure and development.

The tiny Mediterranean nation is reeling from an influx of Syrian war refugees, while political infighting has paralyzed economic decision making. At 148%, Lebanon's debt-to-GDP ratio is the third-highest in

the world, with annual growth projected around 2% in 2018.

Later in April, at a EU-hosted conference in Brussels to support Syria, Lebanon will ask for financial assistance to manage the 1.5 million Syrians it says have fled to Lebanon from the seven-year war at home. Lebanese officials estimate the refugee crisis has cost the country billion of dollars.

Western diplomats say large amounts of aid are needed to shore up Lebanon's government and finances at a time when Hezbollah, the home-grown Shiite paramilitary and political group, has assumed an increasingly powerful role in the country. Backing away now would risk empowering the Iran-backed group, they say.

"We're committed to a strong, safe and stable Lebanon," said U.K. Ambassador to Lebanon Hugo Shorter in an email. "That means strong state institutions."

Boosted by its role in propelling up the regime of Bashar al-Assad in Syria's war, Hezbollah has emerged as a powerful regional force. It has, in turn, wielded that clout across Lebanon. In some parts of the country, the group's parallel security apparatus rivals the national security forces. Both defend Lebanon's borders against extremist groups like Islamic State.

## RUSSIA

Continued from page A1

tank with close ties to the British government. He said Russia's membership in the United Nations Security Council meant the U.K. must balance the desire to punish Russia with progress on global issues like the conflict in Syria.

Mrs. May said the 23 Russian diplomats had been identified as undeclared intelligence officers and would have one week to leave. She said the expulsions would degrade Russia's intelligence capability in Britain for years to come.

Russia's Foreign Ministry said Mrs. May's actions constituted an "unprecedented, flagrant provocation that undermines the foundations of normal dialogue between our countries."

The ministry said the U.K. had launched a groundless anti-Russian campaign. "Needless to say, our response measures will not be long in coming," it said Wednesday.

The expulsion is the biggest from the U.K. since 1985, when the country required 25 Soviet citizens accused of spying to leave. In 1971, the U.K. demanded the departure of 90

Soviet diplomats after a KGB defector revealed details of their espionage activity.

In the U.S., then-President Barack Obama expelled 35 suspected Russian intelligence operatives in 2016 and blocked access to two Russian diplomatic sites in response to Russian efforts to interfere with the presidential election.

Mrs. May, who had faced pressure from lawmakers to announce tough action against Russia, announced a range of other measures, including the freezing of Russian state assets if there was evidence they could be used to threaten life or property in the U.K. She said some other measures taken couldn't be shared publicly for national security reasons.

The U.K. is suspending high-level bilateral contacts with Russia, the prime minister said, and won't send ministers or members of the royal family to the soccer World Cup in Russia over the summer.

Mrs. May said she would introduce legislation to stop people suspected of hostile state activity from entering the U.K., broadening measures currently directed only at terrorist suspects.

She said she would also propose laws to increase the

nation's ability to place sanctions on countries suspected of human-rights abuses, such as those suffered by Sergei Magnitsky, a Russian anticorruption lawyer who died in 2009 while in the hands of Russian authorities.

An emergency meeting of the Security Council on Wednesday turned into an airing of accusations and counteraccusations between the West and Russia. The U.K., backed by the U.S. and France, cited Russia for a pattern of disregarding international law and reckless acts that it said threatened the security of other countries.

She said she would also propose laws to increase the

## May Seeks Law Targeting Moscow For Ex-Spy's Attack



Prime Minister Theresa May decried a 'flagrant provocation.'

LONDON—U.K. Prime Minister Theresa May said Britain would introduce legislation similar to the U.S. Magnitsky Act as part of its broadside against Russia, marking another potential victory for supporters of Russian lawyer and whistleblower Sergei Magnitsky, who died in prison in 2009.

The U.S. law, passed in 2012, permitted U.S. officials

"This is how Russia has acted in every other case where it has been caught flouting international law: denial, distraction and threats. It is what Russia does," said Jonathan Allen, Britain's deputy ambassador to the U.N.

Russia's envoy, Vassily Nebenzia, rejected the accusations. "I do think we could all benefit from having a Sherlock Holmes with us today," he said. "We demand material proof be provided of the alleged Russian trace in this event."

The North Atlantic Treaty Organization said it was deeply concerned about the

first offensive use of a nerve agent on an ally's territory since the group was founded. NATO called on Russia to provide a full disclosure of its nerve-agent program and called the attack a clear breach of international norms and agreements.

"Russia did commit this act, based on all the evidence that Britain has available," White House spokesman Raj Shah told reporters Wednesday afternoon.

Donald Tusk, president of the European Council, said he stood with the U.K. and that EU leaders would discuss the attack at a meeting next week.

The Organization for the Prohibition of Chemical Weapons, based in The Hague, is also expected to discuss the attack, European diplomats said. Mrs. May said the U.K. was working with the OPCW to independently verify Britain's analysis.

The U.K. Foreign Office issued updated guidelines to Britons traveling to Russia in the coming weeks, saying they should be aware of possible anti-British sentiment or harassment.

—Farnaz Fassihi at the U.N., Julian E. Barnes in Brussels and Wiktor Szary in London contributed to this article.

## WORLD WATCH

## UNITED KINGDOM

**Stephen Hawking, Physicist, Dies at 76**

Physicist Stephen Hawking, who made complicated concepts like black holes, time and the history of the cosmos accessible to the masses, has died at the age of 76.

Dr. Hawking "died peacefully at his home in Cambridge," England, according to a statement provided by his family.

The University of Cambridge professor was an iconic figure in both the scientific community and in popular culture, known for his keen mind and humor, as well as his striking physical challenges. Dr. Hawking had long lived with amyotrophic lateral sclerosis, which left him wheelchair-bound for most of his life.

Dr. Hawking devised seminal theories that have shaped scientists' and the public's understanding of black holes and the beginning of the universe.

"He has pioneered completely new areas in physics," Caltech physicist Kip Thorne said in 2015.

—Daniela Hernandez

## PHILIPPINES

**Duterte Says Manila Will Leave the ICC**

President Rodrigo Duterte plans to pull his country out of the International Criminal Court, putting the court's inquiry into alleged crimes against humanity in the Philippines in doubt.

Mr. Duterte is waging a bloody war on drugs that has killed thousands of mostly poor people in the Philippines, many of whom rights groups say were executed by police officers. The government denies that authorities systematically execute suspects.

Mr. Duterte said in a draft statement Wednesday that the ICC "is being utilized as a political tool against the Philippines" and he intends to withdraw "given the baseless, unprecedented and outrageous attacks on my person as well as against my administration" by the court and by United Nations officials.

The ICC, based in The Hague, the Netherlands, didn't respond to a request to comment.

—Jake Maxwell Watts

## AUSTRALIA

**A Defense Pact With Vietnam Is Drawn Up**

A deal boosting defense ties with Vietnam, potentially heralding future multinational naval patrols in the contested South China Sea, will add to regional stability, Australian Foreign Minister Julie Bishop said.

Vietnamese Prime Minister Nguyen Xuan Phuc and his Australian counterpart, Malcolm Turnbull, will sign an agreement on Thursday paving the way for greater defense and trade ties just days after a U.S. Navy aircraft carrier visited Vietnam in a rapprochement driven by China's muscle-flexing in the flashpoint area.

Australia, which will host nine Southeast Asian leaders this weekend for talks on counter-terrorism, security and trade, has been locking in agreements with counterparts including the Philippines and Singapore as a hedge against instability as global powers such as China, the U.S., India and Japan jostle for influence in the Indo-Pacific region.

—Rob Taylor

## WORLD NEWS

**Venezuelan Rebel Bets on Dollar**

By KEJAL VYAS  
AND ANATOLY KURMANAEV



WILL RIEVA/BLOOMBERG NEWS

**Presidential candidate Henri Falcon would have his country adopt the U.S. dollar to quash inflation.**

economist who recently took leave from the New York investment firm where he works to become the campaign's chief policy adviser. Together, they have tailored a program they said would lift Venezuela from economic ruin, including eliminating exchange controls that deter foreign investment and seeking help from the International Monetary Fund, which the current government decries as a tool of imperialism.

Mr. Falcon also said a blank-

ket amnesty could be offered to ruling-party officials and military officers accused of rights abuses and corruption. While many in the opposition see an amnesty as akin to impunity, Mr. Falcon casts it as a peaceful out for officials in Mr. Maduro's regime holding on for fear of being prosecuted if power changes hands.

"I'm representing the millions who are clamoring for change, and so you have to call the nation to an understanding, to take the path of

reconciliation," he said.

Polls show Mr. Falcon clearly more popular than Mr. Maduro, who is disliked by three out of four Venezuelans. But the challenger faces a slanted electoral playing field. There are no independent election monitors and the National Electoral Council is stacked with the president's allies. The U.S., Canada and the European Union have already said the vote will be illegitimate.

Mr. Falcon also faces a ma-

jor challenge in persuading his compatriots to vote, defying the boycott by the opposition's largest parties.

"There is no way I'm voting," said Aquiles Martini, a businessman who would normally support a Maduro foe. "At some point you just feel you're being made a fool of."

Mr. Falcon is seeking to appeal to moderates by pledging to open the country to humanitarian aid that Mr. Maduro has long rejected even as citizens face food and medicine shortages. His first act as president, he said, would be to free all political prisoners, including the country's top opposition leader, Leopoldo López, and Josh Holt, a Utah man locked up on espionage charges.

In seeking to carve out space as a politician of the moderate, democratic left, Mr. Falcon now favors businesslike gray suits and a clean-shaven face. Gone are the red baseball cap, mustache and flannel shirt that once reflected his allegiance to former leftist leader Hugo Chávez.

Mr. Chávez's Socialist Party branded Mr. Falcon a traitor after he broke from it in 2010 to protest the planned expropriation of industrial land that would have jeopardized thousands of jobs in his state, Lara. Opposition leaders today, in contrast, see Mr. Falcon as secretly loyal to the government and refer to him as "Falsón," Spanish for "Big Phony."

**Mexico Prosecutor: Graft Probe Led to Firing**

By JUAN MONTES

**MEXICO CITY**—The bribery scandal around Brazilian construction giant Odebrecht has led to criminal charges against former presidents in Brazil and Peru. But in Mexico it has brought about a different outcome: the firing of the prosecutor looking into whether any Odebrecht money financed President Enrique Peña Nieto's 2012 campaign.

Now the prosecutor who was fired is speaking out, saying he was dismissed to stop several investigations he had launched, including into alleged Odebrecht bribes.

"I was an annoying prosecutor for the government and they wanted me out," said Santiago Nieto, in his first extensive interview since his firing in October. He and the president aren't related.

Mr. Nieto's comments come amid a growing uproar in Mexico over rampant corruption as the country gears up

for presidential elections in July. The front-runner, leftist nationalist Andrés Manuel López Obrador, has made fighting graft his main theme. The ruling Institutional Revolutionary Party's candidate, José Antonio Meade, is running a distant third in polls. Mr. Peña Nieto has denied any wrongdoing.

Several former Odebrecht officials have told Brazilian prosecutors under oath that to secure Mexican government contracts for their firm, they paid \$10 million in bribes to Emilio Lozoya while he was a top aide of Mr. Peña Nieto, according to transcripts The Wall Street Journal has seen.

Mr. Lozoya, who has denied all wrongdoing, voluntarily testified in October before Mexico's attorney general's office. He hasn't been charged with any crime.

Mr. Nieto acknowledges his mistake, but says the controversy over the letter was part

"They sought to buy me off to remain silent," Mr. Nieto said. "I just replied: 'Sorry, but I can't receive any money from Peña Nieto.'"

The interior minister official, Jorge Márquez, who no longer works in the government, confirmed he met Mr. Nieto but denied offering him any money. Mexican presidential spokesman Eduardo Sánchez declined to comment on Mr. Nieto's allegations.

Mr. Nieto says efforts to silence him didn't stop there. His wife told him she was anonymously sent photos of him with another woman, as well as flirtatious texts between him and other women,

according to the former prosecutor. The marriage soon ended. Then came a series of threatening messages via anonymous Telegram accounts, including one with the alias "Death Follows You."

"Word of advice: Stay out of trouble," one of the messages said.

**Slovakian Prime Minister Offers to Resign Amid Protests**

By DREW HINSHAW

Slovakian Prime Minister Robert Fico offered to resign in the wake of the Central European country's biggest protests since the fall of communism.

Mr. Fico, prime minister since 2012, on Wednesday told President Andrej Kiska that he was prepared to step down, five days after some 120,000 people protested alleged corruption and the killing of Jan Kuciak, a 27-year-old reporter.

Mr. Kuciak, who worked for

Democracy party, which he has led since 1999, retain control in order for him to resign.

It wasn't clear if Mr. Kiska and Mr. Fico's allies in government would accept the offer. If they don't, Slovakia would head for early elections.

Mr. Fico has been a political survivor in a part of Europe increasingly at odds with neighbors to the West over immigration and the European Union's power. The 53-year-old former communist has stayed close to Germany and steered Slovakia

into adopting the euro. He has balanced those positions by courting Slovakia's nationalists, and repeatedly proposed a ban on Muslim immigrants.

Corruption allegations have dogged the prime minister, sparking multiple protests in the capital, Bratislava, last year.

Mr. Kuciak was investigating why Mr. Fico hired Maria Troskova, a 29-year-old ex-Miss Universe contestant with no experience in politics as his primary government adviser in 2016. The slain journalist

had reported that Ms. Troskova had once co-owned a business with a man wanted in Italy for transporting goods for the powerful 'Ndrangheta crime organization.

Mr. Fico has declined to say why he hired Ms. Troskova, but has said she has no criminal involvement with the 'Ndrangheta or any role in the reporter's death.

Ms. Troskova stepped down from her post last week, saying she had no connection to Mr. Kuciak's killing.

## FROM PAGE ONE

**Reorganizing Mouse's House**

Disney plans to combine two segments and create a new one for direct-to-consumer streaming.

**Existing segments** by 2017 revenue

Consumer Products — \$4.8B

Parks and Resorts — 18.4

Studio — 8.4

Entertainment — 23.5

**New segments**

Parks, Experiences and Consumer Products

Unchanged

Largely unchanged

Includes new streaming services, content sales and overseas Disney Channels

Direct-to-Consumer and International

THE WALL STREET JOURNAL

best to structure the company" so that once the deal is complete, "we'll be ready...to hit the ground running."

Mr. Mayer was intimately involved in the Fox deal and the purchase of streaming technology company BamTech. He has also been heavily involved in plans to launch next year a Disney-branded streaming service that would compete with Netflix Inc.

His new business unit would oversee that service and BamTech, as well as an ESPN streaming service set to debut by early April. In addition, should the Fox deal be approved by regulators, it would give Disney and Mr. Mayer's division control of a third streaming service, Hulu. The new segment will also oversee global advertising sales for Disney-owned television channels, sales of content to other distributors, and the international Disney Channels.

Mr. Mayer, who has over-

seen strategy and business development since 2005, has never previously had an operating role at the company, a significant deficiency in his potential candidacy to succeed Mr. Iger. He now has oversight of nearly all distribution of Disney-produced films and

in the next decade.

Mr. Chapek has less experience in digital media but is a seasoned operational executive who has held senior positions in several of the company's major businesses.

Succession at Disney has been murky since Mr. Staggs left after Mr. Iger informed him he was unlikely to become the next CEO, as had previously been expected. Mr. Iger has since extended his employment contract twice, first through 2019 and then, should the Fox deal close, until the end of 2021.

Mr. Iger last week faced a rare expression of criticism from shareholders when 52% of them voted not to approve of his compensation following the board's decision to grant him lucrative bonuses to stay on to help integrate the Fox assets. The shareholder vote was nonbinding.

—Imani Moise contributed to this article.

# STOCKS

*Continued from Page One*  
of trading activity.

The NYSE operates each day between 9:30 a.m. and 4 p.m., but more than ever the action is compressed in the final minutes. Brokers congregate on the exchange's floor to call out their last orders before the closing bell, a brief throwback to the old days.

Last year, 26% of all trading activity on the NYSE's flagship exchange took place in the last trade of the day, up from 17% in 2012, exchange data shows. Last year, trades at the close accounted for more than 8% of trading volume in S&P 500 stocks, nearly four times what it was in 2004, according to Credit Suisse.

While individual investors may follow the market through the day, especially in the past turbulent weeks, it is likely they own funds that track major stock indexes like the S&P 500 whose values depend on prices determined in the closing auction.

In this auction, traders electronically send transaction orders to the NYSE, home to more than 2,000 companies that include such blue-chip names as Boeing Co., Walt Disney Co. and Exxon Mobil Corp. The exchange's computers match the millions of buy and sell orders, with human traders on the NYSE floor sometimes stepping in to help.

At least \$10 billion worth of shares are traded in the NYSE's closing auction on an average day, with a final tally of stock prices typically listed by 4:05 p.m.

The "close," as traders call it, has grown in importance as investors pour into index-mutual funds and other vehicles that passively track various stock-market indexes, including exchange-traded funds, or ETFs. These funds aim to mimic the holdings of significant indexes, such as the S&P 500 or baskets of stocks. Some correspond to specific economic sectors, for instance. Such funds have gained in popularity as investors have seen that tracking the overall market has been more profitable than trying to beat the market by stock picking.

Index-tracking funds often depend on buying and selling shares using the last price of the day. Fund managers fear that if they miss a last-minute price move, they will deviate from the index or market they are supposed to track.

It all adds up to an intricate choreography among traders, exchanges and trillions of dollars worth of funds. If all parties do their job, the closing auction has no reason to draw much attention from the broader investor community.

Yet the stakes are higher than ever. "If the primary listing exchange, whether it be the NYSE or Nasdaq, can't run the closing auction, all hell breaks loose," said Greg Talar, former global head of electronic trading at Goldman Sachs Group Inc.

## Midday doldrums

The floor of the NYSE at

the start of the century hosted about 5,000 traders. Now, its workaday population numbers in the hundreds, and it is mostly quiet.

On a recent Monday afternoon, several floor brokers reclined in their seats. One trader's screen, instead of a labyrinth of green and red trading data, lingered on a site of popular internet memes.

"There's no volume during the day," said Dermott Clancy, who works for Cutrone & Co. He has handled buy and sell orders at the NYSE since the 1980s, he said, and now often doesn't bother to show up before 2 p.m.

Traders around the U.S., representing investors worldwide, enter orders all day to buy or sell shares in the closing auction, either submitting them electronically or asking a floor broker to execute the trades at the exchange. One popular way to submit such orders is to limit them by a price floor or ceiling.

After 3:45 p.m., the rules shift so that the biggest orders for the auction must be routed through a floor broker. These brokers, who trade on behalf of such clients as banks and mutual funds, can execute their customers' end-of-day trades through special handheld devices or by shouting orders on the exchange floor.

Taking those orders and overseeing NYSE's closing auction are a handful of firms called designated market makers. Their traders, also called specialists, stand at posts in the middle of the exchange

**More than \$10 billion worth of shares are traded in the NYSE's closing auction.**

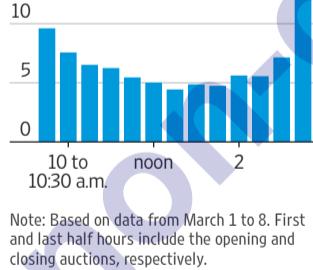
floor, where they are often seen in the backdrop of business news TV shows.

Ten seconds before 4 p.m., the NYSE cuts off the ability of floor brokers to execute the biggest buy and sell orders through their hand-held devices. If they still have unfilled customer orders, they run to the specialists' posts to get the trades done before the closing bell.

Then it is up to the special-

## Late Surge

Percentage of daily volume in S&P 500 stocks by half-hour interval



Note: Based on data from March 1 to 8. First and last half hours include the opening and closing auctions, respectively.

Source: ITG

THE WALL STREET JOURNAL.



Stock traders and brokers on the floor of the New York Stock Exchange in the day's last minutes.

MICHAEL BUGHER/THE WALL STREET JOURNAL

ist to close each stock that he or she oversees. Much of the time, the specialist will just hit a button for a computer to close the stock at the price that matches the largest number of buyers and sellers.

Yet if trading has been especially volatile, or if there are big imbalances between the number of shares bid and offered in the auction, the specialist might intervene to make sure there isn't a drastic price move. Intervention can include a specialist committing his or her firm's money to buy or sell shares.

Many other exchanges in the U.S. and overseas end their day with closing auctions. But the NYSE, owned by Intercontinental Exchange Inc., is among the only ones to allow human traders on the floor to play a central role.

It is a vestige of an earlier era. NYSE veterans like Neil Catania, managing director of floor operations for TJM Investments, say it is a point of honor to stand by the orders that they shout out on the exchange floor: "Once you call it out, you're locked into it."

## On track

In the past decade, the amount of money relying on closing prices has soared as

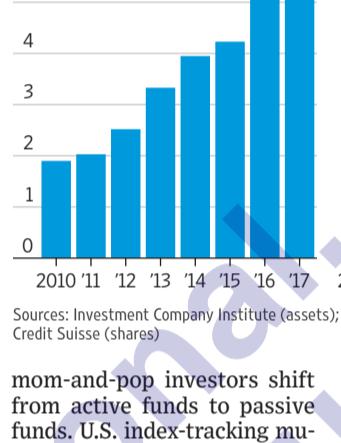


A stock trader at the New York Stock Exchange checks updates.

## Keeping Investments On Track

The rise of investment vehicles that mimic the holdings of various stock-market indexes has pushed a growing proportion of stock trades to the final bell.

### End-of-year assets under management for index mutual funds and ETFs



Sources: Investment Company Institute (assets); Credit Suisse (shares)

### The percentage of S&P 500 shares traded in the closing auction each year



THE WALL STREET JOURNAL.

mom-and-pop investors shift from active funds to passive funds. U.S. index-tracking mutual funds and ETFs have ballooned to roughly \$6.7 trillion in assets under management at the end of 2017 from about \$1.9 trillion in 2010, according to the Investment Company Institute.

Such funds must shrink or expand each day along with the ebb and flow of investor demand. They do this by sell-

ing or buying the indexed stocks. To make sure the stocks are in line with the index they are supposed to track, the fund managers try to buy or sell at the day's closing prices.

Big investors like the closing auction because market liquidity is the greatest: It is easier to trade large quantities of shares without pushing prices higher when buying or lower when selling.

A fund manager such as Vanguard, for instance, might need to buy millions of shares at a time. Making such a big purchase midday could dry up supply, causing the price of the stock to jump—bad for Vanguard. By waiting to trade at a time when there are millions of shares being bought and sold, the risk of moving the price is reduced, saving Vanguard money.

The NYSE also makes out well. The exchange has collected hundreds of millions of dollars in recent years in fees from buyers and sellers for carrying out trades in the closing auction.

Under the current structure of the U.S. stock market, whenever a share is bought or sold, that trade can take place on any of 12 exchanges or dozens of other off-exchange platforms called dark pools. That

legislative session for decades for Italian newspapers. Every year, he notes, state media trumpet the number of foreign correspondents in attendance.

Ms. Liang "was like an innocent child who blurted out that the emperor has no clothes," Mr. Qin says, adding that the incident allowed "ordinary people with no opportunity to participate in politics to express their scorn and discontent in a roundabout way."

Some social-media users declared their "blue" sympathies. Others deemed Ms. Liang's reaction inappropriate. Online were photos depicting the standoff—side-by-side pictures of red Coke and blue Pepsi cans, food-delivery drivers with red and blue boxes, strawberry-blueberry juxtapositions.

One commenter mixed images of the women with photos of clashing soccer players in red and blue jerseys, saying: "When red meets blue, there will always be discord."

A Tuesday column on Chinese online-media firm Sina Corp.'s technology news portal attempted to explain why people roll their eyes: "Human eyes feature more white areas than those of other primates, therefore we have a special ability to communicate through eyeball rotation."

In a setting where every effort is made to avoid embarrassment, not to mention sarcasm, the eye-roll was a jarring departure.

Beijing likes using reporters as props during political events, says Francesco Sisci, who has covered China's annual

limits the NYSE from charging too much for trades, or risk losing out to a cheaper venue.

With the closing auction, though, the NYSE is responsible for determining a final, end-of-day price for each firm listed on the exchange. If a trader wants to buy or sell shares at or near the NYSE's closing prices, the trader has little choice but engage in the closing auction—and pay the NYSE fee.

Because 78% of companies in the S&P 500 are on the NYSE, the Big Board is home to most of the last trades in those stocks.

Last year, the NYSE collected \$87 million—45% of its net revenue from the exchange's core stocks-trading business—from the close, according to the research firm Equity Research Desk. The NYSE's maximum fees for trading at the close have gone up 16% over three years, according to regulatory filings.

"There's no question that the costs have impacted clients and ultimately investors," said Joe Wald, chief executive of Clearpool Group, a brokerage and trading-tech firm. "Somebody has to pay for it."

A competitor is seeking to pry open the NYSE's effective monopoly. The Securities and Exchange Commission recently approved a plan by rival exchange operator Cboe Global Markets Inc. to introduce a new way to buy and sell shares in NYSE and Nasdaq-listed companies at end-of-day prices, but without paying fees to the two exchanges. The NYSE and Nasdaq have appealed the SEC decision.

The two big exchanges said Cboe's plan would make closing prices less trustworthy by siphoning orders from their auctions, reducing the quantity of trades that help the NYSE and Nasdaq determine end-of-day prices. Cboe has dismissed such worries as "fearmongering."

The popularity of the last trade has hedge funds and quantitative trading firms convinced there must be ways to make a profit by watching orders piling into the close and trying to analyze the intentions of big investors.

Sometimes, a stock will spike or drop at 3:45 p.m. if the NYSE's data reveals a big imbalance between buyers and sellers heading into the closing auction. The NYSE starts distributing data electronically at that time that shows if there is such an imbalance.

Computerized traders watch the imbalance data. If they see that buyers outweigh sellers in a stock, for instance, they can bid up its price.

"Essentially every quantitative firm has an angle to try to profit," said Michael Bottlo, co-founder of Quantbot Technologies, which trades more than \$3 billion of shares for Steven Schonfeld's Schonfeld Strategic Advisors.

So far, none have admitted to cracking the code, if there indeed is one. "Some try to guess which way the auctions will go," said Ewan Kirk, chief investment officer of Cantab, a \$4 billion hedge fund owned by Swiss asset manager GAM.

"We've looked...but predicting them is quite challenging."

Zhihu official didn't respond to requests for comment.

A piece published online by Southern Metropolis Weekly, a Guangzhou-based news magazine, declared that an analysis of famous Chinese epics such as "Journey to the West"—known in the U.S. as the Monkey King tale—found that the usage of the Chinese phrase "rolling eyes" had evolved over time and reflects different meanings in various contexts.

But its modern connotation of disdain had been around for at least a thousand years, the magazine said.

Weibo accounts named after Ms. Liang and featuring her photos popped up in apparent homage.

Hu Xijin, editor in chief of nationalist tabloid Global Times, weighed in on his Weibo account saying he hoped censors wouldn't muffle the conversation.

"Ordinary people like this kind of thing; the DNA of humanity can't be changed," he wrote, calling such interest "harmless."

His post was later deleted, according to censorship tracker Free Weibo.

By Tuesday afternoon, Weibo had blocked searches for "Liang Xiangyi."

—Xiao Xiao and Grace Zhu contributed to this article.

# EYE

*Continued from Page One*  
jing would keep tabs on overseas investment under President Xi Jinping's Belt-and-Road infrastructure program.

Her query meandered. "The transformation of the role of state-assets supervision, centered on capital management, is currently a subject of widespread concern," she said, then kept talking.

The clock ticked.

Disdain appeared to creep across the face of the woman in blue as she listened to the roughly-45-second softball.

When the woman in red finally got around to her main question, the woman in blue had raised a fist to her chin and furrowed her eyebrows. She cast sideways glances at the speaker and around her. Then, with a toss of the head, she executed an eye-roll to make Miley Cyrus proud.

For viewers, it was a rare flash of unscripted emotion amid stage-managed tedium. "It was like she was expressing frustration on behalf of the rest of us" over the scripted nature of the event, says Zhang Lifan, a Beijing-based independent historian who has written critically about the government.

A meme was born, setting phones vibrating around China.

Online, people divided into red and blue camps—mostly blue. Animated images of Ms. Blue's expressions exploded on the WeChat messaging app. T-shirts and mobile-phone covers with images of the eye-roll went on sale on Alibaba's Taobao platform.

Ms. Red identified herself as Zhang Huijun, a journalist with American Multimedia Television USA, a little-known, Los Angeles-based channel whose website says it has worked with state broadcaster China Central Television on programming.

The policy she

# GREATER NEW YORK

## Ex-County Executive Goes on Trial

By JOSEPH DE AVILA  
AND CORINNE RAMEY

CENTRAL ISLIP, N.Y.—Federal prosecutors say a corrupt relationship between former Nassau County Executive Edward Mangano and restaurateur Harendra Singh began with a \$3,000 office chair.

In 2010, Mr. Mangano printed a picture of the chair off a website and handed it to Mr. Singh, his friend of over 20 years, prosecutors said at the opening of a trial in U.S. District Court here Wednesday. Mr. Singh then bought him the chair and over years paid for hardwood floors for Mr. Mangano's home, a \$7,300 watch and vacations to places like Niagara Falls and Turks and Caicos, prosecutors said.

"This is a case about corruption and greed at the highest level of county government," said Assistant U.S. Attorney Lara Treinis Gatz.

Whether that chair and the other items were bribes or



Edward and Linda Mangano, shown in 2016, both face charges.

gifts between friends is a central question in the trial. Mr. Mangano, a once-powerful Republican who served as Nassau County executive from 2010 through 2017, faces charges including bribery and extortion for what federal prosecutors say was an exchange of kickbacks for county contracts and other actions.

In his opening statement,

his attorney, Kevin Keating, said Mr. Singh led a secret life of crime that he hid from Mr. Mangano and his own family.

"Harendra Singh had a dark side," Mr. Keating said. "A man incapable of telling the truth is at the center of the government's case."

An attorney for Mr. Singh, who will testify for the prosecution, didn't return a request

for comment.

Also on trial are Mr. Mangano's wife, Linda, and John Venditto, former supervisor of the Town of Oyster Bay.

The trial is expected to be a public airing of the inner workings and backroom deal-making inside the administration of the highest-ranking official in Nassau County.

The trial is also expected to

provide insight into Mr. Singh, prosecutors' key witness. Mr. Singh pleaded guilty to bribing Messrs. Mangano and Venditto in a sealed courtroom in 2016.

In that courtroom, he also pleaded guilty to bribing New York Mayor Bill de Blasio. The Democratic mayor has denied being bribed, was never accused of wrongdoing, and after a lengthy investigation, federal and state prosecutors didn't charge him with a crime.

Marc Agnifilo, an attorney for Mr. Venditto, said the defense may seek Mr. de Blasio's testimony, depending on what Mr. Singh says during the trial.

A spokesman for Mr. de Blasio didn't immediately return a request for comment.

In opening statements, prosecutors outlined an alleged corruption scheme in which Mr. Mangano pressured Mr. Venditto to help Mr. Singh with loans for two of his restaurants on property owned by Oyster Bay. Mr. Singh needed the town to back the \$20 million in loans he was seeking in order to win approval from his lenders, prosecutors said.

Mr. Mangano allegedly promised county jobs to Mr. Venditto's associates for his cooperation. Mr. Singh also provided Mr. Venditto with limo service for special events and other perks, prosecutors said. Prosecutors said Mr. Mangano also steered two county contracts to Mr. Singh.

In return for his actions related to the loans and contracts, Mr. Singh awarded Mr. Mangano a "sham" job for Ms. Mangano that paid \$450,000 over four years, prosecutors said.

## Another Republican Takes Aim At Cuomo

By MIKE VILENSKY

A day after a Manhattan jury convicted a former aide to Gov. Andrew Cuomo of public corruption, a new Republican rival said he would challenge the two-term Democratic governor.

Dutchess County Executive Marcus Molinaro, whom party leaders have encouraged to run, cited the case against longtime Cuomo confidant Joseph Percoco when he officially declared himself a candidate on Wednesday.

"Yesterday's verdict is an indictment, not just of one man, but of the cynical systematic corruption within a state government Gov. Cuomo has led," Mr. Molinaro said.

The 42-year-old is a former teenage mayor of Tivoli, a village in the Hudson Valley. Key Republican backers have said he could be the most competitive candidate, after winning his position in a Democrat-majority county. New York state is predominantly Democratic, though northern counties have strong GOP voters.

Mr. Molinaro joins Sen. John DeFrancisco and former Gov. George Pataki aide Joseph Holland in the race for the Republican nod. The emergence of Mr. Molinaro's candidacy comes on the heels of the conclusion of the trial, which exposed the inner workings of the Cuomo administration and the backroom dealings of business in Albany.

Mr. Percoco, 48 years old, was convicted of pocketing some \$315,000 from three businessmen, who stood trial alongside him, in exchange for providing government favors while he was the executive deputy secretary to the governor.

Mr. Cuomo, who has campaigned on a pledge to clean up Albany, wasn't accused of any wrongdoing. On Wednesday, he said the verdict was "sad and shocking," and he described Mr. Percoco's behavior as "a total aberration" in his administration.

The governor also reiterated his support for a bill barring state lawmakers from receiving outside income. He has called for such a measure after past Albany-related corruption convictions, but has faced objections from Republicans who argue legislators should be average citizens rather than full-time politicians.

In the wake of the trial, Mr. Cuomo faces a host of criticism and questions from government watchdogs and fellow lawmakers. The verdict has prompted calls for more outside oversight of state contract agreements, an investigation of Mr. Percoco's time in the governor's office, and more stringent state ethics laws. Mr. Cuomo referred to some of the criticism as "political garbage."



Marcus Molinaro enters race.

## New York Students Join Nationwide Walkout

By LESLIE BRODY

More than 1,000 teenagers at Stuyvesant High School in New York City marched to an athletic field chanting, "Grades up, guns down."

At P.S. 321 in Brooklyn, fifth-graders tied orange ribbons onto a fence spelling "No Place for Hate."

And at a high school in Sayreville, N.J., a district official said about two dozen teenagers joined the National School Walkout, despite warnings they could be suspended for doing so.

Throngs of students across the metropolitan region vented their frustrations about Americans' easy access to assault weapons.

More than 100,000 of the 1.1 million students in New York City public schools joined the protests Wednesday, according to Mayor Bill de Blasio's office. Organizers asked students nationwide to walk out of class at 10 a.m. for 17 minutes, one minute for each person killed in the Parkland, Fla., school shooting on Feb. 14.

At I.S. 289, a public middle school in lower Manhattan, students formed a circle in the playground. Some held signs bearing the name and age of a Parkland victim. One boy waved a poster that said, "Books not Bullets."

Carol Tatham Smith teared up as she kept watch to make sure her 13-year-old son was safe. "I was worried someone who doesn't support it would shoot the children," she said. "It's pretty sad when it gets to that point."

Many educators embraced the walkouts to encourage civic engagement and assigned



Harvest Collegiate High School students in Washington Square Park. More than 100,000 city students took part in walkouts Wednesday.

staff to supervise them for safety. Some countered that by approving of the protests, schools denied students the opportunity to participate in real civil disobedience. Others sought to discourage the demonstrations altogether.

Kevin Ciak, school board president in Sayreville, said about two dozen students protested in some way, inside or outside the high school, and those who left school property would get two-day suspensions. He said the district sought to avoid interruptions

of instruction and had to treat all viewpoints equally.

"Schools don't have the ability to pick political issues," he said. "Next week if there were students who wanted to advocate for the Second Amendment, we would need to do the same thing."

In lower Manhattan, Stuyvesant was more embracing. Principal Eric Contreras said that while his school expects students to pursue rigorous academics, "equally important is their understanding of their role in shaping society."

Some Stuyvesant alumni came to cheer on protesters, who shouted, "Hey, hey, NRA, how many kids have you killed today?"

Emily Wang, a 17-year-old senior, said there should be a federal assault-weapons ban.

"Maybe they should raise the age of purchase too," she said. "It's stupid. It's illegal to drink until 21 but you can buy a gun at 18."

In the morning, the National Rifle Association tweeted a photo of a firearm with the words, "I'll control

my own guns, thank you."

American Federation of Teachers President Randi Weingarten marched with students at Leadership and Public Service High School in Manhattan.

Gov. Andrew Cuomo joined them in chanting "Enough is enough" and announced the launch of a state website to help students reach members of Congress and state lawmakers to press for gun-safety regulations.

—Mara Gay contributed to this article.

## Parents of Helicopter Crash Victim File Lawsuit

By MELANIE GRAYCE WEST

The parents of one of the victims of Sunday's deadly helicopter crash in New York City's East River have filed a lawsuit against the company and the pilot, saying the harness their son wore on the flight prevented him from escaping.

Dallas residents Jerry and Nancy Cadigan filed the suit Tuesday against Kearny, N.J.-

based **Liberty Helicopters** in New York State Supreme Court. Their son, Trevor Cadigan, a 26-year-old journalist living in New York City, died in the crash.

The lawsuit, which seeks unspecified damages, also names the pilot of the helicopter, Richard Vance. Mr. Vance was the only crash survivor.

The five passengers who died on the photo tour of New

York City were required to wear more complicated safety harnesses because the tours often are done with the helicopter doors open. The New York City Medical Examiner on Tuesday said the crash victims drowned.

A lawyer for the Cadigan family said in a statement the helicopter was a "death trap" because there was no means to escape from a tight harness, in an upside-down helicopter in

frigid water temperatures.

"There was no prospect of his safely evacuating this helicopter in that crash scenario," said attorney Gary C. Robb, who is based in Kansas City.

A representative for Liberty Helicopters didn't immediately respond to requests for comment. Mr. Vance couldn't immediately be reached through a family member or his employer.

The National Transporta-

tion Safety Board is investigating the accident and has said it would be looking into the harness system. Liberty Helicopters has said it is cooperating with the investigation.

The other victims were Carla Vallejos Blanco, 29, a tourist from Argentina; Brian McDaniel, 26, a firefighter from Dallas; and Daniel Thompson, 34, and Tristan Hill, 29, both of New York.

OYSTER PERPETUAL  
COSMOGRAPH DAYTONA



ROLEX

BETTERIDGE

239 GREENWICH AVENUE | GREENWICH | 203.869.0124

ROLEX, OYSTER PERPETUAL, COSMOGRAPH AND DAYTONA ARE TRADEMARKS.

## GREATER NEW YORK

# Four Fatally Shot in Brooklyn

By ZOLAN KANNO-YOUNGS

Three men and a toddler were found shot to death in a Brooklyn apartment building on Wednesday morning, the New York Police Department said.

A 53-year-old woman returned to her Riverdale Osborne Towers apartment in the Brownsville neighborhood at about 5 a.m. to discover her granddaughter, Laylay Briggs, 1 year old, fatally shot in a bedroom, police said. In the same room they found the body of the child's 27-year-old father, Terrance Briggs, police said.

Officers later found Loyd Drain III, 16, and his father, Loyd Drain Jr., 57, dead in other rooms of the three-bedroom apartment, NYPD Deputy Chief Michael Kemper said. All of the victims were related through blood or marriage, police said.

A law-enforcement official said there were "quite a few" instances of domestic violence between Terrance Briggs and his relatives.

"My heart goes out to this family and to the residents of Riverdale Towers, to the Brownsville community," NYPD Assistant Chief Jeffrey Maddrey said Wednesday during a news briefing. "In the nature of this business, we



**A medical examiner carries the body of a child from an apartment building where four people died.**

deal with death and tragic scenes, but when it involves an infant, it's extremely tough."

Authorities haven't given a motive for the shooting. But a law-enforcement official said police believe Mr. Briggs shot the others and killed himself.

The fact that a gun was left on the scene is consistent with a murder-suicide, according to

NYPD Deputy Commissioner Stephen Davis. The apartment front door was locked, another indicator of murder-suicide, he said. "The problem with those situations is there's no one there to tell you what happened," Mr. Davis said.

Brownsville has experienced a major decline in crime over the years, like the rest of the

city. In 1990, there were 60 murders in the 73rd police precinct, which covers Brownsville, and 26 murders in the precinct in 2001, city crime statistics show. That number declined to nine in 2017. But the 73rd precinct was one of only eight precincts with nine or more murders out of a total of 77 precincts in New York City that year.

## GREATER NEW YORK WATCH



## CRIME

**Man Sought in Killing Is Found in Nicaragua**

A man sought for questioning in New York in the killing of a nursing student has been detained in Nicaragua, authorities in the Central American nation said. Police in New York say Orlando Tercero, 22 years old, is a person of interest in the killing of Haley Anderson, also 22, of Westbury, on Long Island. The fellow nursing students at Binghamton University are said to have had a previous relationship.

Binghamton police found Ms. Anderson's body on Friday.

—Associated Press

# LIFE & ARTS



JUSTIN CLEMONS FOR THE WALL STREET JOURNAL

THE MIDDLE SEAT | By Scott McCartney

## U.S. Airports Play Catchup In Duty-Free Shopping

As mall traffic declines, retailers see opportunity in captive travelers and expand their offerings, following the lead of Dubai, London and others

Grapevine, Texas

**HERE'S A LITTLE SECRET** about airport shopping: You don't have to hold an international ticket anymore to buy at many duty-free shops. And another: It actually can be a pretty good deal.

In the age of online shopping, retailers are finding that airports can take some of the sting out of declining mall traffic. Travelers have time to kill and money to spend when they're captive inside airport security. Major airports around the world, from Singapore to Dubai, London to Beijing, have essentially become shopping malls with gates.

And the U.S. is finally starting to catch up. Just as they have upgraded restaurants and basic amenities like power outlets, U.S. airports are finding they need to improve duty-free stores, which have become a necessity for many world travelers who routinely stock up on perfume, cosmetics, alcohol and chocolate when coming home from trips.

Airports like duty-free shops because they get a cut of the revenue; luxury-goods makers like the chance to interact in person with shoppers; and customers like the convenience, savings and opportunity for capricious purchases.

Duty free began in Ireland in the 1940s as a way to stimulate spending by waiving taxes for people who were heading out of the country. It's grown and liberalized over the years, and definitions and qualifications vary in different countries. But the basic premise has become as omnipresent for travelers as neck pillows and bottled water.

Dallas-Fort Worth International



The new, two-level duty-free shopping area at Dallas-Fort Worth International Airport has an open plan. Brands have their own areas, to create a boutique feel.

Airport opened a duty-free mall inside its main international terminal in December. About the size of a Walgreens or CVS Pharmacy, the area isn't labeled duty free because that tends to drive away domestic passengers, who think they don't qualify. In fact, U.S. shoppers can now buy everything except cigarettes and alcohol, and in many locations it's all tax (aka duty) free even if you aren't leaving the country, because of agreements negotiated with state and local taxing authorities.

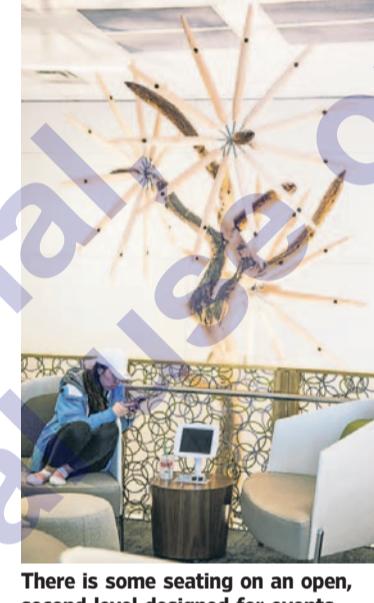
Mauricio Gonzalez, who lives near Mexico City, recently made his second stop at the DFW duty-free store while on a business trip. He bought chocolates for himself and perfume for his wife. "The variety is good," he says. "I don't know if the prices are good, but the convenience is."

Name-brand cosmetics and perfumes especially can be cheaper at the airport, with special packages, quantities and, for some brands, unique products. Other items can be hit and miss.

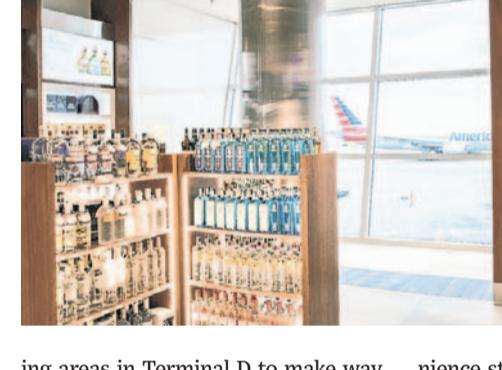
Among the more unique offerings: Sculptures by Texas artist James Surls, including a tabletop flower bouquet for \$7,000 and a giant wall-hanging of his flowers for \$250,000. If you need a \$2,600 cowboy belt buckle, this is the place.

Katherine Choi, who lives near Houston, stocked up on tequila and chocolates on a recent trip to Seoul to see family. She and her husband used the duty-free store so they wouldn't have to put the gifts in their luggage, where they might get damaged, lost or stolen.

DFW says it removed some seat-



There is some seating on an open, second level designed for events, such as tastings, to lure passengers.



ing areas in Terminal D to make way for the new store, a move agreed to by American Airlines, user of the nearby gates. Taking away seats means pacing passengers are practically forced to peruse products.

American also agreed to put long-haul international flights at gates near the store, and the airport put it in front of the terminal's busiest TSA screening checkpoint. "Were we intentional about this? Yes," says Sean Donohue, DFW's chief executive.

Airport customer research showed a hunger for high-end retail catering to expense-account business travelers and vacationers dubbed

### Is It a Deal or Not? A Price Comparison

Whether you are getting a good deal in the duty-free shop depends in large part on what you are buying.

A recent informal survey at Dallas-Fort Worth International Airport showed travelers can grab some Estée Lauder Advanced Night Repair, for instance, and save big. A set of two 100 mL bottles cost \$279. Nordstrom's website lists the same quantity at \$336. Jadore perfume from Dior costs \$133 for 40 mL; the same bottle costs \$140 at Macy's, and you'd pay sales tax on top of that.

With liquor and watches, a little online shopping can often yield bigger discounts. A bottle of Chivas Regal 18 offered at the duty-free store for \$80 is advertised at Total Wine & More, a chain of 170 stores in 20 states, for \$68. A \$3,800 bottle of Remy Martin Louis XIII Grand Champagne cognac is \$3,400 at Zachy's in Scarsdale, N.Y. An Omega Speedmaster chronograph watch advertised on Omega's website for \$10,600 is the same price at the duty-free store, but is \$8,268 at Authentic-Watches.com.

"indulgent explorers," willing to spend on unique items, especially local brands.

In Asia, it's not uncommon for people to fly off on shopping trips for a wider selection of goods and cheaper prices. That's true in the Caribbean and Mexico, too.

"The ability to shop is very important for some travelers," says Bernard Klepach, chief executive of DFAS Group, the Miami-based duty-free retailer and onboard shopping company that operates the DFW store.

Moët Hennessy, the Paris-based maker of Champagne and cognac, has a boutique in the Dallas duty-free store where it does tastings of rare editions—a spot of cognac before boarding. The unit of luxury-goods conglomerate LVMH has airport boutiques in Paris, Taiwan, Hong Kong and Singapore. Dallas is its first in the Americas, and more are likely.

"The proliferation which is starting in the U.S. is quite new, and we are very happy with it and very proactive," says Laurent Boidevezi, Moët Hennessy senior vice president in Paris.

Mr. Donohue says DFW's duty-free sales were up 47% in January—the store's first full month of operation—compared with the previous year. But the store is as much about entertainment as revenue. "If all I wanted to do was make money, I'd have a lot of restaurants and bars here, and convenience stores," he says.

While online retailing has curtailed some airport retail business, companies say they are still seeing growth—stronger than other traditional venues like malls or Main Streets. Dufry AG, the largest duty-free airport retailer, posted same-store revenue growth about 8% in the first nine months of 2017 compared with the same period in 2016. It was Dufry's strongest performance since 2011.

"You cannot smell perfume online," says Mr. Klepach, of DFAS. "It's the theater of retail. People like going in and feeling and touching."

### TELEVISION

## CAN 'AMERICAN IDOL' TURN WINNERS INTO STARS?

BY JOHN JURGENSEN

**THE NEW RENDITION** of "American Idol" is being judged primarily on the ratings and buzz it generates for ABC. But can the show, whose 16th-season premiere over the weekend drew 10.3 million viewers, still make good on its mission to catapult singers into music stardom?

Based on sales by winners of "Idol" and other music-competition shows in recent years, the launch platform seems shaky. The genre's most successful acts, including



Carrie Underwood and Kelly Clarkson (now a judge on NBC's rival series "The Voice"), emerged from the early seasons of "Idol," when it had an easier time seizing national attention.

In addition to the stratospheric ratings of "Idol," top contestants rode the last waves of the CD era, as well as the rise of digital downloads. Apple's iTunes store launched in 2003, the year after "Idol" debuted on Fox.

The shift to digital is something "Idol" benefited hugely from. Every night they release songs to iTunes, and that's

Please see IDOL page A14



The new season of 'American Idol' includes competitors such as Gabbii Jones, left, and judges Lionel Richie, Katy Perry and Luke Bryan, above.

## LIFE &amp; ARTS

## ART REVIEW

# MoMA's Human Focus

In its latest survey of new photography, the museum examines being in the world—with some powerful results.

BY RICHARD B. WOODWARD

New York

**PHOTOGRAPHS IN** contemporary art exhibitions these days are as likely to be culled from the internet as they are to be taken with a camera by the artists themselves.

This is not a new method for making art. In the 1970s, Stephen Shore and others filled galleries and books with images rifled from magazines and archives. What's changed is clickable, electronic access to the vastness of the picture universe, along with the post-'80s triumph of ideas-based practice over traditional photography. By recycling or referencing historical material, artists can address various thorny issues of representation while also relieving themselves from the onus of originality.

About one-third of the 85 pieces in the **Museum of Modern Art's** "Being: New Photography 2018," the latest iteration of its annual or biannual survey of emerging talent, use "found" photographs as an embedded or the sole element. What's refreshing about several of the examples, though, is how emotionally stirring they are, often more so than works where the artist originated the images.

Assistant curator Lucy Gallun has selected 17 artists from eight countries who, she believes, give priority to "the subject of humanity or being in the world" from a range of "lived experiences and circumstances."

Carmen Winant is an American writer and artist with only one piece here. That's plenty. "My Birth" (2018) is a lulu and certain to attract crowds.

Attached with blue tape to two facing walls, in a narrow passage connecting two main galleries, are more than 2,000 small images of women in labor or giving birth. Reprinted from many sources, each one of these intimate, often graphic scenes—in black-and-white and color—is the same yet distinct.

Most viewers will feel squeamish and ask themselves why. Are



Left, Huong Ngo and Hong-An Truong, detail of 'The opposite of looking is not invisibility. The opposite of yellow is not gold' (2016). Below left, Adelita Husni-Bey, 'The Council' (2018); below right, Matthew Connors, 'Mask in Reverse' (2016).

series "The Council" (2018) is far from depressive. Asking alumni of MoMA's teenage Digital Advisory Board to imagine a future when traditional functions of museums have been replaced by collectives, the Italian artist posed the group in scenarios and costumes they devised themselves.

They stand against backdrops or sit around tables, surrounded by handwritten signs that read "Access to Information" or "No New Building." Capturing the spirit of youthful utopians everywhere, "The Council" celebrates the civic bonds of activism.

Whether or not the theme chosen by Ms. Gallun is meant to invoke "The Family of Man," MoMA's 1955 blockbuster exhibition and book, she has given

"New Photography" needed heart and energy. The showcase is still too unwieldy. Four or five artists from around the world would be ideal. But this is the most promising crop of photographers to appear here in many years.

**'Being: New Photography 2018'**  
MoMA, through Aug. 19

Mr. Woodward is an arts critic in New York.

we intruding on the most private moment a woman can have? Or has Ms. Winant touched upon a more puzzling cultural taboo?

In assembling the work, she was shocked to find that such imagery is comparatively rare. She had to rely as much on analog documents, including feminist books from the '70s, as digital ones. An event vital to everyone who has ever lived seems to be less photographed than weddings, football games, or murders.

Huong Ngo and Hong-An Truong have reproduced prints from family albums for their collaboration about the immigrant experience, titled "The opposite of looking is not invisibility. The opposite of yellow is not gold" (2016). Their mothers fled Vietnam for the U.S. at different times and found themselves categorized as "aliens," underscored here by texts from congressional testimony. And yet, as snapshots reveal, the two women posed in remarkably similar fashion beside big American automo-

biles, suggesting that photography itself is essential in helping strangers to feel they belong in a place.

The American photographer Paul Mpagi Sepuya is already widely exhibited and collected. His portraits and self-portraits explore his identity as a black, gay man within the tradition of Constructivist collage. Using mirrors and cloths, he fragments, shrouds, divides and multiplies parts of the body, teasing the viewer to piece them together.

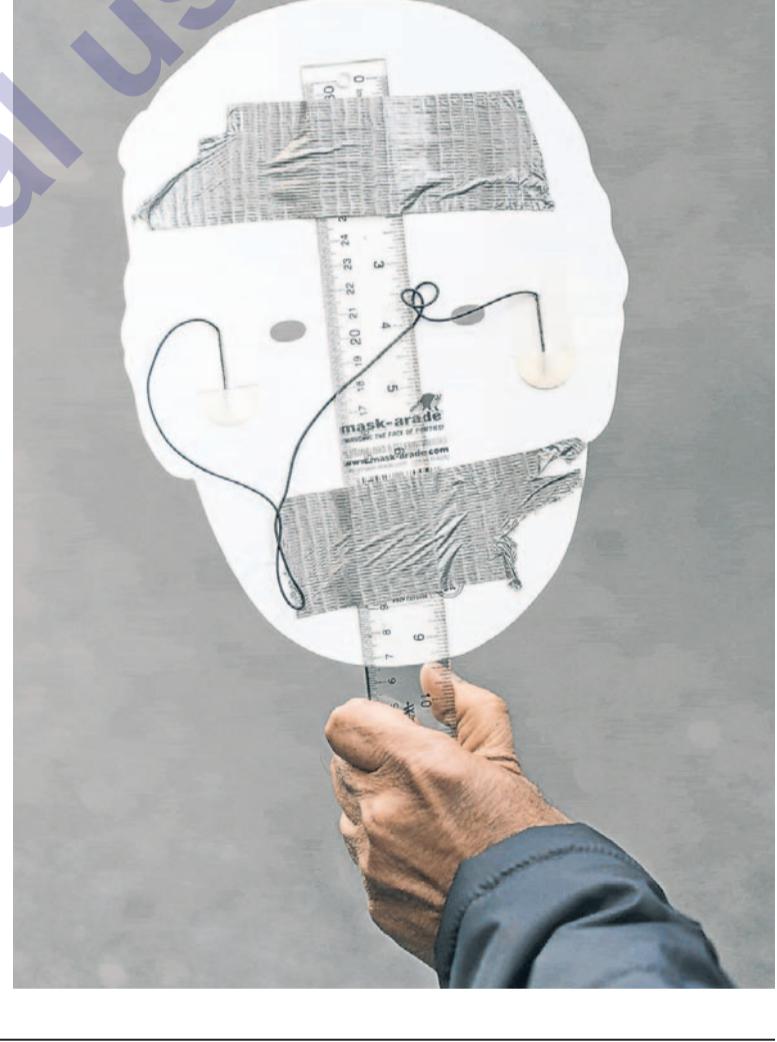
"Untitled" (2017) presents the smooth, muscular back of a male nude, torqued in the style of Michelangelo. Small reproduced photos by William Henry Fox Talbot and others are incorporated in the surface. It's the most accomplished work of art in the show. No other is as self-consciously assured about engaging with the history of art.

Just as highly wrought is "Sin nombre" (2017-18) by Harold Mendez. This huge (7-by-15-foot) pale gray image of a boy on horseback in a forest pool is blown up from a glass negative that the American

artist discovered in Havana.

Not every image here is appropriated. Matthew Connors's documentary photographs of North Koreans, taken from 2013 to 2016, are sympathetic portraits of people who live in an alternative reality. They're hard to read. Are they zombies, as sad as we think? Or do they take the same small pleasures from daily life that all of us do?

The mood of Adelita Husni-Bey's



CLOCKWISE FROM TOP: HUONG NGO AND HONG-AN TRUONG, 'THE OPPOSITE OF LOOKING IS NOT INVISIBILITY. THE OPPOSITE OF YELLOW IS NOT GOLD' (2016); ADELITA HUSNI-BEY, 'THE COUNCIL' (2018); MATTHEW CONNORS, 'MASK IN REVERSE' (2016).

## IDOL

*Continued from page A13*  
where the instant gratification factored in," says Nielsen analyst David Bakula. The iTunes chart was scrutinized as an indicator of voting results that would be revealed on the next episode, and established artists like Queen and the Bee Gees received sales bumps when their songs were covered.

Now music is in an entirely different place. Revenue from streaming services such as Spotify and Apple Music surpassed those from digital downloads around the time Fox stopped airing "Idol" in 2016. When Spotify's Top 50 chart is dominated by hip-hop acts with upward of 2 million daily streams, can aspiring pop stars from TV compete?

This season's "Idol" winner receives \$250,000, plus a recording contract with Hollywood Records. Disney, which owns the record label as well as ABC, has an incentive to propel winners to success in both media.

"Idol's" season premiere Sunday was down 6% in total viewers compared with the



Ryan Seacrest, Kelly Clarkson, Justin Guarini and Brian Dunkleman, above, in the first season of 'American Idol'; Blake Shelton, right, on 'Idol' rival 'The Voice.'

premiere of its previous season. Its second episode on Monday was watched by 8.4 million, going head-to-head with an episode of "The Voice" that drew 11.7 million.

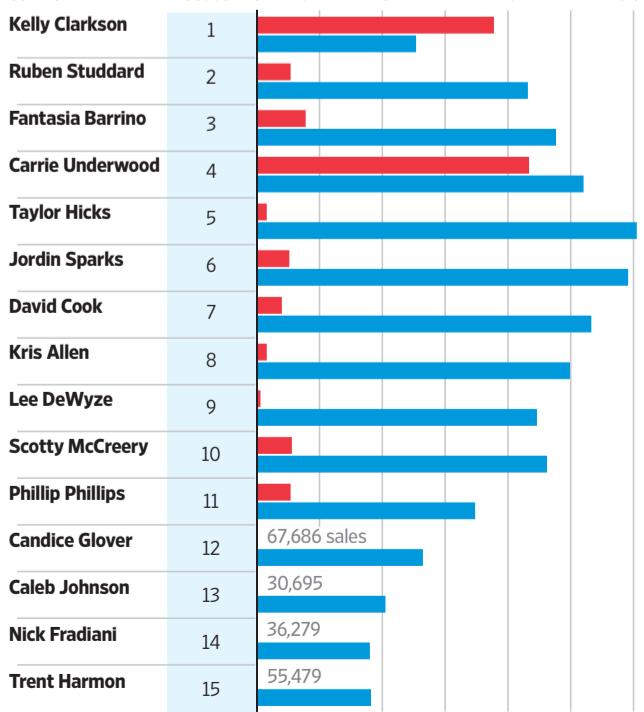
However, when comparing the track record of "Idol"

stars to those of "The Voice," there isn't any competition. Combined sales for all "Voice" winners and finalists add up to about 7 million albums—less than a third of Ms. Underwood's sales alone.



### Judging 'American Idol' and Its Stars

The ability for "American Idol" to launch successful music careers was already waning by the time the show's viewership peaked in season 5.



Source: Nielsen

THE WALL STREET JOURNAL.

## LIFE &amp; ARTS



Julia Cumming, Jacob Faber and Nick Kivlen of Sunflower Bean

ANDY DELUCA

**IT'S THE RARE** rock band that arrives fully formed, especially when its members have yet to reach their 21st birthdays. But so it was with Sunflower Bean in 2016 when its debut album, "Human Ceremony," revealed that the trio had created a distinct sound that distilled, rather than copied, a variety of influences including New Wave, post-punk, psychedelic and even a touch of metal music. The approach of the Brooklyn-based band, formed in 2013, was a pushback against what it was hearing in the New York music scene: too much dreamy introspection and a rejection of early rock maxims.

Aggressive yet melodic, energetic and neurotic, Sunflower Bean's "Human Ceremony" features bassist Julia Cumming and guitarist Nick Kivlen splitting the lead vocals above a supple rhythmic machine driven by drummer Jacob Faber. With Mr. Kivlen issuing compact solos that feel like a call from an old forgotten friend, the debut album is loose but never sloppy, catchy without bowing to pop clichés; and the arrangements allow for sudden, often drastic shifts that come across as both a wink and a prize.

When the trio settled down after extensive touring behind the album, they discovered they were tired of playing the kind of music they had recorded earlier. When we spoke by phone last week, they agreed that "Human Ceremony" had been an honest representation of where the band had been, but that they had grown and become

The young band's 'Twentytwo in Blue' is more than a great album. It's a model of how musicians can grow through innovation and risk.

**MUSIC REVIEW** | By Jim Fusilli

## Sunflower Bean Still Blossoms



more purposeful. Sunflower Bean's new album, "Twentytwo in Blue" (Mom + Pop), out March 23, is a reflection of that focus and maturation. And as good as "Human Ceremony" is, "Twentytwo in Blue" is better.

It features lean, efficient melodic rock that calls to mind the mid-'60s music of the Beatles, the Byrds and the Who; late '70s and early '80s acts like Nick Lowe; punk's the Buzzcocks and the Ramones; and New Wave groups Blondie and the Go-Go's. That kind of power-pop rock requires meticulous, hook-minded songwriting and airtight arrangements featuring layered guitars that complement the voices. Minus any of those traits, power pop can be squirmly nonsense. When all are present, it's undeniably popular music that is instantly memorable and perpetually rejuvenating. A great power-pop album

that's decades old, like Cheap Trick's debut (1977) or Matthew Sweet's "Girlfriend" (1991), still sounds fresh.

Sunflower Bean's "Twentytwo in Blue" is built to last. It announces its intentions immediately with the straight-ahead "Burn It," with Mr. Kivlen's guitar snarling under Ms. Cumming's voice. A bright acoustic

guitar and Ms. Cumming's bass tee up the fetching "I Was a Fool," while in "Human For" Mr. Kivlen's squealing guitars emerge from a roar in which Ms. Cumming sings repeatedly "I need the sound of the drums." "Memoria" finds Mr. Faber's punchy, understated percussion filling the space between the bass and a chiming guitar; Ms. Cumming overdubs her voice to form a pop choir.

The trio isn't married to power rock. "Only a Moment" recalls '60s girl groups, while "Any Way You Like," sung by Mr. Kivlen, is an update of an old-fashioned stroll. Kicking off with huge drum beats, "Puppet Strings" is a battle between Ms. Cumming's sweet vocal and Mr. Kivlen's nasty power chording. The raw "Sinking Sands" straddles garage rock and punk with Mr. Kivlen on vocals, but when Ms. Cummings sings, the song turns into merengue-like pop.

"Twentytwo in Blue" refers not only to the band members' ages—they all turn 22 this year—but also to a state of mind that ripples through the lyrics. The lives of three so early in their third decade have been accelerated by success that usually comes later, if at all, to rock and pop musicians: Mr. Faber spoke of the differences between chronological age and age as determined by experience. Removed from the blush of youth, on "Twentytwo in Blue" the trio ponders what it considers a troublesome time, be it in personal relationships or geopolitically.

Ms. Cumming said the album's songs are about resilience. "When things are in shambles, there's an opportunity to become stronger," she told me. Shifting points of view within songs reflect what she said is the result of a process in which she writes as if telling stories but is in fact engaging in an internal conversation.

With its unbridled enthusiasm, clever songwriting and superior rock musicianship, "Twentytwo in Blue" is more than a great album. It's a model of how a determined group of young musicians who acknowledge a desire to grow can do better than they had before. Thus the still-young Sunflower Bean is finding a way to build a career through innovation and risk. That in itself is an admirable achievement.

*Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.*

**FEEL SLEEP WORK LIVE BETTER**

**RELIEVE STRESS, REDUCE MUSCLE TENSION, ALLEViate BACK PAIN**

Enjoy all the benefits of massage every day from the comfort of your home.

Made in Japan

**FREE WHITE GLOVE DELIVERY\***

Unparalleled Japanese craftsmanship, superior choreography, and an unmatched commitment to quality.

**DREAMWAVE**

888-727-2150 [dreamwave.com/benefits](http://dreamwave.com/benefits)

**The World's Best Massage Chair®**

\*Free delivery to any address in the 48 contiguous United States. Includes set up and removal of packing materials.

## WE'RE BULLISH ON COMFORT



The Un-Sneaker™ goes to work. With leather-lined interior, padded collar and custom soles — the world's most comfortable shoe is now dressed for the office.

**SAMUEL HUBBARD.COM**

SHOEMAKERS SINCE 1930

Free shipping and returns. Order online or call 844.482.4800.

**WeatherTech**  
American Manufacturing Done Right™



See our full line of Automotive Accessories at [WeatherTech.com](http://WeatherTech.com)

**800.441.6287**

**International #001.630.769.1500**

American Customers  
[WeatherTech.com](http://WeatherTech.com)

Canadian Customers  
[WeatherTech.ca](http://WeatherTech.ca)

European Customers  
[WeatherTech.eu](http://WeatherTech.eu)

**Accessories Available for**

Acura · Audi · BMW · Buick · Cadillac · Chevrolet · Chrysler · Dodge · Ferrari · Ford · GMC · Honda · Hummer · Hyundai · Infiniti · Isuzu · Jeep · Kia · Land Rover · Lexus · Lincoln · Maserati · Mazda · Mercedes-Benz · Mercury · Mini · Mitsubishi · Nissan · Oldsmobile · Plymouth · Pontiac · Porsche · Saab · Saturn · Scion · Subaru · Suzuki · Toyota · Volkswagen · Volvo · and more!

©2018 by MacNeil IP LLC

# SPORTS

## NCAA TOURNAMENT

# WHY PENN CAN SHOCK KANSAS

BY ANDREW BEATON

**THE FIRST RULE** of filling out your NCAA bracket is to confidently place every No. 1 seed into the second round. It's the only blissful moment of filling out your bracket. Because it's the only thing you know you're going to get right. A No. 1 seed has never lost in the round of 64.

We're not here to tell you do something stupid. But you should definitely think about doing something stupid: Picking No. 16 Pennsylvania to topple No. 1 Kansas.

The risks are obvious. This has never happened before. It will likely torpedo your bracket by mid-afternoon on Thursday. And the rewards—at least, in your pool—aren't actually that great.

But there's something to be said for the invaluable pleasure of getting to obnoxiously repeat, "I told you so," until March 2019. Just kidding, if you get this right you'll never stop saying that. And this year, your best chance is picking Penn, because it's slightly less insane than picking the normal 16 seed.

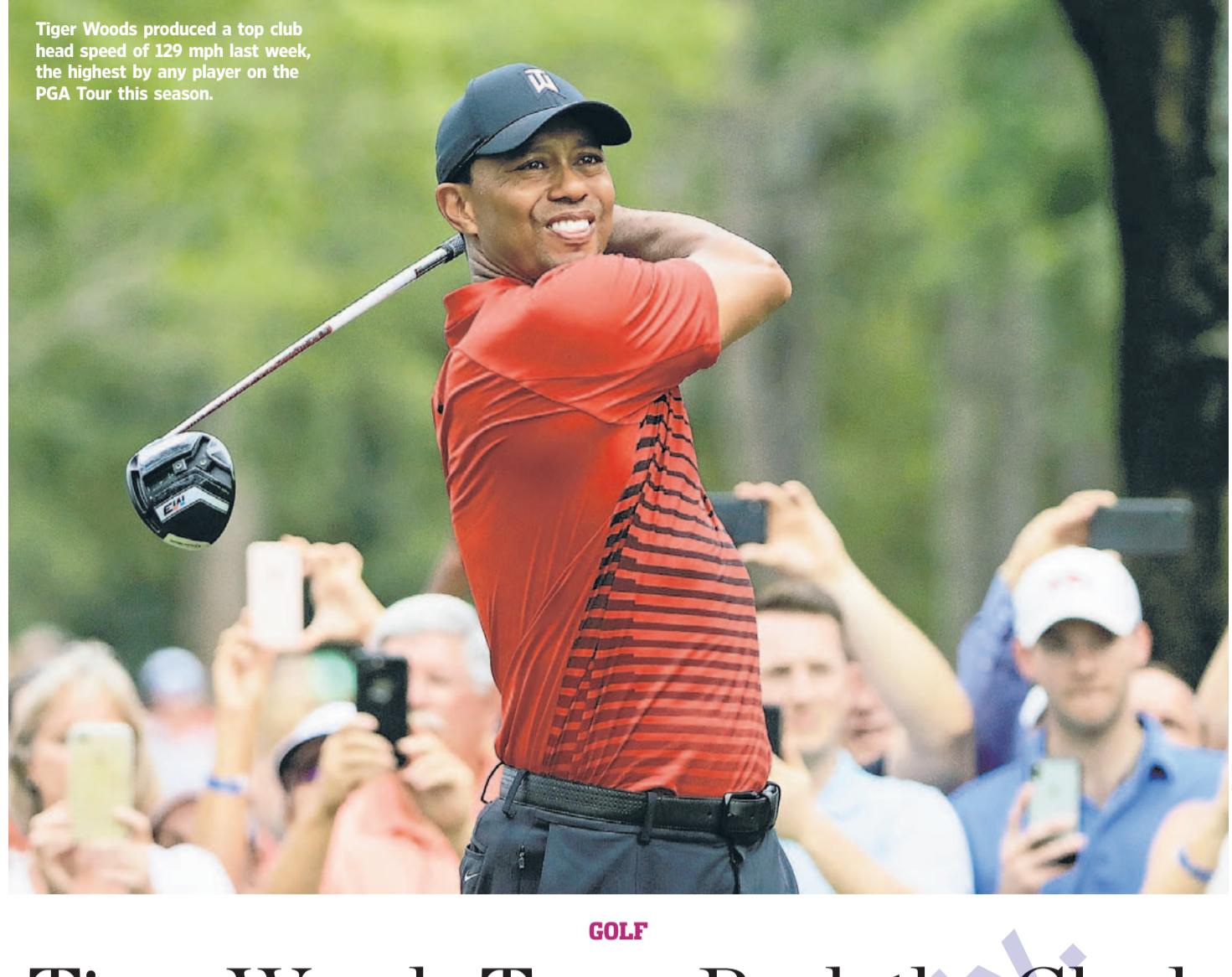
Why? It begins with the fact that the Quakers are far better than your typical No. 16 seed. They're rated No. 128 in the country, according to KenPom.com, which to be clear means they're not very good. But it also means they should have been seeded higher: They're rated higher than one No. 14 seed and three of the four No. 15s. They're also ranked higher than any 16 seed in at least the last five years.

At the same time, Kansas isn't the prototypical No. 1. The Jayhawks won the Big 12 for their 14th straight season but are still rated No. 9, per KenPom.com, with all four No. 2s, a No. 3 and No. 4 above them. They lost seven games and have struggled on the defensive end for long stretches this year.

If you need even more reason, the bookworms from the Ivy League have made a habit of busting brackets lately. Yale, as a No. 12 seed, toppled Baylor in 2016. Before that, Harvard produced back-to-back upsets as 12 and 14 seeds in 2014 and 2013. Last year and in 2015, the Ivy teams came within two points each of making it five straight upsets.

To be clear, this probably won't happen. But it's also probably likelier than you think: The chances are at 11%, according to KenPom, which is far likelier than the typical 1 vs. 16 game.

Tiger Woods produced a top club head speed of 129 mph last week, the highest by any player on the PGA Tour this season.



SAM GREENWOOD/GETTY IMAGES

## GOLF

# Tiger Woods Turns Back the Clock

Woods says his body is allowing him to do things he hasn't done with ease in a long time

BY BRIAN COSTA

ORLANDO, Fla.—The parlance of golf nerdery may be Tiger Woods's favorite language. Whether delving into spin rates or swing patterns, this is not an athlete who lacks the ability or interest to break down his game in highly technical terms. But when asked how, after four back surgeries, he managed to produce a top club head speed of 129 mph last week—the highest by any player on the PGA Tour this season—he had no explanation.

"Dude, if I knew I would tell you," Woods said. "I don't know. It just...happened."

Not even Woods fully understands how, in the span of a few months, he went from preparing for life after competitive golf to—as of this week's Arnold Palmer Invitational—the betting favorite to win a tournament. His back finally healed. That much is evident. The effect has been dizzying, and not just in terms of how fast Woods climbed back into contention.

With a body that for much of the past three years made it difficult for him to even pick up a club, Woods has the second-highest average swing speed on tour this season, at more than 122 mph. That is faster than Woods swung in 2013, when he won five tournaments.

At 42 years old, Woods is lashing the ball like he did more than a decade ago. The theory he has discussed with people in his inner circle is that it shows how much he

had been compensating for back pain even before his first surgery in 2014.

"I thought, 'Oh, I hit that hard,' and it's like slo-mo," Woods said. "But to me it felt hard. Now I don't feel like I'm swinging it very hard, but it's producing some incredible speeds, which I'm not against."

The wider audience that Woods long attracted in his prime has returned at an equally incredible clip. Final-round coverage of the Valparaiso Championship, in which Woods finished tied for second, on Sunday was the highest-rated non-major golf broadcast in nearly five years, according to NBC.

The sight of Woods in contention at a regular PGA Tour stop, where promotional paint cans were used as tee markers, drew more viewers than any major championship in 2017 except the Masters.

"I can confirm he's back," Brandt Snedeker said after playing alongside Woods last weekend. "The roars are back."

The degree to which even Woods has been surprised by all this was reflected by a move that was announced on Tuesday. Woods was named captain of the U.S. team for the 2019 Presidents Cup, alongside international team captain Ernie Els. It is an honor typically reserved for players who are, if not retired, then at least past the point where they are likely to play in the competition.

That's where Woods appeared to be last fall, when he called PGA Tour commissioner Jay Monahan to express interest in the gig. He hadn't given up on a return, but he was

embracing other ways to make himself relevant in the golf world.

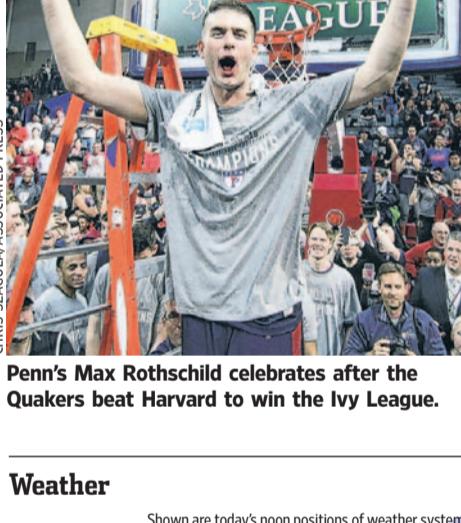
Now, Els said, "I think he's getting into position to maybe play."

Woods is favored to win this week in part because of his staggering success at this tournament. He has won it eight times, including four of his last five playing in it, most recently in 2013. There is a downside to those expectations. People who, about a week ago, were merely glad to see Woods in any form again will start to scrutinize him more closely. At some point, him not winning may be viewed as a failure again. Woods said he implores people to consider how uncertain it was that he would even be playing at this point.

But the hype also reflects the reality: Woods's body is allowing him to do things he hasn't done with ease in a long time.

He is driving the ball an average of just over 303 yards, which is only tied for 42nd on Tour but would be his longest-hitting season since 2006. His approach shots, short game and putting are all among the 25 best on Tour this year, based on the strokes gained statistic. Furthermore, Woods said the absence of pain has allowed him to be more creative in shaping shots.

"My hands tell me how to shape a golf shot," Woods said. "So that's what I've done—I've trusted my hands again. My right arm and neck aren't shaking because my back's out, my nerve's out and it's inflamed. I don't have those issues anymore."



Penn's Max Rothschild celebrates after the Quakers beat Harvard to win the Ivy League.

## Weather



## U.S. Forecasts

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

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

Today Hi Lo W  
Tomorrow Hi Lo W

Anchorage 34 29 pc 38 30 c

Atlanta 65 44 s 70 55 pc

Austin 74 64 pc 86 66 pc

Baltimore 50 28 pc 44 26 pc

Boise 50 37 sh 50 33 c

Boston 43 29 pc 39 24 pc

Burlington 37 24 sf 30 20 sf

Charlotte 66 44 s 69 46 pc

Chicago 43 26 s 40 31 pc

Cleveland 36 23 sf 32 22 pc

Dallas 78 65 pc 86 61 pc

Denver 65 35 pc 59 33 pc

Detroit 38 20 pc 39 25 s

Honolulu 83 72 sh 84 72 pc

Houston 77 66 pc 84 67 c

Indianapolis 49 25 s 45 33 c

Kansas City 69 47 pc 64 39 t

Kansas City 63 48 pc 64 47 pc

Little Rock 72 52 s 73 55 t

Los Angeles 64 49 pc 59 48 c

Miami 75 57 s 77 59 s

Milwaukee 40 25 s 37 30 pc

Minneapolis 41 21 s 43 27 pc

Nashville 68 45 s 62 54 r

New Orleans 72 58 pc 75 63 t

New York City 46 30 pc 37 28 pc

Oklahoma City 74 55 s 78 46 s

## International

Today Hi Lo W  
Tomorrow Hi Lo W

Amsterdam 51 40 s 44 25 sh

Baghdad 83 60 pc 78 53 pc

Bangkok 91 77 s 91 77 s

Beijing 54 29 s 47 34 pc

Berlin 43 31 p 38 21 c

Brussels 50 41 s 52 29 sh

Buenos Aires 75 49 s 79 60 pc

Dubai 83 68 s 87 71 s

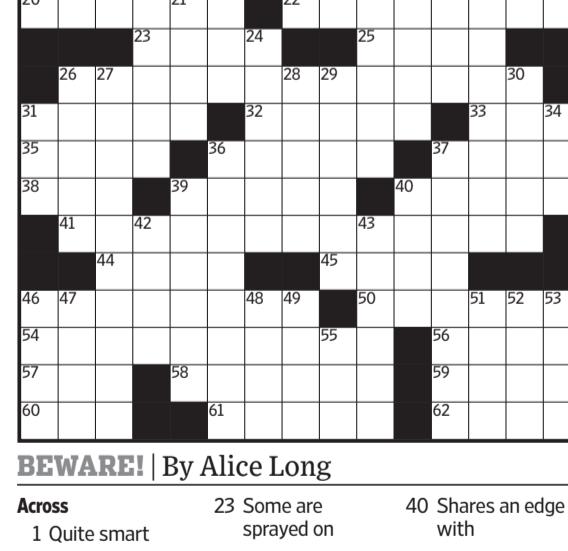
Dublin 51 42 p 50 40 r

Zurich 46 38 c 43 32 r

## AccuWeather

DOWNLOAD OUR APP TODAY

## The WSJ Daily Crossword | Edited by Mike Shenk



BEWARE! | By Alice Long

### Across

1 Quite smart 23 Some are sprayed on 40 Shares an edge with

5 The winks, in 25 Six-time role for Myrna 41 Escape routes, at times

10 Cacao container 26 Candidate to replace Andrew Jackson on the twenty 44 Ocean sound

13 Clytemnestra's mother 27 Miniature mount 45 Miniature mount

14 Earmarks 31 Worker's reward 46 Gets the wrong party, perhaps

16 Your pick of 32 Like 2017 but not 2018 50 "Scram!"

17 Utah Valley University setting 33 "Toodles!" 54 With tenderness, in music

18 Edible algae called asosa nori in Japanese cooking 35 Different 56 Texting while driving, e.g.

36 Litter containers 37 British crown colony until 1963 57 Prefix akin to equi-

20 Coin bearing a portrait of Juan Carlos I 38 Drops in the meadow 58 Utterly unpleasant

22 Sped (along) 39 Stimulates 59 Stylist's creation

22 Sped (along) 39 Stimulates 60 Clause negotiator

### Down

1 Hoof sound 29 Keeps busy

2 Attendance call 30 Duma denies

3 Time to beware 31 Planting place

4 Happened as foretold 34 Lt.'s subordinate

5 Aquafina rival 36 Its Macao hotel has 4,001 guest rooms and suites

6 Masse de terre dans la mer 37 Suspension

7 Sidewalk square 39 Specter

8 Roy Rogers part 40 Princess Charlotte's grandaunt

9 Ribs connectors 42 Value system

10 "Straight Up" singer 43 Unimportant person

11 2012 Tony winner for Best Musical 46 Chief

47 Should that be the case 47 Ticked off

48 Something at the end of the line

51 Drinking spree

52 Very much alive

53 Stir-fry staple

55 Caesar on TV

### Previous Puzzle's Solution

SHOTJR	COO	APB
TECHIE	CORN	NEO
GRUELS	BLEEDDRY	L
LETT	THE DOGS OUT	CGI
ART	ORSO	NOSWEAT
ETAS	RE	REY
MOVEDMY	CHEESE	NOTARY
ONEPIECE	GAINER	USED CARS
ATAD	TA	GOTESTHERE
EES	LAT	ANTEDATE</td

## OPINION

## March Madness in PA-18

WONDER LAND  
By Daniel Henninger

Before divining the meaning of a special election in a Pennsylvania congressional district that soon will cease to exist, let us pause to consider America's obsession with elevating the totally obscure to national prominence.

In March no more pleasurable habit returns than finding the least probable colleges in the NCAA basketball tournament. This year's bracket lists a first-round game as "NCCU vs. TXSO." That would be North Carolina Central against Texas Southern, which made it to the Big Dance by defeating Arkansas-Pine Bluff for its league title.

We call them Cinderella teams. Which brings us to Pennsylvania State Rep. Rick Saccone versus the Pittsburgh chameleon Conor Lamb.

It used to be true that all politics was local. Why care about an election in a district that sprawls horizontally south of Pittsburgh? Because now more than ever, every day in our politics is March Madness. A political burp at any level can turn into a national event.

What do the returns in Allegheny County, Pa., mean for control of Congress? Does Conor Lamb's strong showing in PA-18 mean "Conor Lamb" should be the future of the Democratic Party?

Washington's daily takeover of our heads didn't start with the phenomenon called

"Trump." It began with "Obama."

Barack Obama preceded Donald Trump as our first totally celebrated president. Both men's victories were unique on a virtually unprecedented scale. Mr. Obama was the first black president. Donald Trump was the first . . . well, the first "Trump."

As important, both men became president during the rise of always-on electronic media that will no longer recognize any political reality without first pulling it through a lens labeled Obama then or Trump now. The American presidency defines everything, including PA-18.

Donald Trump may think he is dominating our politics, but he's also a role-player. He is forced to prop up weak local candidates in places like Alabama or Western Pennsylvania with two-year-old campaign oratory, because the whole world knows he carried PA-18 by 20 points. Barack Obama spent his first term giving the same campaign speech everywhere. If he talked to a kindergarten class, it somehow always got around to "the wealthiest" and the "1%," or so it seemed.

In its current iteration, the national "narrative," which is what we used to call the conventional wisdom, holds that Trumpist populism now defines the Republican Party. But Trumpism's details look more like an hourly work in progress, reflecting their source.

In fact, the leveling political tides are creating a bigger problem for Democrats. Democrats are both beneficiaries

and victims of Barack Obama, whose congenial persona camouflaged the party's hard-left turn during his term.

Now they're forced to produce candidates like Conor Lamb or Jon Ossoff, who last year lost the Georgia-6 special congressional election, or Cory Booker—who seem to represent pretty much nothing. Or at least nothing resembling the dominant Democratic idea-set produced by

### Conor Lamb vs. Rick Saccone is like the first bracket of the NCAA tournament.

Washington, New York, San Francisco, Hollywood, most media, late-night comedians or on any college campus.

The most telling thing about Conor Lamb's campaign wasn't that he rarely mentioned Donald Trump but that he disowned Nancy Pelosi. One could write the history of the modern Democratic Party in Mrs. Pelosi's biography.

She grew up in a Baltimore political family when that city defined the party's gritty, working-class affiliations. She migrated to San Francisco, won a special congressional election in 1987 and now personifies the ascendant Google Democrats.

Among the Democrats who did campaign for Mr. Lamb was Ohio Rep. Tim Ryan of nearby Youngstown, who challenged Mrs. Pelosi for minority leader last year. He said the party's coastal-created

obsession with race, gender and the rest of the identity-politics palette has caused it to abandon working-class Democrats from heartland states like his.

For the short version of the political and psychological confusions this internal tension has produced, see Hillary Clinton's remarks in India explaining why white women vote. That is the voice of a Democrat—and she's far from alone—who is simply lost inside the party's current progressive "narrative."

Should Conor Lamb's impressive performance south of Pittsburgh worry Paul Ryan and House Republicans? Yes. Surviving midterm elections is a beast. In 2010, the House Democrats of the now-canonical Barack Obama lost 63 seats.

As noted here previously, three recent presidents have minimized their party's midterm losses or gained seats: Reagan in '86 (minus 5); Clinton in a personally tumultuous '98 (plus 5); and George W. Bush in '02 (plus 8). They had one thing in common: a strong national economy.

Last month the U.S. added 313,000 jobs. The labor participation rate among black Americans now equals that of whites for the first time since 1972.

John F. Kennedy, Democrat, said a rising economic tide lifts all boats. Today the Democratic Party's strategy is to persuade voters those are fake jobs. The party's Conor Lambs are stuck somewhere in the middle. He's not just in PA-18 anymore. No one is.

*Write henninger@wsj.com.*

BOOKSHELF | By Martin Peretz

## Can There Be A 'Decent' Left?

### A Foreign Policy for the Left

By Michael Walzer  
(Yale, 198 pages, \$30)

Michael Walzer, now 83, is the unanointed dean of the American left. The editor of *Dissent* magazine for more than 30 years, he has written a book criticizing his comrades' foreign policy and, subtly but unmistakably, their worldview. He sees both as morally lacking and advocates something more humane and more engaged.

Mr. Walzer is a leftist not for psychological or emotional reasons but for moral ones. He believes, *a priori*, in practicing human decency: a moral sensibility toward other people and their existences. He thinks that capitalism's inequality has coarsened this sensibility but that capital's productive capacity can be harnessed, through political action, to transcend the capitalist system: to create societies where people can live more equally and so be more decent to one another. The aim is democratic socialism, the means are helping "oppressed men and women to become political agents who control their own lives."

The danger of this *a priori* politics is vanguardism, under which acolytes of an ideal believe that the ideal is more important than how they reach it. Where Mr. Walzer differs is that he believes that if the aim is decency, the means must be decent. This requires departing from theory and practicing a politics of distinction, "[paying] close attention to local circumstance and particular histories" and "[thinking] hard about the relation of means to ends."

It also requires a foreign policy of distinctions, of recognizing that people labor under different kinds of oppression that call for different kinds of responses. And it requires recognizing that local resistance to oppression varies: Sometimes, as in Cuba, people who speak in the name of the oppressed simply want to use them as tools for power. Mr. Walzer is an honest leftist, and he tries to keep his comrades honest, too.

But he isn't sure whether many of them are. "A Foreign Policy for the Left" reads like an anguished plea to comrades who have strayed so far from a politics of distinction and decency that the author doesn't know whether they can be brought back. According to Mr. Walzer, the left's vanguardism has put it in bed with dictators, fanatics and activists who reject reasoned debate as a means to democratic change.

This is most obvious to Mr. Walzer in foreign policy, because it's so extreme. He gives many examples: leftists' unwillingness to engage with unionist and feminist allies in Afghanistan and Iraq because American intervention as a force for good didn't fit their theory of America as a force for evil; their mischaracterization of America's world reach as totalistic, which allows blame always to ricochet back to us; their lumping in of Israel with despotic and imperialist regimes, ignoring the unique historical situation in which this encircled democracy finds itself; their attraction to thinkers like Judith Butler and Noam Chomsky and Slavoj Zizek—the last of whom preaches, Lenin-like, violence by the few in the name of change.

**The editor of *Dissent* magazine asks his comrades for a more nuanced moral response to America's use of power abroad.**

Mr. Walzer also sees the vanguard impulse at work domestically. He finds, in the aftermath of 9/11, American leftists opposed to America. They equate American soldiers' accidental killing of civilians in Afghanistan with terrorist actions, which "denies one of the most basic and best understood moral distinctions: between premeditated murder and unintended killing." From these observations, Mr. Walzer poses a searing question: "Can there be a decent left in a superpower?" The alternative is that "the guilt produced by living in such a country and enjoying its privileges makes it impossible to sustain a decent (intelligent, responsible, morally nuanced) politics. Maybe festering resentment, ingrown anger, and self-hate are the inevitable result of the long years spent in fruitless opposition to the global reach of American power."

I suspect that Mr. Walzer takes the latter view, but I have a different explanation for the left's indecency, one that begins with my old teacher Herbert Marcuse, the chief intellectual influence behind the New Left of the 1960s. Marcuse was interested in Freud: He cared about psychology and the way capitalism affected it. Writing about America in the 1950s and '60s, he saw a society where, to make money or gain a following, you had to stimulate people to buy what you were selling through stimulating their desires: a contract of narcissism. To break this contract and touch reality, Marcuse urged his followers to practice varieties of extreme experience, and the New Left listened: exploring sexual experimentation, violence, anything to break out of the system. Suddenly the leftists weren't ascetics anymore; they were hedonists.

In my view, Marcuse's, not Mr. Walzer's, politics became the dominant left politics for an obvious reason: His solution to the problem of a narcissistic society was psychologically satisfying to narcissists. Marcuse makes leftism another consumer activity, another way for the ego to satisfy itself: Being in the vanguard gives social superiority, satisfying that most dangerous product of a commercial society—*amour-propre*. And when pressed, vocal leftists give this explanation for why other viewpoints are not worthy of attention: Reason, they say, is a scrim for forces that want to oppress them—their identities, their economic interests, their *self-regard*. So words no longer matter, only actions.

Not all leftists are narcissists: I know people who hold leftist beliefs who are sincerely committed to moral sympathy and distinctions. But the fundamental question is whether, in this culture, a movement that starts with a totalizing critique of "the way things are" can attract political actors who want to work carefully to make change. I fear such a movement will instead attract narcissists who want to assert their individual wills against what they see as a monolithic, oppressive status quo, using the oppressed as tools for that end. Certainly the evidence of the '60s does not leave me optimistic and in fact explains much about the gap between Mr. Walzer's generation of leftists, who grew up in a pre-consumerist society, and the people who came of age under Marcuse and after. The last thing I see from the contemporary American left, on matters abroad or at home, is the politics of sympathy or distinction.

*Mr. Peretz was from 1974 through 2011 the editor in chief of the *New Republic*.*

## What the GOP Can Learn From Losing

By Karl Rove

them to victory or that enthusiasm will materialize out of thin air.

Republican candidates must drive home their own distinctive messages. Running as Trump 2.0 like Mr. Saccone did won't work unless your opponent is Hillary 2.0. Voters must be shown—in tangible terms—why electing a Republican is better for their family and country. Otherwise, GOP-leaning voters will

### Rick Saccone ran as Trump 2.0, but his opponent was far from Hillary 2.0.

stay home or defect. Count on more Democrats in red districts to soft-pedal progressive views and run as Republican-lite by sounding reasonable on guns, defense, deficits and values.

Having the biggest war chest is no guarantee of victory (ask Hillary Clinton and John Kerry). Still, Republicans must raise enough money to be competitive. Mr. Saccone, who raised just \$917,000 to Mr. Lamb's \$3.9 million, didn't do that. Worryingly, by Dec. 31, more than 40 Republican incumbents had been outraised by their Democratic challengers.

To that end, candidates must build their own ground game by recruiting, training and motivating armies of volunteers to narrow the enthusiasm gap. Democrats enjoy because of their intense hatred for President Trump.

Speaking of the president: He riles up the opposition more than he energizes his side. Tracking polls showed Mr. Saccone ahead before Mr. Trump's rally Saturday, then

falling behind as the press covered the visit. Mr. Lamb got 80% as many votes as Hillary Clinton did in the district, while Mr. Saccone got 53% as many as Mr. Trump.

Team Trump should deploy the president to raise money and win primaries for electable candidates. But he should avoid rallies in the campaign's closing months. Mr. Trump drowns out a candidate's message and makes the news all about whatever wild line he slings into the ether.

Candidate quality will matter more than usual this year, especially in open contests or races where a GOP challenger is taking on a Democratic incumbent. Republican primary voters have a special responsibility: This is no time to reward old warhorses because it's their turn, or to engage in flights of fancy by picking fringe figures. If Republicans want to keep their congressional majorities, they must pick the best candidates, give generously and often, and commit significant personal time and energy.

Victory isn't assured even if Republicans do these things, but defeat is certain if they don't.

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

## Use Blockchain to Hold Assad Accountable

By Mounir Ibrahim

When antigovernment protests broke out in the al-Midan neighborhood of Damascus, Syria, seven years ago, I was there. As a U.S. diplomat, I was reporting back to Washington on the unfolding political situation. The streets of al-Midan began to fill around 1 p.m. as Friday prayers concluded and hundreds of worshippers went straight from their local mosques to the al-Hassan mosque, a common protest location.

"The Syrian media lies, lies, lies," the crowd thundered in unison, before security forces began beating the protesters. I saw unconscious demonstrators lying in pools of blood. Some in the crowd were filming with smartphones. The security forces soon spotted them and headed right for where I was standing. We ran for our lives. My heart was pounding as I scurried through the old streets.

I heard gunfire but didn't stop to look back.

I learned a valuable lesson that day: The Syrian regime does not want anyone documenting its systematic abuses. Documentation is a serious threat to a regime that thrives on promulgating false narratives.

### The technology can prove digital images are authentic.

More recently, as a U.S. diplomat to the United Nations, I regularly saw deeply troubling images presented to the Security Council from conflicts in Burma, Syria and elsewhere. Unfortunately, in most cases the council wouldn't act. Some members argued that images and videos from the brutal chemical attacks in Syria in 2013 and 2017 couldn't be verified, and therefore the truth of what

happened couldn't be established. Unfortunately, these members succeeded in preventing international action and ensuring that bad actors can continue violating international norms.

Technological advances now make it possible to disseminate images and videos around the world in seconds. Journalists and observers can send authenticated, encrypted digital media over local cellular networks or high-speed internet connections. Device sensor data can verify precisely where a photo or video was taken, and the blockchain can ensure its integrity in perpetuity. All of this information can be stored securely in the cloud.

In Syria, civic groups and international organizations such as the Syrian American Medical Society are using these tools to document events far worse than anything I witnessed. Their goal is to highlight and preserve the truth. Their efforts will make

it harder for the regime to hide its crimes and more difficult for the international community to ignore them.

The ability to authenticate the provenance of digital media could do more than enable documentation of atrocities. It could help international efforts to monitor elections, fight fraud, audit supply chains and enforce anticorruption measures. It could also provide a defense against new technology that lets users manipulate and doctor videos in a way that looks real.

Image authentication is not a silver bullet and won't prevent conflict from happening, but it may improve the speed of the international response to crises when they occur. It may also help bring accountability to rogue regimes and justice for their victims.

*Mr. Ibrahim is vice president of strategic initiatives for Truepic and a former U.S. foreign service officer.*

## OPINION

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

**E**quity markets stumbled Wednesday after President Trump tweeted his enthusiasm for more trade brinksmanship even as first quarter economic growth estimates are falling. Congratulations and good luck, Larry Kudlow, who said he has accepted Mr. Trump's offer to run the White House National Economic Council.

The long-time CNBC commentator is an excellent choice to replace Gary Cohn, having helped Mr. Trump craft his campaign tax plan. Mr. Kudlow, a stalwart from the GOP's growth wing going back to the Reagan Administration, also played a crucial role persuading Congress to support the reform that passed in December. He spent hours with Senators making the case for the supply-side benefits of tax reform, which passed without a single Democratic vote.

Mr. Kudlow's job in the White House will be to protect this growth potential against policy erosion. This includes new bursts of spending, special pleading by industries, and above all a wave of trade protectionism. Mr. Kudlow has been critical of Mr. Trump's steel and aluminum tariffs, but the President has spoken with him several times in recent days and presumably is comfortable with an internal debate.

"We don't agree on everything, but in this case I think that's good," Mr. Trump said on Tuesday. "I want to have different opinions. We agree on most. He now has come around to believing in tariffs as a negotiating point."

The risks of this strategy were clear Wednesday when share markets fell amid new trade tensions. Mr. Trump started the sell-off with a morning tweet that said, "We cannot keep a blind eye to the rampant unfair trade practices against our Country!" Boeing shares promptly

## Trump needs his new economic chief's focus on policies for growth.

fell on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## Trump's Pennsylvania Downdraft

**T**he Republican hold on Congress grew more tenuous Tuesday with Democrat Conor Lamb's apparent victory in a special election in the heart of Trump country. The GOP will need a better strategy in November than imposing tariffs and donning Nancy Pelosi's fright masks.

Donald Trump won Pennsylvania's 18th Congressional district by nearly 20 points in 2016, but Hillary Clinton isn't on the ballot anymore. The Democrats nominated a better candidate in Mr. Lamb, a 33-year-old former Marine who toned down the anti-Trump resistance rap and embraced familiar demagogery linking tax cuts to cuts to Medicare and Social Security.

While some absentee votes remain to be counted, Mr. Lamb's lead over Republican legislator Rick Saccone will be hard to overcome. But even if Mr. Lamb were to lose in the end, the race's dynamics and turnout are a bad portent for the GOP in November.

The most important fact is that Democrats came out in droves while the GOP vote collapsed. Republican candidates in the district typically get well over 150,000 votes but Mr. Saccone won only about 113,000. Mr. Lamb received nearly 114,000 votes, winning a larger percentage of the electorate than any Democratic candidate in the district since 2000. This continues the trend in special elections and in the Virginia Governor's race last year that Democrats are highly motivated while Republicans are less enthused.

If Mr. Trump thought his steel and aluminum tariffs would save the day, he needs better political advice. Mr. Lamb endorsed the tariffs, as well as natural gas drilling and federal guarantees for

## Steel tariffs failed to save the day in a special election for Congress.

coal miners' pensions. Most Democrats will neutralize the trade issue in November by embracing Mr. Trump's tariffs, even as the border taxes pose risks to the economy.

Mr. Trump and the GOP tried to nationalize the race by sending the President into the district on Saturday and linking Mr. Lamb to the return of Ms. Pelosi as House Speaker.

But Mr. Lamb never took the bait, saying that "I'm not running against President Trump, and people in my district are not looking for someone running against Mr. Trump." He also promised not to support Ms. Pelosi as Democratic leader and opposed new restrictions on gun ownership.

Mr. Lamb could afford to soft-sell opposition to Mr. Trump because he knows Democrats are itching to vote against the President in any case. Like Republicans against Barack Obama in 2010, Democrats will "crawl over broken glass" to demonstrate their opposition, as Texas Senator Ted Cruz recently put it. An anti-Trump wave is building that could take out the GOP House and even Senate majorities.

Republicans are touting their tax reform and the strong economy as a cure-all, but tariffs muddy the message and they didn't sell the tax cuts well in Pennsylvania. They also let Mr. Lamb blame them for cuts to Medicare and Social Security that they don't have the nerve to vote for. It's quite a feat to lose for something you have no intention of doing.

Republicans in Congress seem prepared to rest on their tax cut success from last year and coast for the rest of the year. Maybe they should press some issues that might give voters a reason to keep them in the majority.

## A Cancer Scare Defeat in California

**C**ancer is a scary disease, but Californians have been determined to scare themselves more than most with warnings about the supposedly cancer-causing material in everything from shoes to cat litter. Now a federal judge says these mandatory health signs may violate the First Amendment when not backed by accurate science.

Judge William Shubb issued a preliminary injunction two weeks ago blocking California from compelling businesses to issue warnings about a chemical known as glyphosate. Farm groups and businesses sued after the state required new cancer warnings on food products that contain wheat, corn, soybeans and other crops exposed to the common herbicide.

The Environmental Protection Agency has deemed that glyphosate is safe, and California's Office on Environmental Health Hazard Assessment also found it "unlikely to pose a cancer hazard to humans." But under the 1986 state Safe Drinking Water and Toxic Enforcement Act, also known as Prop. 65, California defers to the World Health Organization's International Agency for Research on Cancer. In 2015 the France-based United Nations outfit claimed glyphosate is "probably carcinogenic."

Reuters later revealed that the U.N. agency ignored substantial evidence showing no link between glyphosate and cancer. One adviser to the agency, Christopher Portier, worked on the glyphosate decision even as he received pay from Lundy & Lundy, a law firm that brings cancer-related class-action lawsuits, according to a deposition in a different lawsuit.

The U.N. outfit is notorious for bad science. The group has assessed 1,067 products and ruled only once that a substance was "probably not carcinogenic to humans." The group's list of can-

cer risks includes eating red meat, french fries or "pickled vegetables (traditional Asian)," drinking "very hot beverages," using fluorescent lights, working the late shift, having your dentist fill a cavity, getting your hair colored, and using aloe, talc or Tylenol.

Businesses can't appeal and the U.N. group's glyphosate comments automatically triggered an entry on California's carcinogens list. California then set a "safe harbor" level for trace amounts of glyphosate, and the cancer warning is mandatory for anything above that.

This means businesses have an incentive to put a warning label on any product even possibly exposed to glyphosate, given that trial lawyers can bring class-action suits that cost up to \$2,500 per violation per day. But if businesses include the cancer warnings on grocery staples like Cheerios or bread, they risk damaging their brands. That risk can be nationwide, given how difficult it would be for farmers to create a distinct supply chain or label only those crops destined for California.

Judge Shubb agreed with the plaintiffs that California can't legally compel "false, misleading and highly controversial statements about their products" based on faulty conclusions about glyphosate. He said the government can compel businesses to make some disclosures if they are "purely factual and uncontroversial information."

But assertions that glyphosate causes cancer are "misleading at best," the judge wrote. "Providing false or misleading labels to consumers also undermines California's interest in accurately informing its citizens of health risks at the expense of plaintiffs' First Amendment rights." No word on whether California will appeal, but meantime count this a victory for common sense and the rule of law.

## OPINION

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce Department then signaled that it will allow few product exceptions to the tariffs for U.S. metal-using firms. This means higher prices for everything from the aluminum foil around Hershey's Kisses to the steel in Ford Motor's

profitable SUVs. German Chancellor Angela Merkel said the European Union shouldn't fear retaliating if necessary. And news reports said Mr. Trump asked advisers to double the tariffs he is soon expected to impose on Chinese goods to \$60 billion.

All of this interferes with the economy's growth momentum of the last nine months. Mr. Kudlow has devoted his career to promoting policies that produce prosperity, including tax cuts, deregulation, privatization and open trade. At some level Mr. Trump must recognize and want this, and it doesn't hurt that Mr. Kudlow is the kind of seasoned TV advocate Mr. Trump respects.

Mr. Kudlow is less of a brawler than Mr. Cohn, so one question will be how such a nice guy will fare in the Trump Hall of Knives. Aside from the protectionists, he'll have to compete for influence with Treasury Secretary Steven Mnuchin, who wants weaker capital standards for banks and doesn't seem to mind a weaker dollar.

But Mr. Kudlow will have allies in White House economist Kevin Hassett and budget director Mick Mulvaney, as well as the first-rate staff that Mr. Cohn assembled, if he can keep them. Mr. Kudlow also has allies on Capitol Hill. His best asset is that Mr. Trump needs faster growth and rising wages to succeed, and that has been Mr. Kudlow's life's work.

## REVIEW &amp; OUTLOOK

## Kudlow Into the Breach

## Trump needs his new economic chief's focus on policies for growth.

fall on fear of lost foreign sales, down 2.5% on the day.

The Commerce

## OPINION

# The Pyongyang-Tehran Axis

By Richard Goldberg

And Mark Dubowitz

**D**efying precedent and conventional wisdom, President Trump says he'll meet in May with North Korean dictator Kim Jong Un. Mr. Trump wants a sustainable deal that leads to North Korean denuclearization. The president's critics scoff, and even his supporters are rightly skeptical. But Mr. Trump has conditions: His policy of maximum sanctions pressure will remain in place, Pyongyang must commit to the goal of denuclearization upfront, and it must refrain from missile or nuclear tests during talks. That may give him some leverage.

But if there's one thing that would help Mr. Trump to succeed, it's fixing the fatally flawed nuclear deal with Iran. The Iran-North Korea axis dates back more than 30 years. The two regimes have exchanged nuclear expertise, cooperated widely on missile technologies, and run similar playbooks against Western negotiators. The fear: Tehran is using Pyongyang for work no longer permitted under the 2015 nuclear deal while perfecting North Korean-derived missile delivery systems back home.

**Fixing or scrapping the Iran nuclear deal is the best thing Trump can do to denuclearize North Korea.**

Iran and North Korea both began their pursuit by acquiring designs and materials from Pakistan's infamous A.Q. Khan proliferation network. Reports of more extensive cooperation haven't been confirmed: Iran reportedly sent its nuclear chief, Mohsen Fakhrizadeh, to a North Korean nuclear test in 2013. Last summer North Korea's second-highest-ranking official reportedly visited Iran for 10 days. In early 2015, Defense Secretary Ash Carter said Pyongyang and Tehran



North Korea's Kim Jong Un and Iran's Ayatollah Ali Khamenei.

capability within a decade. In that case, the president will be hard-pressed to get North Korea to agree to permanent denuclearization. If he agrees to let Iran keep testing nuclear-capable missiles that threaten Bahrain, Saudi Arabia, the United Arab Emirates or Israel, North Korea will expect the right to test nuclear-capable missiles to hit South Korea, Japan and Guam. If he buckles on an Iranian nuclear breakout time of less than one year or on the development of advanced centrifuges that enable an easier clandestine nuclear sneak out, he will signal to Pyongyang that it, too, can withstand American pressure. Then Pyongyang can resume its march to nuclear-tipped missiles that hold America and its allies hostage.

Former Obama-administration officials warn that if Mr. Trump abandons their Iran nuclear deal, North Korea will view the U.S. as an untrustworthy partner. The opposite is true. The North Korean dictator wants to talk because the Trump administration's campaign of maximum economic sanctions pressure is working.

But if the president agrees to a fictional fix to the JCPOA, or if he responds to a stalemate by backing down from the threat to reimpose maximum economic sanctions, North Korea will see Mr. Trump as a paper tiger. Conversely, if North Korea sees that Iran is held to tough nuclear and missile standards, backed by the credible threat of crippling sanctions, Mr. Trump will be better positioned to make it clear to Pyongyang that he means business.

The path to a denuclearized Korean Peninsula thus runs through Tehran. If Mr. Trump fixes the fatal flaws of the Iran deal, or even if he scraps it because the Europeans balk, his high-stakes North Korean gamble may yet succeed. Even if it doesn't, he'll have stopped Iran from following North Korea's path to nuclear weapons and the missiles to deliver them.

*Mr. Goldberg is a senior adviser and Mr. Dubowitz chief executive at the Foundation for Defense of Democracies.*

## This Is Exactly How Trade Wars Begin

By Alan S. Blinder

Dear President Trump:

It seems you are about to impose tariffs on imported steel and aluminum. You probably know that just about every economist except Peter Navarro thinks this is a terrible idea. But it's not just us economists. Aside from the steel and aluminum industries, virtually the entire business community opposes the tariffs. The stock market took a major hit. And by the way, when did you stop using the Dow to keep score?

You tweeted that "trade wars are good, and easy to win." Actually, trade wars are bad, and impossible to win.

Voluntary trade is a win-win proposition, as Adam Smith explained in "The Wealth of Nations." Impeding voluntary trade is a lose-lose proposition. The key word here is "voluntary." When foreigners rent rooms in your Washington hotel, both you and they win, right? If not, why would they stay there, and why would you accept them as guests?

Next, let's consider your "easy to win" quip. It is likely that the U.S. can inflict more pain on its trading partners than they can inflict on us, as we rely less on trade than most countries do. Sure. But merely suffering less than your opponent seems a poor definition of "winning." Trade wars are a pyrrhic form of competition in which even the victor is left worse off.

You say America loses whenever it runs a trade deficit with any country. But in 2017 the U.S. ran a \$571 billion trade deficit with the entire world, which necessarily included deficits with dozens of individual countries. Were they all beating us—and if so, at what? The truth is that America's huge multilateral trade deficit is made at home.

Here's why. Nations that invest more than they save must borrow the difference from abroad. Happily, the U.S. can do that because foreign countries have confidence in American securities. When we import more than we export, foreigners get IOUs in return for goods and services Americans want. That sounds more

**First it's steel beams, then Jim Beam, then Beemers. Remember that tariffs are effectively taxes.**

like winning than losing: We get German cars, French wines, and Chinese solar panels, while the Germans, French and Chinese get paper assets. America's tremendous ability to export IOUs has been called our "exorbitant privilege." Yes, privilege.

Trade wars have a way of intensifying. Almost immediately after you announced your tariffs, the European Union warned that it would slap penalties on American bourbon—a move likely intended to grab the attention of Senate Majority

Leader Mitch McConnell of Kentucky. You then replied that the U.S. could impose tariffs on European cars. This is exactly how trade wars escalate: from steel beams to Jim Beam to Beemers. Who knows what comes next?

Your administration's attempts to understate protectionism's costs are unconvincing. Commerce Secretary Wilbur Ross argued—apparently with a straight face—that steel tariffs are no big deal because there's very little steel in a can of Campbell's soup. He meant to imply that the effects of tariffs would be limited because steel makes up a tiny share of the overall U.S. economy. That's true. But if we applied the same principle to every individual industry, we could wind up protecting virtually every American industry that faces foreign competition.

The tariffs also punish American allies more than any other nations. Did you know that the top three exporters of steel to the U.S. are Canada, Brazil and South Korea? Canada is our super-friendly neighbor to the north; it even has a Trump hotel. The Brazilian economy, South America's largest, is struggling and badly needs exports. South Korea is our

key ally against North Korea and its nuclear threat. You may have granted Canada a temporary exemption, but do you really want to poke these allies in the eye?

Finally, remember that tariffs are effectively taxes. Industries that consume steel employ far more people than those that produce it, so a government-mandated increase in steel prices is almost certain to kill many more jobs than it creates. What's more, many of those lost jobs will be in manufacturing and other industries that are popular among your own Republican Party base.

If you thought the prospect of punishing China was worth all of these consequences, you should know that you missed your best chance. The Trans-Pacific Partnership could have included the U.S. while leaving China out in the cold. Yet you pulled the U.S. out, leaving an open playing field for China to dominate trade in the region. Has President Xi thanked you enough for that?

*Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve.*

## 'The Gender Gage Rap' Is Real!

By Christina Hoff Sommers

*Portland, Ore.*

**W**hen I arrived at Lewis & Clark Law School to give a talk, a security officer asked if I had a gun. She'd heard rumors on social media. I didn't, but my friend Andy Ngo, a Portland State grad student, was armed with an iPhone.

A letter from several leftist student groups had demanded the Federalist Society disinvite me. It described

me as a "known fascist" whose speech would constitute "violence" against victims of "gendered oppression." I didn't take the letter too seriously, nor did my hosts. Law-school students are usually older and more sensible than undergrads, and they're supposedly learning how to argue for a living. Most Lewis & Clark students—progressives and conservatives—are easygoing and committed to free expression. But that didn't stop the bullying minority from turning up the volume.

As we approached the lecture hall, we saw protesters blocking the entrance, so we walked in through an adjacent door. When I reached the podium, several sign-wielding students dashed to the front of the room. The ringleader, a blond woman in a "Stay Woke" jacket, read chants from her phone: "Microaggressions are real!" "Black lives matter!" "The gender gage rap is real!" I think she meant "wage gap."

About a dozen women and two men repeated the slogans, sounding more rote than woke. They faltered while trying to sing a ditty called "No Platform for Fascists." When one started playing loud recorded music, the dean of diversity and inclusion, Janet Stevenson, seized the Bluetooth speaker.

The demonstrators were ridiculous, but they got their way. Ms. Stevenson gave up, cut my speech short, and urged me to start taking

questions. At first I resisted. This was supposed to be a lecture, not a deposition. But she was adamant. She seemed like a middle-school principal trying to restore order during a playground brawl—but these were law students in a classroom.

After a reasonably sane Q&A with the nonprotesters, Andy and I were escorted out a back door into a campus police car. Andy began releasing his footage on Twitter and Facebook. After four days of bad publicity, Lewis & Clark released a statement: "On March 5, Christina Hoff Sommers was disrupted by a few protesters at the beginning of her speech. After a few minutes, she was able to continue and students engaged in a vigorous discussion."

In fact, it was more than a dozen, the interruptions were constant, and I wasn't able to finish my lecture. The statement did affirm the school's commitment to free speech and promise "appropriate disciplinary action" against the disrupters.

Next Wednesday my colleague Charles Murray is to speak at a Federalist Society event at Florida's University of Miami. There is already talk of protests. My advice to the law students: Be civil. Andy may show up, and if so, he'll be packing his iPhone.

*Mrs. Sommers is a resident scholar at the American Enterprise Institute.*

## Reflections On a Decade Of Leading a Think Tank

By Arthur C. Brooks

I am in my 10th year as president of the American Enterprise Institute. This week I asked AEI's board of trustees to begin, over the coming year, a search for my successor.

Why AEI is flourishing, and I'm still having a wonderful time. But succession plans work best precisely when an organization is at maximum strength. And I believe social enterprises generally thrive best when chief executives don't stay much longer than a decade, because it's important to refresh the organizational vision periodically and avoid becoming uniquely associated with one person. I have seen ample evidence at other nonprofits to support this proposition, and I'm not willing to see if AEI can be an outlier.

**Remember Gresham's law, 'Bad money drives out good.' Something similar is happening with ideas.**

AEI's motto, going back to its earliest days, is: "A competition of ideas is fundamental to a free society." Vigorous disagreements, expressed with civility and respect, strengthen a democratic and pluralistic culture. Conformity of ideas leads to stagnation and mediocrity.

After a decade promoting this mission, what worries me most today—not for AEI, but for America—is that the competition of ideas is under attack. Many would rather shut down debate than participate in it. Politicians from both parties try to discredit their opponents with name-calling and ad hominem attacks. On too many college campuses, people with the "wrong" viewpoints and ideas are unwelcome. Much of the mass media has become polarized, meaning readers and viewers on the right and left are never challenged in their conviction that the other side is made up of knaves and fools.

Americans must commit to stand athwart this trend. That doesn't mean advocating mushy moderation or abandoning strong policy positions. My AEI colleagues are warriors for democratic capitalism, here and all around the world. But we also fight for respectful debate and repudiate the holy war of derision on both left and right, which makes dialogue increasingly untenable.

Part of this stance is pragmatic—no one has ever been insulted into agreement. Further, we need opposing viewpoints to challenge our own. If we're wrong, the best way to learn it is through challenges from our friends on the other side of the issue.

More important, this is a moral concern. A couple of years ago I was giving a speech at a large conservative event, and I said that while my own views are center-right, I have no reason to believe progressives are stupid or evil. An audience member countered, "You're wrong: They are stupid and evil." This bothered me because the person was insulting many of my family and friends. You probably love someone with whom you disagree politically.

Another threat to the world of ideas is arguably even more insidious: mediocrity through trivialization, largely from misuse of new media. To understand this, remember Gresham's law: "Bad money drives out good." If one form of currency is inherently more valuable than another in circulation, the better one will be hoarded and thus disappear.

Today, we see a kind of intellectual Gresham's law. Famous academics spend big parts of their days trading insults on Twitter. Respected journalists who suppress their own biases in their formal reporting show no such restraint on social media, hurting their and their organizations' reputations. When half-baked 280-character opinions and tiny hits of click-fueled dopamine displace one's hard-earned training and vocation, it's a lousy trade.

I remain optimistic that think tanks, universities, and the media will continue to play a central role in American democracy. But the challenges to decency and seriousness are real, and complacency can be catastrophic. As my late colleague Michael Novak insisted: "Liberty is the most precarious of all regimes." This is a call to action to scholars, not just policy makers. I have no doubt that my beloved colleagues at AEI are up to this task, and the institution will go from strength to strength under new leadership.

*Mr. Brooks is president of the American Enterprise Institute.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Gerard Baker

Editor in Chief

Matthew J. Murray

Karen Miller Pensiero

Executive Editor

Managing Editor

John Mulligan

Chief Executive Officer

Chief Financial Officer

Chief Legal Officer

Chief Operating Officer

Chief Product Officer

Chief Strategy Officer

Chief Technology Officer

Chief Transformation Officer

Chief White House Correspondent

Chief White House Correspond

## WORLD NEWS

# China Signals Shift From Birth Limits

Government sidelines agency overseeing one-child policy to focus on aging citizenry

**BEIJING**—The Chinese government is sidelining a family-planning bureaucracy originally set up to manage the country's contentious one-child policy, a sign Beijing wants to de-emphasize birth restrictions in favor of issues related to an aging population.

As part of a broad government reorganization, several government agencies will merge under one ministry, replacing what is now called the National Health and Family Planning Commission.

While family planning will still be part of the work of the new ministry, to be called just the National Health Commission, the disappearance of the words "family planning" from its name was seen as a clear sign of a shift in priorities. According to the plan laid out this week at China's annual legislative session, the new health agency will "actively deal with population aging," handling issues such as the development of the elderly care sector and overhauling an overburdened health-care system.

The plan "signals that family planning as a macro regulation policy has become his-



The government has eased its grip on birth restrictions and has abolished the one-child policy.

tory," said Zuo Xuejin, a researcher specializing in population economics at the Shanghai Academy of Social Sciences, a government think tank.

Many Chinese cheered what was seen as the dismantling of a half-a-million-strong bureau-

cacy that, especially in the early years, was blamed for brutal practices such as forced abortions and that is still in charge of extracting heavy fines from birth offenders.

"I'm not sad never to see them again," said Huang Yanfang, an insurance agent in

Hubei province. She said the local family-planning agency fined her almost 100,000 yuan (about \$15,000) for her second child, born in May 2015. She sued the local agency in 2016, once the one-child policy had been declared null and void. Under a settlement late last

## Family Matters

China hasn't seen a big increase in population after allowing all couples to have two children.

### China's population, change from a year earlier



Source: National Bureau of Statistics via Wind Info

THE WALL STREET JOURNAL.

year, the local agency retracted the fine.

Some parents celebrated the news by sending virtual cash gifts to one another on the popular WeChat messaging app, and gleeful comments circulated on social media.

The commission "didn't bring us any happiness; instead it turned China into an aging country," said one commenter on the Weibo microblogging platform. "Time to set up the birth-facilitation commission," another said.

The government has been easing its grip on birth restrictions over the years and in

late 2015 said it was abolishing the one-child policy, in place since 1980. But the big bump in births expected from allowing all Chinese couples to have two children has largely failed to materialize.

In 2016, the first year after the policy was dropped, the number of newborns rose 7.9% from 2015, to 17.86 million. But last year, births dropped to 17.23 million, the National Statistics Bureau said in January. Officials have said the number of births are "within expectations."

Delegates to the legislative meeting, the National People's Congress, sounded more alarms over China's dire demographic situation. Zheng Gongcheng, a member of the internal-affairs commission of the congress, said at a briefing on Monday that the portion of people over age 60 increased from 10% of the population in 1999 to 17.3% last year.

The health and family-planning commission didn't respond to requests to comment. The agency in its existing form was in turn the result of a merger five years ago of what was then the National Population and Family Planning Commission and the Ministry of Health.

Many saw the move as a step toward the abolition of birth restrictions.

—Liyan Qi and Fanfan Wang

## Overseas Demand Helps Fuel Better-Than-Expected Economic Growth

**BEIJING**—China's economy expanded faster than expected in the first two months of 2018, helped by strong overseas demand for Chinese goods, though economists warned trade tensions with the U.S. threaten to derail that momentum in the months ahead.

Industrial production, a rough proxy for economic growth, expanded by 7.2% in January and February from a year earlier, the National Bureau of Statistics said Wednesday, well above the 6.2% pace in De-

cember and forecasts for a 6.1% rise by economists polled by The Wall Street Journal.

China releases combined data for January and February to limit distortions caused by the timing of the Lunar New Year holiday, which fell in January last year and February this year.

Fixed-asset investment and retail sales also showed surprising strength.

"The sharper-than-forecast growth momentum was mainly boosted by robust overseas demand and higher invest-

ment from property developers and private investors," said Ding Shuang, an economist with Standard Chartered.

Fixed-asset investment, a closely watched indicator of construction activity, climbed 7.9% in the two-month period from a year earlier, quickening from a 7.2% increase in 2017 and beating forecasts for a 7% gain. Retail sales grew 9.7% from a year earlier, compared with a 9.4% rise in December and forecasts for 9.6% growth. The export-demand

strength was signaled last week in data showing an unexpected 44.5% surge in exports in February and a widening of China's global trade surplus.

Economists expect the ben-

efit from overseas demand to fade as U.S. President Donald Trump ramps up trade penalties. Mr. Trump has announced increased tariffs of steel and aluminum products and has vowed to roll out targeted measures against Chinese intellectual property theft.

"Even without a trade war with the U.S., it's almost impossible for China to maintain over 20% export growth for the rest of the year," Standard Chartered's Mr. Ding said.

A Chinese official said China

would work with the U.S. on nurturing global economic growth and addressing trade disputes. "The trade imbalances between China and the U.S. are a result of market competition," said Mao Shengyong, a spokesman at the statistics bureau.

Meanwhile, China's property sector, which accounts for one-third of the country's economic growth, again proved its resilience, despite a government crackdown on speculation and a push to establish a property tax.

—Grace Zhu and Liyan Qi

**Su Misura**

**CANALI**

1934

MADE TO MEASURE EVENT

To book an appointment with our Made to Measure specialist, please contact:

**MARCH 16<sup>th</sup> - MARCH 17<sup>th</sup>**  
River Oaks District, Houston  
[houston.shop@canali.it](mailto:houston.shop@canali.it), Tel. 713 888 0809

**MARCH 18<sup>th</sup>**  
NorthPark Center, Dallas  
[dallas.shop@canali.it](mailto:dallas.shop@canali.it), Tel. 214 890 9862

**MARCH 24<sup>th</sup>**  
The Shops Buckhead Atlanta, Atlanta  
[atlanta.shop@canali.it](mailto:atlanta.shop@canali.it), Tel. 404 846 0360

# BUSINESS & FINANCE

© 2018 Dow Jones &amp; Company. All Rights Reserved.

\*\*\*\*\*

THE WALL STREET JOURNAL.

Thursday, March 15, 2018 | B1

**S&P** 2749.48 ▼ 0.57%**S&P FIN** ▼ 1.20%**S&P IT** ▼ 0.07%**DJ TRANS** ▼ 1.72%**WSJ \$IDX** ▼ 0.03%**LIBOR 3M** 2.145**NIKKEI** (Midday) 21674.48 ▼ 0.47%See more at [WSJMarkets.com](http://WSJMarkets.com)

## Toys 'R' Us Set to Close All U.S. Stores

Chain plans to liquidate or sell its operations abroad; 'putting a for-sale sign on everything'

BY PAUL ZIOBRO  
AND LILLIAN RIZZO

Toys "R" Us Inc. told employees Wednesday the struggling big-box retailer will sell or close all its U.S. stores, a collapse that threatens up to 33,000 American jobs in the coming months.

The 70-year-old chain, which filed for bankruptcy

protection in September, has more than 700 remaining U.S. locations, including Babies "R" Us stores. It would be one of the biggest retail liquidations since Sports Authority filed for bankruptcy in 2016 with 14,500 workers and closed more than 460 stores.

Chief Executive David Brandon delivered the company's fate to workers at its Wayne, N.J., headquarters. The company planned to file liquidation papers Wednesday evening in advance of a bankruptcy court hearing on Thursday.

"I have always believed that

this brand and this business should exist in the U.S.," Mr. Brandon said on a follow-up conference call with staff, adding that he guarantees that vendors who failed to support the retailer during the holidays, customers who shopped elsewhere and media who chronicled the chain's downfall will miss the retailer.

"The constituencies who have been beating us up for months will all live to regret what's happening here," Mr. Brandon said.

Toys "R" Us has struggled with more than \$5 billion in debt from a leveraged buyout.

It also was squeezed by competition from **Amazon.com** Inc. as more parents shop online, as well as discount retail-

**33,000**  
Number of employees who could lose their jobs in coming months

ers such as **Walmart** Inc. In addition to shutting down U.S. operations, Mr. Brandon told staffers the com-

pany was likely to liquidate in France, Spain, Poland and Australia. It plans to sell its operations in Canada, Central Europe and Asia. The company is also trying to package its Canadian business with 200 U.S. stores and find a buyer, the CEO said.

"We're putting a for-sale sign on everything," Mr. Brandon told employees. "Frankly, all anyone has to do is offer one dollar more" than is being offered by liquidation firms. The company will pay workers at least 60 days of salary and benefits.

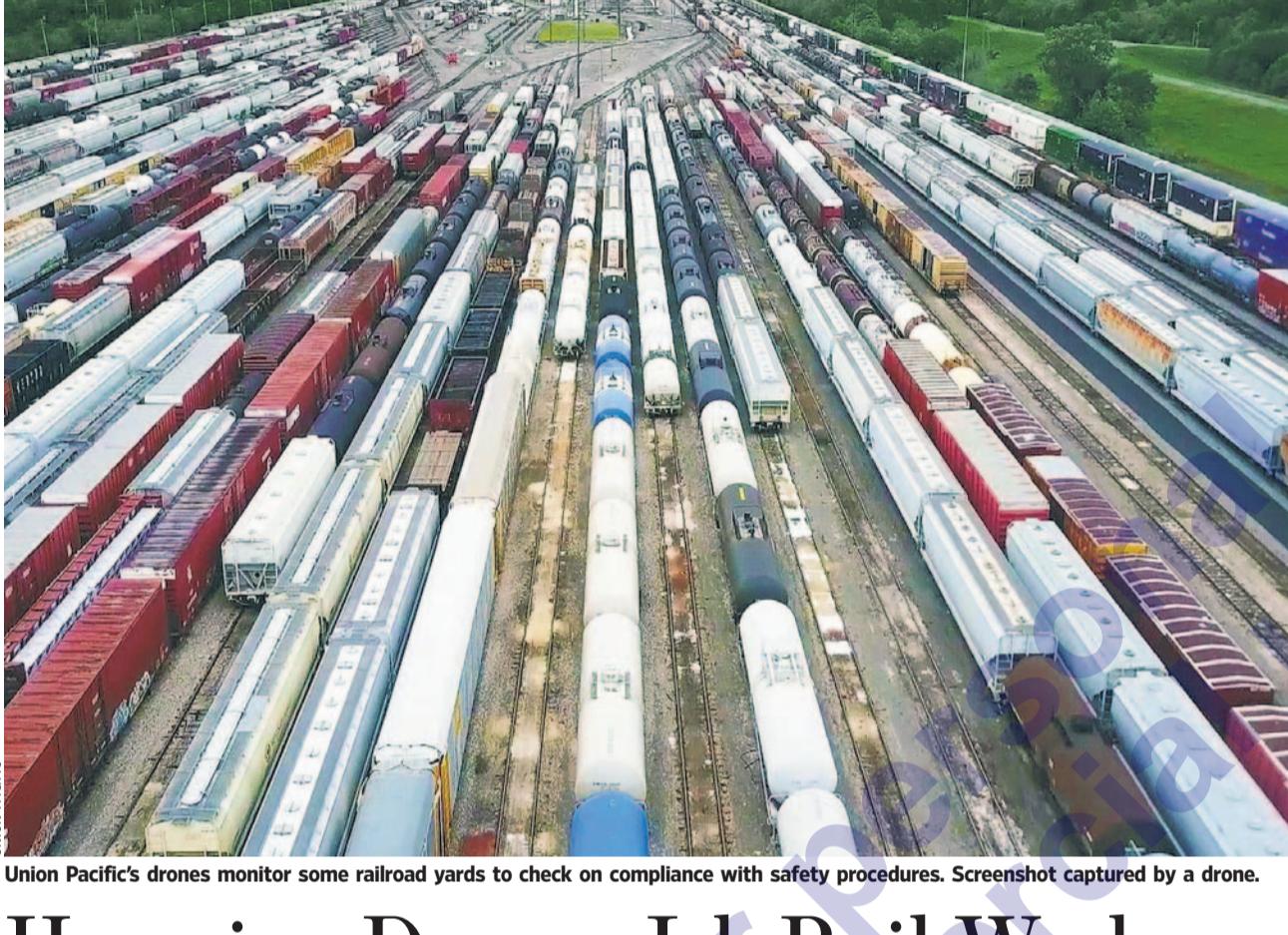
Outside the U.S., the chain

has another roughly 800 stores. Altogether, court papers show Toys "R" Us has roughly 1,600 stores globally, with approximately 60,000 employees. That number reaches more than 100,000 during peak holiday season.

The retailer's U.K. arm recently filed for the British equivalent of chapter 11 protection, and will close more than 100 stores. This would eliminate nearly one-third of its European footprint.

On Wednesday's call, Mr. Brandon detailed how the company's fate spiraled to-

Please see **TOYS** page B2



Union Pacific's drones monitor some railroad yards to check on compliance with safety procedures. Screenshot captured by a drone.

## Hovering Drones Irk Rail Workers

BY PAUL ZIOBRO

Union Pacific Corp. riled employees recently when it started flying drones over some of its railroad yards to ensure workers were following safety guidelines.

The aerial spotters were looking for any number of behaviors that deviate from the railroad's rule book, from passing between railcars that are less than 100 feet apart to climbing off moving equipment.

The response from the railroad workers' union? Urging the rank and file to flood Union Pacific's safety hotline with complaints that the

drones make their jobs more dangerous.

Workers say that rather than promote safety, the drones create a hazard by distracting them when they should be laser-focused while around 200-ton locomotives and railcars moving along the tracks, according to Steve Simpson, general chairman with the International Association of Sheet Metal, Air, Rail and Transportation Workers.

"They are no longer looking ahead or at their task at hand," he said. "They're looking up."

Mr. Simpson, whose general committee represents 1,600 conductors, engineers and

other rail workers in the southern U.S., also advises members on complaints to the Federal Aviation Administration and Federal Railroad Administration. He said there is no way to distinguish a drone flown by Union Pacific from one operated by an unauthorized party.

As of March 1, Union Pacific temporarily grounded the aerial observation so it can share its findings with the unions but plans to resume the program in coming weeks. "Their leadership will help us establish a collaborative process to address unsafe behaviors and protect employees," Union Pacific spokeswoman Raquel Es-

pinoza said.

Mr. Simpson said he suspects safety isn't the company's only motivation. Workers see drones as a means to discipline them, he said, with escalating penalties that can lead to termination. There is no indication anyone has been fired for an infraction spotted from up to 400 feet in the air, but Mr. Simpson said workers have been cited for violations as a result.

Ms. Espinoza said Union Pacific has been using drones to conduct federally mandated field testing and will coach employees to correct behavior that could cause serious in-

Please see **DRONES** page B2

## Beijing Flags Down One More Deal Maker

SHANGHAI—An upstart oilman with ties to China's military intelligence, Ye Jianming shot from obscurity to spearhead multibillion-dollar deals with leaders in Africa, Europe and Russia that won the blessing of President Xi Jinping.

Now, Mr. Ye is under investigation in China, according to people familiar with the situation, and his private Shanghai conglomerate, **CEFC China Energy Co.**, is drawing unusual scrutiny from the government and media.

Troubles for Mr. Ye follow the November arrest in New York of a top lieutenant, on a federal indictment that outlines allegations of bribery to secure major energy contracts for CEFC and advance China's economic and strategic interests in Africa.

According to one of the people familiar, the U.S. case has been discussed by China's leadership, with an aide to Mr. Xi recently carrying a message to Washington that CEFC is in disfavor.

Shanghai authorities in recent weeks have been supervising operations at the oil producer and trader, according to those people. Now, CEFC's

biggest play yet—a \$9 billion deal for a stake in PAO Rosneft to become the third-largest shareholder in Russia's state-run producer—is being delayed, according to a Chinese debt rating agency that cited discussions with a CEFC unit.

Neither Mr. Ye nor CEFC are facing charges, and neither responded to requests for comment. Chinese authorities often question business people as part of investigations without saying so publicly, and don't necessarily level charges.

CEFC in a statement earlier this month said the company was operating normally and disputed a Chinese media report that Mr. Ye had been detained.

Little known a decade ago, Mr. Ye quickly built CEFC into the unlikely No. 4 player in an oil industry dominated by three of the world's largest state-run producers.

The company reports over \$40 billion in annual revenue including Middle East oil production, financial holdings in Central Europe, trading in Singapore and oil-storage depots for China's strategic national reserve. A person with

Please see **OIL** page B6

## INSIDE UNITED

### DEBATE OVER PETS EMBROILS UNITED

AIRLINES, B3



### FICO'S LOCK ON CREDIT SCORES DRAWS FIRE

BANKING, B10

HEARD ON THE STREET | By Dan Gallagher

## Broadcom Plots Its Next Move

 Hock Tan isn't easily dissuaded. It is a quality that has served the

**Broadcom** CEO very well over the past few years as he has cobbled together one of the largest and most successful chip companies in the world.

But there is a time to stand down or, in the case of Mr. Tan, to live to fight another day. His dogged pursuit of **Qualcomm** was a bold gambit that would have made Broadcom the world's third-largest chip maker. But Broadcom was ordered Monday by President Donald Trump to desist in the name of national security, which the company begrudgingly agreed to do Wednesday.

That leaves Broadcom with the problem of what to do with itself now. Mr. Tan has spent the past several years building up a chip empire that now owns strong positions in several key markets such as smartphones, data centers and networking gear.

Mr. Tan's deft manage-

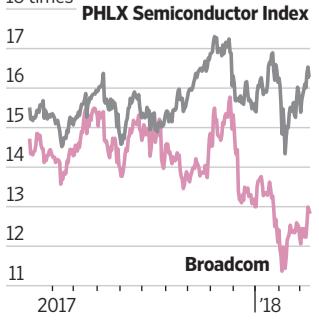
ment of these entities has allowed the company to boost revenue, earnings and cash flow consistently. But M&A always has been a key part of that plan. The company has swallowed up several large chip businesses in the past five years.

Qualcomm would have been the most ambitious move to date. The loss of that deal frees up Mr. Tan to consider others, with the obvious drawback being that almost anything else at this point will seem small by

### Mixed Signals

Forward price/earnings ratios

18 times PHLX Semiconductor Index



Source: FactSet THE WALL STREET JOURNAL.

comparison.

Broadcom's next move may not be apparent for a while. The company is in the process of redomiciling to the U.S., a process it expects to complete by May 6. That should help with the heightened government scrutiny that now accompanies tech deal making in the U.S.

Meanwhile, Broadcom's strong financial performance should give it a strong line of credit with investors as it plots its next move.

Broadcom's fiscal first quarter results due Thursday afternoon will show revenue in the range of \$5.3 billion to \$5.5 billion, according to preliminary results reported by the company in January. That represents growth of 29% year over year at the midpoint.

With Broadcom's stock price now fetching only 13 times forward earnings—a record discount of 21% to the PHLX Semiconductor Index—investors shouldn't need audacious deals to make this bet pay off.

◆ Broadcom still plans to redomicile in U.S. B4

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	
Adidas	B12
Allianz	B10
Alphabet	B2, B4, B5
Amazon.com	B1, B5, B12
American Water Works	B5
Aptiv	B2
Aqua America	B5
Arjuna Capital	B5
B	
Bain Capital	B2
Bank of New York Mellon	B12
Barclays	B11
Bayerische Motoren Werke	B3
Berkshire Hathaway	B2
Boeing	B3, B11
Broadcom	B1, B4
C	
CapitalG	B2
CEFC China Energy	B1
Cisco Systems	B12
Citigroup	B12
Coinbase	B11
Connecticut Water Service	B5
D	
Daimler	B3, B6
Delta Air Lines	B12
Dropbox	B11
E	
Equifax	B1, B10
Experian	B2, B10
F	
Fair Isaac	B10
Fannie Mae	B10
G	
Fiat Chrysler Automobiles	B6
Ford Motor	B2, B3, B6
Freddie Mac	B10
FujiFilm Holdings	B4
H	
GEM	B6
General Motors	B2, B3, B6
Glencore	B6
Goldman Sachs Group	B11
I - J	
Inditex	B3
JPMorgan Chase	B11, B12
K	
KKR	B2
Kohl's	B5, B11
L	
Lockheed Martin	B3
Lyft	B2
M	
Macy's	B5
Magna International	B2
Microsoft	B4, B5
N	
Nando's Chickenland (UK)	B12
Netflix	B12
Nike	B12
Nordstrom	B5, B11
Norfolk Southern	B2
Northern Trust	B12
P - Q	
Prudential	B10
Prudential Financial	B10
Qualcomm	B1, B4
R - S	
Rothesay Life	B10
T	
Takata	B6
Tata Motors	B2
Theranos	A1
Toyota Motor	B3
Toys 'R' Us	B1
TransUnion	B10
Trump Organization	A1
21st Century Fox	A11
U	
Unilever	B6
Union Pacific	B1
United Continental Holdings	B3, B12
United Launch Alliance	B3
V	
VantageScore Solutions	B10
Volkswagen	B3, B6
Vornado Realty Trust	B2
W	
Walmart	B1
Walt Disney	A1
Wells Fargo	B10
WPP	B2
X	
Xerox	B4
Z	
Zurich Insurance Group	B10

## INDEX TO PEOPLE

A	
Abbasi, Yousef	B11
Aziz, Asam	B12
B	
Bischke, Jon	B5
Boidevezi, Laurent	A13
Bouffard, David	B3
Brandon, David	B1
Bruno, Tory	B3
Burns, Barrett	B10
C	
Chapek, Robert	A1
Crutchlow, Anne	B3
D	
Damore, James	B5
Dhillon, Harmeet	B5
Dombrovskis, Valdis	B10
Donohue, Sean	A13
Downs, Erica	B6
Drosos, Gina	B3
E - F	
Espinosa, Raquel	B1
Feroz, Zeeshan	B11
G	
Gamble, John	B2
Gaskin, Joanne	B10
H	
Holmes, Elizabeth	A1
Houston, Drew	B11
I	
Icahn, Carl	B4
Iger, Robert	A1
Inderst, Andreas	B12
Isla, Pablo	B3
K	
Kapoor, Raj	B2
Kleinhanzl, Brian	B12
Klepach, Bernard	A13
Kotagiri, Swamy	B2
L	
Lampert, Edward	B5
Lawrence, Earl	B2
M	
Martin, Jill	A1
Mayer, Kevin	A1
Musk, Elon	B3
P	
Parker, Dennis	B5
R	
Rorsted, Kasper	B12
S	
Shotwell, Gwynne	B3
Simpson, Steve	B1
Sloan, Timothy	B10
Solanes, Paula	B11
Sorrell, Martin	B2
Surls, James	A13
T	
Tan, Hock	B1
V	
Visentin, John	B4
W	
Watt, Mel	B10
Wells, Mike	B10
Wilberg, Arne	B5
Y	
Ye, Jianming	B1
Ying, Jun	B1

## BUSINESS & FINANCE

# WPP Cuts Stock Payment to Chief

By NICK KOSTOV

The flagging performance of **WPP PLC**, the world's biggest ad agency, is eating into the pay of one of the industry's best-paid executives.

On Wednesday, WPP disclosed that Chief Executive Officer Martin Sorrell received £10 million (\$14 million) in company shares as compensation for 2017, a significant drop from the £41.6 million in shares that Mr. Sorrell was awarded a year prior.

The payment is the first time Mr. Sorrell has been compensated under a five-year remuneration program that began in 2013 when WPP's board instated a cap on his pay in response to investor anger over executive salaries. The pro-

gram, which is linked to company financial targets and share-price performance, rewarded Mr. Sorrell 73% of the total shares he would have received if the executive had hit all of his targets.

Mr. CEO's total pay package—including his salary, a short-term bonus, pension payments and other benefits—won't be known until WPP publishes its annual report next month.

Mr. Sorrell, long regarded as an oracle of the ad industry, is coming under investor scrutiny as his empire of agencies—from Grey and Ogilvy & Mather to Young & Rubicam—strains amid the industry's digital disruption. The 73-year-old executive is grappling with clients who are turning away from

Madison Avenue campaigns for print and TV in favor of technologies that target consumers as they surf the internet.

WPP's share price has dropped by almost one-third

*Martin Sorrell's empire of ad agencies is straining amid digital disruption.*

over the past year as Mr. Sorrell has wrestled with the loss of lucrative accounts. Consumer-goods giants and other companies are redirecting spending they once lavished on ad agency-led campaigns

toward tech companies such as Facebook Inc., or handling aspects of media-buying or production in-house.

Earlier this month, WPP shares dropped sharply after it logged its worst annual performance since the financial crisis and forecast no growth for 2018.

"His pay has now come down by a lot two years in a row, and it's still so large. It shows you how massive it was," said Stefan Stern, director of the U.K.'s High Pay Centre, an independent think tank in London.

Under WPP's previous incentive program, Mr. Sorrell received almost £210 million in compensation between 2012 and 2016, leading to run-ins with investors who argued the amount was exorbitant.

# Lyft Picks Up a Robot-Cars Partner

By GREG BENINGER

**Lyft Inc.** agreed to develop hardware and software for self-driving vehicles with auto-parts supplier **Magna International Inc.**, the latest in a string of deals by the ride-hailing company aimed at getting robot cars on the road.

Magna is also injecting about \$200 million into Lyft, joining a \$1.7 billion funding round led by **Alphabet Inc.'s CapitalG venture arm** that values the private startup at \$11.7 billion.

The companies plan to produce kits that can be installed on existing cars to enable them to operate autonomously, said Raj Kapoor, Lyft's chief strategy officer. Retrofitting cars, as opposed to building new ones, could help the company produce autonomous vehicles more quickly and inexpensively, he said.

Wednesday's announcement

adds to Lyft's roster of self-driving-vehicle partners, which includes **Ford Motor Co.**; **General Motors Co.**; Alphabet's Waymo; **Tata Motors Ltd.**'s Jaguar Land Rover; and **Aptiv PLC**, formerly Delphi. That stands in contrast to rival Uber Technologies Inc., which is primarily developing self-driving technology on its own rather than forging partnerships.

Lyft's goal is to plug autonomous cars from partners into its network. The Magna deal is Lyft's first involving a large-scale manufacturer, and the kits they develop could be sold to auto makers, ride-hailing networks or even drivers themselves, Lyft said.

Magna assembles vehicles for other auto makers, and

manufactures parts such as seating and powertrains.

Last summer, Lyft formed a self-driving-vehicle division with an office in Silicon Valley. Swamy Kotagiri, Magna's chief technology officer, said the Canadian company will move some employees to Lyft's Palo Alto, Calif., offices.

The companies declined to provide some details about the agreement, including the size of Magna's stake, how long the partnership will last, or what each side contractually agreed to deliver. If Lyft ultimately uses technology the companies jointly develop, it must rely on Magna to manufacture it, Mr. Kotagiri said.

Magna or Lyft could choose to sell the kits to other auto manufacturers, Mr. Kapoor said. "Everything we develop in autonomous-vehicle technology, Magna can spread across the technology industry," he said.

## TOYS

*Continued from the prior page*

ward a liquidation during the past few frantic months. Following the September bankruptcy filing, holiday sales at Toys "R" Us were "no short of devastating" and well below expectations. The chain's earnings before interest and taxes were "less than half" of the \$600 million it typically generates in a year, he added.

The company revamped its restructuring plans to calm vendors. First, it announced plans to close 182 U.S. stores, or about 20% of its base. Then it offered to shrink to about half its original U.S. footprint.

After the U.K. business began liquidating, Toys "R" Us decided to jettison its baby business entirely, since that was where margins were

shrinking and its market share was falling. Lenders were supportive but worried about the costly upgrades needed to bridge the business to the holidays, the CEO said.

The senior management team tried to sell potential investors on buying the brand, but the buyers were wary given the performance of the latest holiday season, which they worried could be a proxy for future years.

"The last six months have been pure hell," Mr. Brandon said during the 30-minute call, while audibly battling a cold.

The demise of Toys "R" Us, which had more than \$11 billion in global revenue last year, poses a serious challenge to the \$27 billion U.S. toy industry. The chain was a vital cog in the industry as its stores carried a breadth of toys unmatched by rivals, nurtured smaller companies and

offered a spot on shelves for tinkerers hoping to hit it big.

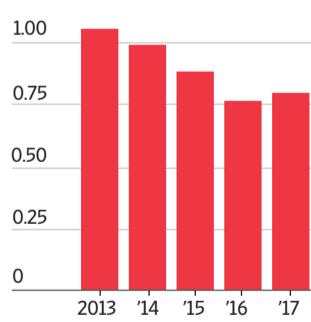
Toys "R" Us was toppled by external forces and those of its own making. Amazon has taken a large slice of the toy industry, as online shopping cuts the need to visit stores to buy toys that will ultimately be wrapped for holidays or birthdays. The internet also heightened price wars, as Amazon, Walmart Inc. and Target Corp. fought hard for toy sales, often using popular items as loss leaders that could lead to sales of other products.

Other retailers have been able to survive the shift to online shopping and adjusted their business models. But Toys "R" Us has struggled to find a path forward because of debt accumulated from the \$6.6 billion buyout by **Vornado Realty Trust** and the private-equity firms **Bain Capital** and **KKR & Co.** in 2005.

## DRONES

### Safety Record

Union Pacific's personal-injury rate edged up in 2017 after hitting a record low.



THE WALL STREET JOURNAL.

## TRADE

*Continued from the prior page*

betrays shareholders for their own financial benefit," said Richard Best, director of the SEC's Atlanta regional office.

Mr. Ying "took advantage of his position," said Byung J. Pak, the U.S. attorney in Atlanta.

Attorneys for Mr. Ying declined to comment. A warrant was issued for his arrest on Wednesday, according to court records. Equifax said it informed authorities of Mr. Ying's trading once the company became aware of it and has cooperated with the government's investigation. "We take corporate governance and compliance very seriously, and will not tolerate violations of our policies," Equifax said.

Equifax had offered Mr. Ying a promotion as company-wide CIO just days after the breach was publicly announced in September and the previous CIO had left the company, according to the SEC. The company later rescinded its offer after Equifax senior executives learned of Mr. Ying's trading, the SEC said, and Mr. Ying resigned from Equifax in mid-October.

Mr. Ying, 42 years old, wasn't among the Equifax executives who were told of the breach after the company first learned of it, but he figured out what happened, according to the charges. He was asked to help in responding to what the company then told him

was a data breach at a potential Equifax client. When he questioned the move, he was told he had to comply and didn't need to know why.

Immediately after that, according to the charges, Mr. Ying texted one of his subordinates, "Sounds bad. We may be the one breached...Starting to put 2 and 2 together."

Mr. Ying later

## BUSINESS NEWS

# Dog's Death Puts United in Center Of Debate on Pets

By DOUG CAMERON  
AND PATRICK McGROARTY

**United Continental Holdings** Inc. said a flight attendant didn't realize a bag that a passenger was forced to stow in an overhead compartment contained a dog, which died during the flight.

The dog's death on a flight from Houston to New York on Monday touched off outrage among some fliers and fresh debate over the transport of animals in plane cabins.

"The customer did tell the flight attendant that there was a dog in the carrier," United said on Wednesday. "However, our flight attendant did not hear or understand her, and did not knowingly place the dog in the overhead bin."

United has apologized for the dog's death and said it will issue new bright yellow tags by April to passengers traveling with pets in carriers.

The airline on Wednesday also had to apologize for a mix-up at its Denver hub that misdirected two dogs, with one arriving in Tokyo instead of Kansas City, Mo. The airline said both animals arrived safely—albeit at the wrong airports—and would be rerouted as soon as possible.

The union representing United flight attendants on Wednesday defended the crew member on the New York flight.

"There is not a single flight attendant working for any airline who would knowingly direct a passenger to put their pet in an overhead bin," a spokeswoman for the Association of Flight Attendants-CWA said.

The number of pets on planes has soared in recent years. Passengers generally pay to bring dogs and cats with them in the cabin, but are also carrying a wider range of species from snakes to spiders as support animals that aren't

charged.

Some airlines have tightened their policies to rein in instances of poor behavior by animals on board. Delta Air Lines Inc. this month began requiring that passengers provide more health information on their animals and sign a document attesting that they will behave.

Sharon Pinkerton, head of legislative and regulatory policy at the Airlines for America trade group, said the Transportation Department was expected to soon revise its rules on flying with service and emotional-support animals.

The industry wants the department to clarify its guidance, she said, adding that it would "make it clear that carri-

*The number of pets on airlines has soared as passengers pay to take them into the cabin.*

ers have the ability to ensure the health and safety of passengers and crew."

Transportation Department officials didn't respond to a request for comment.

United carries more animals than any other U.S. airline, according to Transportation Department data, and has also been involved in more fatalities in recent years. In 2017, the airline, the nation's third-largest, was involved in 18 of 24 animal deaths reported to the department.

Some social-media users called for tighter restrictions on animals in flight, while others urged fliers to boycott United, whose shares fell 2.6% on Wednesday. Last April, the carrier's reputation took a hit after United gate agents called in airport police in Chicago who then dragged a passenger off a flight.

# Zara's Owner Alters Style

Fashion seller Inditex sharpens digital focus and slows expansion of its physical stores

By JEANNETTE NEUMANN

ARTEIXO, Spain—Zara parent company **Inditex** SA said Wednesday it was easing the expansion of its brick-and-mortar stores and doubling down on its online growth in a bid by the world's largest fashion retailer by sales to maintain its momentum.

The moves come as the company, which has expanded rapidly and outpaced rivals by quickly getting the latest styles to stores, reported its weakest comparable annual sales growth since 2015.

Executives at Inditex, whose eight brands include Massimo Dutti and Bershka, said they would continue to close smaller shops to prioritize the opening of large, emblematic stores in busy city centers around the world, including 10 new Zara stores in the U.S. this year.

Store closures outpaced openings in the company's fourth quarter, with total stores falling for the first time quarter-to-quarter to 7,475 from 7,504. But total floor space rose 7.4% over the year to Jan. 31, highlighting the focus on opening big stores from Venice to Miami. Executives said that pace is expected to slow to about 4% to 6% in 2018 and beyond.

At the same time, the company said it plans to operate online stores in all 96 markets where it currently operates, up from 49 markets today.

"Online sales [are] becoming more and more relevant," Inditex Chairman and Chief Executive Pablo Isla told analysts from the company's headquarters in Arteixo in northwest Spain.

In a nod to the online category's growing importance, the company broke out online sales as a percentage of total sales for the first time. Online



Closures of Inditex stores outpaced openings during the fashion retailer's most recent quarter.

FRANCISCO SECO/ASSOCIATED PRESS

## Signet Jewelers Cuts Back at Malls

have declined for the past two fiscal years.

Three-fourths of the stores Signet aims to close are in malls where there are other Signet stores, Chief Executive Gina Drosos said on the company's earnings call Wednesday. Most of the closures will happen after the holiday shopping season.

Signet said it plans to open 35 to 40 new stores in the current fiscal year, though the new locations "will be focused on already-proven off-mall formats and desirable markets," Ms. Drosos said.

The company currently has more than 3,500 stores. Last fiscal year, Signet closed 242

stores and opened 116, company spokesman David Bouffard said in an email.

Shares in Signet fell 20% to close at \$38.22 on Wednesday. In the past year, the stock is down 44%.

Signet expects net cost savings of \$85 million to \$100 million for the current fiscal year from the new plan.

Fourth-quarter sales rose 1% from a year earlier, to \$2.29 billion. Total same-store sales fell 5.2%.

Net income rose 18% to \$351.3 million, or \$5.24 a share, from \$297.5 million, or \$3.92 a share.

—Allison Prang

sales made up 10% of Inditex's annual sales of €25.3 billion (\$31.4 billion) for the year ended Jan. 31. Online sales surged 41% during that period.

The comments came as the company reported a 7% rise in net profit to €3.4 billion for the year ended Jan. 31 and said it would propose a 10% rise in its annual dividend to

75 European cents a share.

However, sales at stores that have been open at least a year rose 5%, a marked slowdown from the 10% growth reported the previous year and the weakest annual comparable-sales growth since 2015, when the figure also rose 5%.

The company also reported an annual gross margin of 56.3%, the lowest in a decade.

Comparable sales remained weak in the first six weeks of the new reporting period, rising 4% from Feb. 1 to March 11, analysts said. "The colder weather compared to last year across Europe had a negative impact," Société Générale analyst Anne Critchlow wrote in a research note.

# SpaceX, Big Rival Share Rocket Job

By ANDY PASZTOR

Seeking to maintain a pair of satellite-launch providers, the Air Force basically split \$640 million in contracts between Elon Musk's low-cost SpaceX and a **Boeing Co.-Lockheed Martin Corp.** joint venture with higher prices but a long military legacy.

Wednesday's announcement said the awards were part of continuing efforts to reduce costs "while maintaining assured access to space with two or more launch providers."

**Space Exploration Technologies** Corp., the formal name of Mr. Musk's company, won a \$290 million contract to launch three Global Positioning System Satellites into orbit on Falcon 9 rockets by the end of 2020. The Southern California company previously was awarded two other GPS launches.

**United Launch Alliance**, the joint venture that historically enjoyed a virtual monopoly boosting U.S. military or spy satellites into space, was awarded a \$351 million deal for two launches of Air Force space-craft on Atlas V rockets. Based on Air Force numbers, those launches will cost roughly \$170 million apiece, or more than \$70 million above SpaceX prices.

SpaceX has used low prices, reusable boosters and aggressive marketing to snare business from rivals, particularly United Launch Alliance.

The joint venture is developing a lower-cost family of rockets, but those aren't expected to begin routine flights for at least three or four years.

"SpaceX is pleased with the Air Force's decision to select us for all five of the GPS [launches] competed to date," said Gwynne Shotwell, SpaceX's president and chief operating officer.

Tony Bruno, president and CEO of United Launch, told reporters Tuesday that development of its next-generation rocket, Vulcan, is on track.

KRIEMLIN BLOC/BLOOMBERG NEWS  
VW sedans are loaded for export in Germany. There is a wide gap between U.S. and EU import duties.

# VW Chief Backs Trump on Tariffs

By WILLIAM BOSTON

BERLIN—The chief executive of **Volkswagen AG**'s namesake VW brand said Wednesday that the Trump administration is justified in questioning the wide discrepancy between import duties imposed by the U.S. and the European Union on auto imports.

The comments from Herbert Diess during a news conference in Wolfsburg, Germany, are the first from a senior European auto executive to lend support to President Donald Trump's allegation that the gap in import duties on cars was unfair to U.S. exports to Europe.

Under global trade rules set in 1994, the EU imposes a 10% duty on cars and trucks from the U.S. and other countries, the maximum allowed. The U.S. applies a 2.5% tariff on imported passenger cars, the maximum it is allowed under the pact.

"You certainly have to ask why we in Europe are demanding a 10% import tax," Mr. Diess said. "It is a legitimate discussion. The Americans don't do this."

Pickup trucks and work vans heading to the U.S. from Europe face a 25% tariff that dates from a trans-Atlantic trade dispute in the early 1960s. European countries including the then-West Ger-

# Payden&Rygel

Investment Management

announces the opening  
of our

Milan  
office

Corso Matteotti 1

Milan, Italy

Nicoló Piotti

Managing Director

npiotti@payden.com



LOS ANGELES | BOSTON | LONDON | MILAN

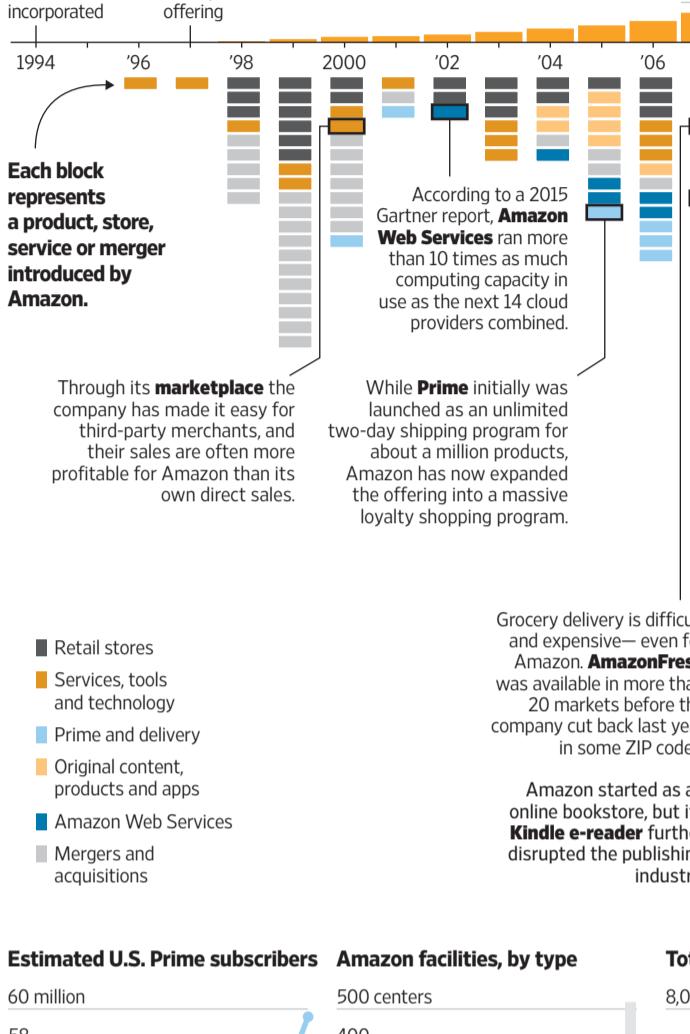
PAYDEN.COM

## TECHNOLOGY

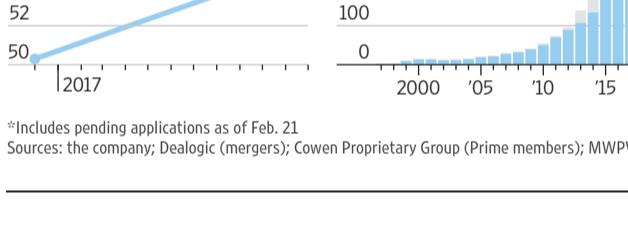
WSJ.com/Tech

# Amazon: From Garage to Global Giant

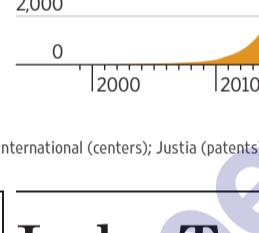
Jeff Bezos founded Amazon.com Inc. in 1994 in his garage in Seattle. From its roots as an online bookstore, it has grown into an empire valued at roughly \$770 billion. From e-commerce, a dominant cloud-services business, a grocery chain and a Hollywood studio, the company last year generated \$178 billion in revenue. While not all of its ventures have succeeded, Amazon now accounts for more than 40 cents of every dollar U.S. consumers spend online. Here is how it happened...



## Estimated U.S. Prime subscribers

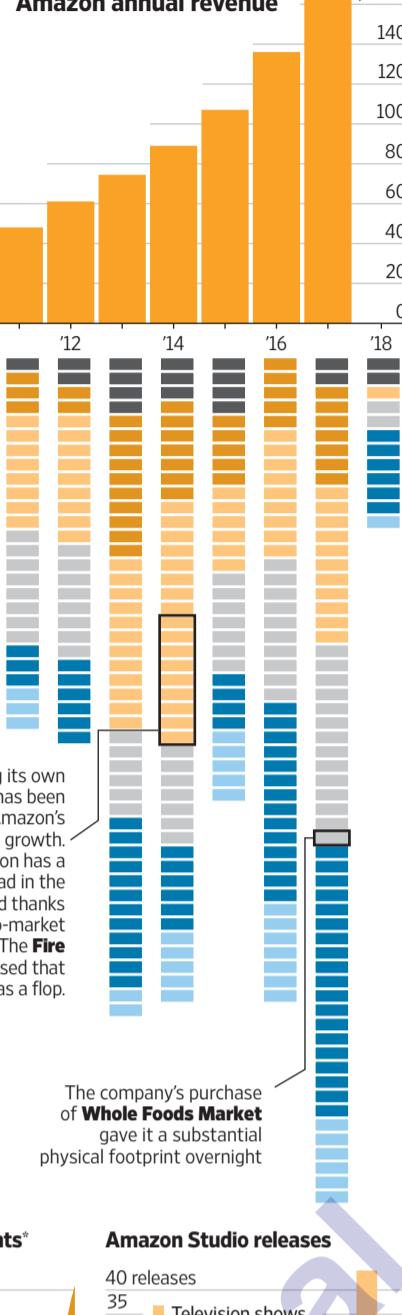


## Amazon facilities, by type

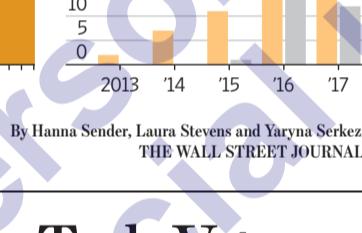


## Total Amazon U.S. patents\*

By Hanna Sender, Laura Stevens and Yaryna Serkez/ THE WALL STREET JOURNAL



## Amazon Studio releases



# U.S. Tech Firms Face Tougher Tax Rules in Europe

Europe is zeroing in on U.S. tech companies amid rising trans-Atlantic trade tensions.

France on Wednesday petitioned to fine Apple Inc. and Alphabet Inc.'s Google for allegedly taking advantage of smaller French software developers. A complaint filed by the

By Natalia Drozdiak  
in Brussels  
and Sam Schechner  
in Paris

finance ministry asked a Paris court to order the companies to end "abusive commercial practices."

In Brussels, the European Union next week plans to unveil two legislative proposals to increase taxes on tech giants.

The new rules, which the EU has been working on since last year, would hit squarely at the U.S.'s largest tech firms.

Tension over trade is escalating between Brussels and Washington. The European Commission, the EU's executive body, has warned it will take countermeasures against the U.S. if it isn't exempted from plans by President Donald Trump to impose tariffs on steel and aluminum imports.

Also, the recent U.S. tax overhaul could hit European tech and pharmaceutical firms operating in the U.S.

Each side has accused the other of protectionism, raising the specter of a trade war.

"Don't consider this aggressive from us," Pierre Moscovici, the European Commission's economy chief, said in reference to the EU's tax plans. "It's not an anti-American measure. The fact is that some of those companies are American. It's not protectionist. It's about fair taxation."

The EU wants to modernize corporate tax rules, which traditionally have been based on physical assets and where a company operates. The commission wants to account for virtual operations, such as targeted advertisements that a search engine sells using data collected in a country where it has no fixed establishment.

Under the new rules, the EU would likely tax tech firms' revenue, as opposed to profit. The legislation could be short-term, preceding broader changes defining permanent establishment in the virtual world.

The short-term tax rate could range between 1% and 5% and could target revenue based on where users are located, though details of the package are still being finalized, EU officials said. In an interview, Mr. Moscovici said the new rules would avoid risks of double taxation as well as unnecessary

burdens on smaller businesses.

France has led the push to increase taxes on the tech companies, calling on the commission to propose the short-term measures. French Finance Minister Bruno Le Maire and others argue that tech giants use legal loopholes to shift too much profit to low-tax jurisdictions, and that Europe must tax revenue instead until laws can be changed to stamp out such practices.

The move in Paris comes after U.K. Treasury Chief Philip Hammond confirmed Tuesday that he intends to explore the merits of tweaking the way corporation tax is levied on tech multinationals operating in the U.K.

The French finance ministry's filing against Google and Apple on Wednesday follows a three-year government investigation into how the Silicon Valley companies treat French startups that develop and sell applications for mobile phones.

Some developers and publishers are unhappy that Apple and Google can at times take a portion of in-app purchases and get access to more data on users and subscribers than they do.

"We believe our terms comply with French laws and are looking forward to making our case in court," a Google spokeswoman said. Apple didn't immediately respond to requests to comment.

The finance ministry, meanwhile, says there is no connection between taking on tech firms and the new U.S. tax law

France is also seeking fines for Apple and Google for 'abusive commercial practices.'

and tariffs.

Still, some EU officials have cautioned that the bloc's new tax rules could be perceived by Washington as a form of retaliation against Mr. Trump's tariffs, particularly if the EU doesn't pursue a long-term agreement at a global level with the Organization for Economic Cooperation and Development.

The OECD is a forum of wealthy countries, which includes EU countries, Japan and the U.S.

"It's difficult for the Europeans to guess what the reactions of the Americans will be and what context they are going to set this," said Pierre Gramegna, Luxembourg's finance minister. "And that's why it's so important that this is being done at OECD level."



A demonstration of Google technology in Paris this month.

# Icahn Taps Tech Veteran For Xerox Proxy Fight

By AISHA AL-MUSLIM

Activist investor Carl Icahn has enlisted the help of former technology executive John Visentin to help prepare for a proxy fight with Xerox Corp. and to explore strategic alternatives for the printer and copier maker.

Mr. Icahn reached out to Mr. Visentin as a consultant to help with those processes, part of his pushback against a deal Xerox struck with Fujifilm Holdings Corp. in January. That deal would mash Xerox together with a Fuji-Xerox joint venture and give the Japanese company control of the new entity.

In an open letter from Mr. Icahn to Xerox shareholders published Wednesday, Mr. Icahn said Mr. Visentin is an "operating executive with a superb track record, specifically when it comes to revamping complex operations with prior managerial shortcomings in the IT services industry."

Mr. Icahn has said Xerox would benefit from new management and has indicated that its executives should have some of the qualities he men-

tioned Mr. Visentin has.

In response to Mr. Icahn's letter, a Xerox spokesman pointed to a prior letter the company wrote outlining the value of the deal.

Mr. Visentin previously managed business units as an executive at Hewlett-Packard Co. and International Business Machines Corp. He more recently was at Apollo Global Management portfolio companies Novitex Enterprise Solutions, where he was executive chairman and chief executive, and Presidio, where he was chairman, according to the letter.

Mr. Icahn and fellow billionaire Darwin Deason, who together control about 15% of Xerox stock, have opposed the deal with Fujifilm and are working together to fight it. They both have said they would vote against the deal, that they would wage a proxy fight against Xerox and that they have asked it to explore a sale.

Xerox has said the investors are mischaracterizing the deal. The company said the agreement with Fuji followed a yearlong review of alternatives for its business.

## ADVERTISEMENT

## The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

## BUSINESS OPPORTUNITIES

## Gulfstream V PARTNER WANTED

UNIQUE CO-OWNERSHIP OPPORTUNITY  
MAINTENANCE COSTS COVERED  
ZERO OVERHEAD • EAST COAST BASED  
PRINCIPALS ONLY

Interested Parties Contact:  
[gulfstream5partner@gmail.com](mailto:gulfstream5partner@gmail.com)

## BUSINESS OPPORTUNITIES

## Finance in Europe

Business financing at  
the Bankers Institute.  
We Know Banking,  
We Know Banks.

Contact us:  
<http://www.thebankersinstitute.com/>

## TRAVEL

Save Up To 60%  
First & Business

INTERNATIONAL  
Major Airlines, Corporate Travel  
Never Fly Coach Again!  
[www.cooktravel.net](http://www.cooktravel.net)  
(800) 435-8776

FOUNDERS LEVEL INVESTMENT  
AVAILABLE

## NEW ONCOLOGY PLATFORM

[finance@immunoOncolytics.com](mailto:finance@immunoOncolytics.com)

# Broadcom Affirms Plan To Assume U.S. Address

By CARA LOMBARDO

Singapore-based Broadcom Ltd. said Wednesday it still plans to redomicile to the U.S. after the Trump administration forced it to withdraw its hostile bid for U.S. chip maker Qualcomm Inc.

Broadcom earlier this week said it expected to complete the process in April, about a month earlier than originally planned. Redomiciling would have allowed Broadcom to skip a review by the Committee on Foreign Investment in the U.S., an interagency panel that focuses on national security concerns.

Broadcom also withdrew its slate of independent directors it nominated for election to

Qualcomm's board.

President Donald Trump blocked Broadcom's \$117 billion takeover of Qualcomm on Monday, after CFIUS said it could have had implications for the U.S.'s broader technological competition with China.

Broadcom Chief Executive Hock Tan stood with Mr. Trump at the White House in November when he announced Broadcom's plans to relocate in the U.S. Mr. Tan called Mr. Trump a "great, great executive" and said Broadcom was "one of the really great, great companies."

Broadcom was formed when Avago Technologies bought the former Broadcom in 2015 and kept the name. About half of its employees work in the U.S.

## MANAGEMENT

# Diversity Efforts Challenged

Some white men push back against programs for hiring women and people of color

BY LAUREN WEBER

Two high-profile legal cases in which white men have accused employers of discrimination or retaliation have put a spotlight on U.S. companies' efforts to make career advancement more accessible to women and people of color.

A recruiter is accusing YouTube of retaliating against him after he complained that the video site discriminated against white and Asian male applicants in favor of hiring blacks, Hispanics and women. The case comes on the heels of a lawsuit against Google, in which James Damore has accused the company of firing him for espousing conservative political views that oppose the company's diversity-related hiring practices.

**Alphabet** Inc., parent company of Google and YouTube, said it would defend itself in both cases in an area that has been heavily litigated. Discrimination is generally difficult to prove, and so-called reverse-discrimination lawsuits must pass an even higher bar, employment lawyers say.

"You can have a goal, even a numerical goal over a time period, to increase the number of women or people of color," said Dennis Parker, director of the racial justice program at the American Civil Liberties Union. "That's different than saying, 'We're not going to hire any more white men.'"

The cases could have broader implications for Silicon Valley companies and their recruiting methods as the tech industry faces continued scrutiny for a lack of diversity. While discrimination against any sex or race is forbidden by federal statute, courts have long allowed companies to put in place programs meant to correct imbalances, such as targeted outreach and training courses



MICHAEL SHORT/BLOOMBERG NEWS  
Alphabet's YouTube and Google are each facing litigation related to their hiring practices.

designed for people from underrepresented groups.

One of the last major cases alleging discrimination against white men was decided in 2009 when the Supreme Court sided with white firefighters who said the New Haven, Conn., fire department discriminated against them by invalidating the results of a test used to determine promotions. Fearing the test would be called discriminatory, the fire department threw out the results and used other measures to make promotions when black firefighters scored poorly.

Courts still allow companies to deploy programs designed to open up opportunities to a broader segment of the workforce. In such cases, judges look closely at details.

Arne Wilberg, the plaintiff in the suit against YouTube, is a white recruiter who worked at Google for nine years, including four years at YouTube. He alleges that the video site told recruiters to cancel interviews with applicants who weren't female, black or Hispanic after setting

quotas for hiring minorities.

"We have a clear policy to hire candidates based on their merit, not their identity," a Google spokeswoman said in response to the suit. "At the same time, we unapologetically try to find a diverse pool of qualified candidates for open roles."

Google fired Mr. Damore in August after he circulated a memo that criticized Google's diversity efforts and suggested women were less qualified than men for some technology jobs. Mr. Damore and a co-worker sued, accusing Google of being a hostile workplace for employees with conservative views and alleging it unfairly favors women and certain minorities when hiring and promoting.

Mr. Damore also filed a charge with the National Labor Relations Board but withdrew it in February after an NLRB lawyer advised the board that parts of his memo were "so harmful, discriminatory, and disruptive" that it wasn't protected workplace speech.

Mr. Damore's attorney,

Harmeet Dhillon, said that since the lawsuit was filed, she has been contacted by "countless current and former Google employees as well as employees of other tech companies making similar allegations."

Many U.S. employers are under pressure to diversify their payrolls and, by extension, tackle issues like the gender wage gap, sexual harassment and economic inequality. For example, activist shareholder **Arjuna Capital** has led campaigns to compel firms including **Amazon.com** Inc. and **Apple** Inc. to identify and fix pay disparities between male and female workers.

The tech sector has come under scrutiny ever since big firms began disclosing data about the makeup of their workforces, said Jon Bischke, chief executive of Entelo, a recruiting software firm that helps companies hire technical talent. "Their numbers effectively have to go up every year," he said. "If their numbers went backward, that would be a public-relations nightmare."

## BUSINESS NEWS

# Big Water Companies Set to Merge

BY CARA LOMBARDO

**SJW Group** is in advanced talks to merge with **Connecticut Water Service** Inc. in a roughly \$750 million deal that would create the nation's third-largest publicly traded water utility and represents a rare tie-up among such companies.

The terms of the deal, which could be announced Thursday, call for Connecticut Water shareholders to receive 1.1375 shares of SJW Group stock for each share, according to people familiar with the matter.

Based on Wednesday's closing prices, that would work out to about \$61.86 a share, an 18% premium over Connecticut Water's closing price.

SJW shareholders are to own about 60% of the combined company, which would serve more than 1.5 million customers across four states.

SJW and subsidiaries including San Jose Water serve more than one million people in and around San Jose, Calif., and Canyon Lake, Texas.

It has a market capitalization of around \$1.1 billion and in 2017 had revenue of more than \$389 million.

Connecticut Water and subsidiaries provide water to more than 450,000 people in Connecticut and Maine and wastewater services to more than 10,000 people in Connecticut. It has a market capitalization of around \$630 million, and analysts expect it to report 2017 revenue of about \$105 million.

The new company would be the third-largest water and wastewater utility based on rate base and enterprise value. **American Water Works** Co. and **Aqua America** Inc. are the first- and second-largest.

The combined company will be better positioned to expand its geographic reach by acquiring more municipal utilities and service contracts around the country, the people said.

There has been a frenzy of deal activity in the broader utility sector as companies diversify across geographic areas. Utilities have also grown as cash-strapped municipalities with aging infrastructures sell their systems or outsource management.

But municipalities still own most water utilities in the U.S. and the expected tie-up would be the first of its kind between publicly traded ones in about 20 years, one of the people said.

Potentially encouraging deal making, water utilities have been trading at relatively rich valuations, partly because of the steady earnings they

generate.

SJW Chief Executive Eric Thornburg, who led Connecticut Water for more than 11 years before departing for his current job late last year, would be chairman and chief executive of the combined company, the people said.

Connecticut Water CEO David Benoit, who officially took over last week, would be president of its New England region. The combined company's board will include seven directors appointed by SJW and five by Connecticut Water, the people said.

The companies don't plan to cut jobs or increase water rates following the merger, the people said. The combined company is expected to establish a dividend at least equal to SJW's announced 2018 dividend of \$1.12 a share. Both companies have long paid regular dividends.

# Sears Reports Another Dismal Quarter

BY SUZANNE KAPNER

**Sears Holdings** Corp. announced \$540 million in new loan agreements and reported another dismal quarter in which sales fell by nearly a third as the struggling retailer continued to close stores.

Total sales fell to \$4.4 billion for the three-month period ended Feb. 3 from \$6.1 billion a year earlier. Excluding the closures, sales fell 18% at existing Sears stores and 12% at Kmart locations for the three-month period ended Feb. 3.

The company's results contrast with those of other retailers, including **Macy's** Inc., **Kohl's** Corp. and **Nordstrom** Inc., all of which reported higher sales for their year-end periods as consumer spending picked up over the holiday season.

Sears swung to a \$182 million profit for the period, compared with a loss of \$607 million in the same period a year ago, helped by a \$470 million



Sears Holdings is under pressure to refinance some of its debt.

to deliver on our commitment to return to profitability in 2018. Importantly, to ensure our long-term viability, we must substantially improve our sales and gross margin performance, including adjustments to our business model."

Sears ended the quarter with \$336 million in cash and \$69 million available on its credit line. Total debt stood at \$4.12 billion.

Sears is under pressure to refinance a portion of that debt coming due in October. A failure to do so could tip the retailer into bankruptcy, analysts have said.

Sears's bonds are on Fitch Ratings Inc.'s list of those at risk of default.

Mr. Lampert has for years defied his critics with financial maneuvers, such as a deal reached last year to sell Sears's Craftsman brand, that have kept the company afloat.

Sears shares, which have fallen more than 70% over the past this year, closed down 5% at \$2.42.

# PIMCO®

We are pleased to announce the following promotions.

March 2018

## MANAGING DIRECTORS

Libby Cantrill

Rick Chan

Josh Davis

Alessandro Gandolfi

Russell Gannaway

Ryan Korinke

Julie Meggers

## EXECUTIVE VICE PRESIDENTS

Michael Arundel

Karen Aspinall

Justin Ayre

Victoria Caro

Agnes Crane

Matt Dorsten

Kaela Gibbons

Brett Gorman

Sunil Kothari

Naila Makhdumi

Minoru Matsuzawa

Lalantika Medema

Adriano Nelli

Antoan Nikolaev

Niels Pedersen

Rosamond Price

Luis Rodriguez

Todd Staley

Greg Tsagogeorgas

Katherine Verner

Christian Wild

Tiffany Wilding

Nadia Zakir

HONG KONG, LONDON, MILAN

MUNICH, NEW YORK, NEWPORT BEACH

RIO DE JANEIRO, SINGAPORE

SYDNEY, TOKYO, TORONTO, ZURICH

[pimco.com](http://pimco.com)

A company of Allianz  ©2018 PIMCO.

## BUSINESS NEWS

# Glencore Fuels China's Electric-Car Aims

Commodity firm to sell a big supply of cobalt, used to make lithium-ion batteries

BY SCOTT PATTERSON

**Glencore** PLC has agreed to sell a chunk of its cobalt production to a Chinese company, a person familiar with the matter said, marking another victory for China in a race to lock up supplies of an important metal used in batteries for electric vehicles.

Glencore, the giant Swiss commodity producer and trader, signed a deal several weeks ago to provide more than 50,000 metric tons of cobalt over three years to **GEM** Co., a Shenzhen-listed chemicals firm, the person said. Glencore is the world's biggest cobalt producer, and the amount represents about a third of its production over the course of the deal.

Once an obscure metal in a relatively small market, cobalt is now projected to be in greater demand as electric-car production increases and smartphone use grows around the world. The scarce blue



Glencore mine workers. Demand for cobalt is expected to increase as electric cars and smartphones grow around the world.

metal is an essential ingredient in lithium-ion batteries because of its ability to absorb high levels of heat.

Apple Inc., Tesla Inc., Volkswagen AG and other large companies have been scram-

bling to secure their own cobalt supplies from sources including Glencore, the company's chief executive, Ivan Glasenber, said on a conference call in December. "Electric vehicles will be

disruptive to the world," Mr. Glasenber said. "Cobalt is basically off the charts."

China is revving up its electric-vehicle industry, the largest in the world. The country has focused on dominating co-

balt resources in the Democratic Republic of Congo, which turns out about 60% of the world's supply.

In 2011, Beijing listed electric vehicles as one of seven "strategic emerging indus-

tries." Chinese firms produce about 77% of refined cobalt chemicals, up from 67% in 2012, according to London commodities researcher CRU Group.

Glencore has two giant mining operations in Congo and controls about one-quarter of cobalt output worldwide. Glencore has said its Katanga Mining operation in Congo is expected to produce 34,000 tons of cobalt by 2019, likely making it the most productive cobalt mine in the world.

A report, commissioned by Glencore and issued by CRU, forecast that by 2030 the demand for cobalt to be used in electric vehicles could reach 314,000 metric tons, more than four times the current global supply.

One potential obstacle to gaining Congolese cobalt is the country's government, which is ratifying a new mining code over the objections of Glencore and other companies. The code scraps protections for mining companies and adds higher taxes and royalties for copper and cobalt.

"It's going to create under-investment in the country," Mr. Glasenber said last month.

government suffering from sagging oil prices and international sanctions.

"A company with ties to Chinese military intelligence may have appeared as a very reliable partner for the kind of transaction with Rosneft's shares," said Alexander Gabuev, a senior fellow at Carnegie Moscow Center.

Then came the U.S. Justice Department indictment that

**Mr. Ye's woes are the latest to beset a group of once-highflying Chinese entrepreneurs.**

put CEFC at the center of allegations about Chinese corruption in Africa. CEFC said in a statement that it "attaches great importance" to the case but said it misstates facts about the company's activities in the two nations named, Chad and Uganda. Those governments also denied the allegations.

As Mr. Xi pushed a go-global campaign for Chinese businesses called the Belt-and-Road Initiative, Mr. Ye named Prague his company's "second headquarters" and scooped up stakes in European property, banks and insurers, as well as a soccer team. He became an adviser to the Czech president, and helped organize Mr. Xi's visit to the country in 2016.

Last September, days after Mr. Xi and Russian leader Vladimir Putin renewed commitments for energy cooperation, Mr. Ye signed the agreement to buy 14% of Rosneft. It offered relief for a Russian

CNPC didn't respond to a request for comment.

—James T. Areddy and Stella Yifan Xie

## OIL

Continued from page B1

knowledge of the situation said CEFC supplies the People's Liberation Army.

Mr. Ye's expansion strategy hinged on turning policies promoted by Mr. Xi into business opportunities, according to interviews with his partners and competitors, as well as diplomats, bankers and analysts. Several cited evidence of ties to the PLA and its intelligence arm.

"I think they really have a strategy to be the largest Chinese investor, a projection of their power," said a China-based European diplomat who has dealt with CEFC for three years.

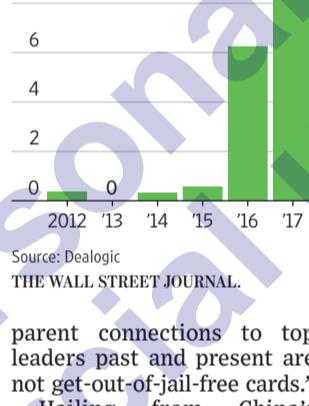
Mr. Ye's recent troubles are the latest to beset a group of once-highflying Chinese entrepreneurs. They include Chen Feng, of airlines-to-hotels conglomerate HNA Group Co., which is jettisoning assets; and Wu Xiaohui, the aggressive founder of Anbang Insurance Co., which has been taken over by the government.

Until recently, Mr. Ye's focus on "green light" areas for investment like oil from Russia may have helped his continued deal-making in the face of Beijing's efforts to keep capital at home, said Erica Downs, an analyst at Arlington, Va.-based research group CNA. "But as we now know from the case of Anbang and perhaps HNA, ap-

### Sudden Prospector

CEFC China Energy burst into deal-making in recent years.

#### CEFC's announced deals



parent connections to top leaders past and present are not get-out-of-jail-free cards."

Hailing from China's southeastern hill country, Mr. Ye, now about 40 years old, became interested in oil trading in the mid-2000s after working in Hong Kong. He moved the company now known as CEFC to Shanghai in 2008.

Around this time, he served for about two years as deputy secretary-general of the China Association for International Friendly Contact, according to regulatory filings by a CEFC unit in Singapore. That business-outreach organization, according to foreign military analysts, including Mark Stokes of Washington-based

Project 2049 Institute, is funded by the Chinese military's intelligence arm.

CEFC is headquartered in a quarter-block compound in a section of Shanghai's former French Concession that is primarily controlled by China's military. Mr. Ye has said CEFC is guided by "entrepreneurship, Confucianism and military-style regimentation."

Mr. Ye saw opportunity after Mr. Xi's anticorruption crackdown left state-run oil giants gun-shy about international investment. CEFC sealed production rights in Chad in 2015 and the United Arab Emirates in 2017. The roughly \$900 million U.A.E. deal made Mr. Ye a partner to not only China National Petroleum Corp., but also BP PLC of the U.K. and France's Total SA.

As Mr. Xi pushed a go-global campaign for Chinese businesses called the Belt-and-Road Initiative, Mr. Ye named Prague his company's "second headquarters" and scooped up stakes in European property, banks and insurers, as well as a soccer team. He became an adviser to the Czech president, and helped organize Mr. Xi's visit to the country in 2016.

Last September, days after Mr. Xi and Russian leader Vladimir Putin renewed commitments for energy cooperation, Mr. Ye signed the agreement to buy 14% of Rosneft. It offered relief for a Russian

## BUSINESS WATCH

### TAKATA

#### More Auto Makers Sued Over Air Bags

Owners of vehicles with rupture-prone **Takata** Corp. air bags sued four additional auto makers, accusing them of concealing defects in the safety devices tied to numerous deaths and injuries.

The complaints, filed on Wednesday in a Miami federal court, targeted **Volkswagen AG**, **Daimler** AG's Mercedes-Benz, **Fiat Chrysler Automobiles NV** and **General Motors** Co. They follow lawsuits against other auto makers that have resulted in settlements collectively totaling more than \$1 billion.

Wednesday's suits allege plaintiffs suffered losses because the value of their vehicles fell as a result of the defect.

A Daimler spokesman called the allegations "unfounded" and declined to comment further. A Fiat Chrysler spokesman said the company hadn't been served with the lawsuit against it and declined to comment. A GM spokesman said the auto maker had no reports of ruptures in vehicles with the relevant air bags. A Volkswagen spokeswoman didn't immediately respond to a request for comment.

—Mike Spector

### FORD MOTOR

#### Steering-Wheel Risk Leads to a Recall

Ford Motor Co. recalled nearly 1.4 million midsize cars



Anglo-Dutch consumer-goods titan Unilever is expected to consolidate its headquarters in Rotterdam.

### UNILEVER

#### Rotterdam Expected To Be New Base

The board of Anglo-Dutch consumer-goods giant **Unilever** PLC has decided to consolidate its dual headquarters in Rotterdam, in the Netherlands, over London, according to a person familiar with the matter.

Unilever is to announce the decision as early as Thursday. The British government has been informed, the person said. Executives and U.K. representatives were talking Wednesday after the decision, this person said, injecting some uncertainty. A Unilever spokesperson wasn't immediately available to comment.

The maker of such staples as Dove soap splits its headquarters between London and Rotterdam, a legacy of its structure consisting of separate British and Dutch operating companies.

Following an unsolicited take-over approach by Kraft Heinz Co. last year, Unilever launched a review and determined that unification was in its best interests.

The question since has been which city Unilever would pick.

The decision has significance in the U.K., which is negotiating its exit from the European Union. Critics of that move have warned that the split from the EU could force some companies to move to the Continent.

—Saabira Chaudhuri and Costas Paris

A Saudi Aramco oil field. Some of the world's biggest oil-producing countries believe oversupply is weighing down oil prices, despite caps.

## Saudis Continue To Curb Output Amid Iran Split

BY SUMMER SAID

Saudi Arabia said it would continue limiting its crude-oil output, signaling that the world's top oil exporter remains committed to production caps and underscoring a split with Iran's call for gradually lifting output curbs.

In an unusual news release Wednesday, Saudi Arabia's national oil company said its crude output would remain below 10 million barrels a day and its exports below 7 million barrels a day.

Saudi Arabian Oil Co., or Saudi Aramco, as the state oil company is known, generally doesn't signal in advance how much oil it will pump and export in a given month.

Saudi Aramco has the capacity to pump as much as 12 million barrels a day but has limited its output along with the Organization of the Petroleum Exporting Countries, Russia and other big producers to reduce a global oversupply with the aim of supporting prices.

"Saudi Arabia continues to lead by example by producing below the production targets it agreed to," the energy ministry said in the news release.

Oil prices rose after the Saudi news release before paring some of those gains. Brent crude, the international benchmark, settled up 0.39% at \$64.89 a barrel on Wednesday, while West Texas Intermediate, the U.S. benchmark, rose 0.41% to \$60.96.

The Saudi energy ministry's message Wednesday came just before OPEC released a market report that showed global oil supplies rising despite the group's production limits. The report initially caused crude prices to fall, as it underlined worries that U.S. shale production is undermining Saudi efforts to rebalance the

market.

The Saudi news release was sent out after The Wall Street Journal reported Sunday that Iranian Oil Minister Bijan Zanganeh said his country would push for production caps to be eased in the future so as not to overheat oil prices.

Saudi Arabia and Iran are split on the ideal oil price. Iran is pushing for prices at \$60 a barrel, where Mr. Zanganeh says U.S. oil production will remain under control and not flood the market. Saudi Arabia is pushing for \$70 a barrel as Crown Prince Mohammed bin Salman plans record national spending on the military and an economic transformation.

OPEC and a Russia-led group of big oil producers have agreed to limit output through the end of 2018.

They meet in June, when Mr. Zanganeh said the group could decide to begin easing output limits in 2019.

Over a year after the agreement was reached, the world's biggest oil-producing countries believe that a global oversupply of oil is still weighing down prices. In all, 24 countries that control about 60% of global crude production pledged to withhold about 1.8 million barrels a day of output, almost 2% of the world's output.

OPEC crude production continued to fall in February, the group said Wednesday in its monthly oil market report.

Production dropped by 77,000 barrels a day compared with the month before to average 32.19 million barrels a day, the report said.

The OPEC-led production cuts have been part of a recipe for higher oil prices, including strong global economic growth and rising Middle East political tensions.

—Christopher Alessi contributed to this article.

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average



## S&amp;P 500 Index



## Nasdaq Composite Index



Bars measure the point change from session's open

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Major U.S. Stock-Market Indexes

	High		Low		Latest Close		Net chg	% chg	52-Week High		% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	High	Low	High	Low			
Industrial Average	25130.12	24668.83	<b>24758.12</b>	-248.91	-1.00	24758.12	24668.83	-248.91	26616.71	20404.49	<b>18.2</b>	0.2	<b>11.7</b>
Transportation Avg	10799.56	10556.92	<b>10573.48</b>	-184.90	-1.72	10573.48	10556.92	-184.90	11373.38	8783.74	<b>14.6</b>	-0.4	<b>5.7</b>
Utility Average	687.25	679.48	<b>684.72</b>	7.10	1.05	684.72	679.48	7.10	774.47	647.90	<b>-2.4</b>	-5.3	<b>6.1</b>
Total Stock Market	28754.60	28431.18	<b>28478.47</b>	-157.01	-0.55	28478.47	28754.60	-157.01	29630.47	24125.20	<b>15.3</b>	2.9	<b>9.8</b>
Barron's 400	742.43	734.47	<b>735.23</b>	-4.55	-0.62	735.23	742.43	-4.55	757.37	610.89	<b>17.1</b>	3.4	<b>9.6</b>

\$ 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 5,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	14,847.4	275.44	0.14	<b>0.05</b>	276.79	275.05	
KKR	KKR	8,920.0	22.12	...	unch.	22.12	22.12	
MPLX	MPLX	5,657.0	34.71	...	unch.	34.71	34.71	
PwrShrs QQQ Tr Series 1	QQQ	4,550.8	171.60	-0.08	<b>-0.05</b>	172.15	171.42	
Plains All Amer Pipeline	PAA	4,319.5	22.75	...	unch.	22.76	22.73	
Comcast Cl A	CMSA	4,158.6	36.08	0.06	<b>0.17</b>	36.13	35.98	
Ford Motor	F	3,799.2	11.01	-0.01	<b>-0.09</b>	11.16	10.99	
Endo International	ENDP	3,613.9	7.05	...	unch.	7.10	7.05	

## Percentage gainers...

Sierra Oncology	SRRA	7.2	2.78	0.41	<b>17.30</b>	2.85	2.45	
Papa Murphy's Holdings	FRSH	9.8	6.25	0.90	<b>16.82</b>	6.25	5.35	
Centrus Energy	LEU	5.3	4.20	0.47	<b>12.60</b>	4.20	3.72	
Barnes Noble	BKX	28.4	5.30	0.50	<b>10.42</b>	5.40	4.80	
Arbutus Biopharma	ABUS	5.5	6.20	0.55	<b>9.73</b>	6.20	5.65	
Solid Biosciences	SLDB	97.7	11.89	-14.42	<b>-54.81</b>	26.52	11.35	
Benefitfocus	BNFT	38.0	22.70	-2.10	<b>-8.47</b>	24.80	19.00	
Ctrip.com Intl ADR	CTRP	420.1	46.00	-2.73	<b>-5.60</b>	49.40	45.00	
Altice USA Cl A	ATUS	47.9	19.00	-0.86	<b>-4.33</b>	19.98	19.00	
Zendesk	ZEN	17.1	47.49	-1.24	<b>-2.54</b>	48.74	47.49	

## ...And losers

Solid Biosciences	SLDB	97.7	11.89	-14.42	<b>-54.81</b>	26.52	11.35	
Benefitfocus	BNFT	38.0	22.70	-2.10	<b>-8.47</b>	24.80	19.00	
Ctrip.com Intl ADR	CTRP	420.1	46.00	-2.73	<b>-5.60</b>	49.40	45.00	
Altice USA Cl A	ATUS	47.9	19.00	-0.86	<b>-4.33</b>	19.98	19.00	
Zendesk	ZEN	17.1	47.49	-1.24	<b>-2.54</b>	48.74	47.49	

## Trading Diary

## Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	827,771,656	9,752,707
<b>Adv. volume*</b>	287,380,752	4,364,498
<b>Decl. volume*</b>	525,358,372	5,184,972
<b>Issues traded</b>	3,070	328
<b>Advances</b>	1,247	151
<b>Declines</b>	1,703	162
<b>Unchanged</b>	120	15
<b>New highs</b>	51	1
<b>New lows</b>	85	9
<b>Closing tick</b>	238	3
<b>Closing Arms*</b>	1.34	1.53
<b>Block trades*</b>	6,419	94
Nasdaq	NYSE Arca	
<b>Total volume*</b>	2,069,613,944	225,774,000
<b>Adv. volume*</b>	914,164,923	104,632,751
<b>Decl. volume*</b>	1,136,434,627	117,313,347
<b>Issues traded</b>	3,062	1,316
<b>Advances</b>	1,159	534
<b>Declines</b>	1,779	743
<b>Unchanged</b>	124	39
<b>New highs</b>	76	5
<b>New lows</b>	35	8
<b>Closing tick</b>	285	28
<b>Closing Arms*</b>	0.81	0.87
<b>Block trades*</b>	8,588	1,096

\*Primary market NYSE, NYSE American NYSE Arca only. (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

## International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg	

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
		Open	High	Low	Settle	Chg	Interest
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
March	3,1235	3,1705	3,1230	3,1400	0,0210	2,254	
May	3,1350	3,1920	3,1265	3,1585	0,0205	145,873	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
March	1322,20	1324,10	1322,20	1324,40	-1,50	537	
April	1326,90	1330,50	1321,70	1325,60	-1,50	252,852	
June	1332,70	1336,40	1327,60	1331,40	-1,60	175,282	
Aug	1337,40	1341,50	1333,50	1337,30	-1,60	40,262	
Oct	1344,70	1345,10	1340,40	1343,00	-1,70	5,693	
Dec	1349,00	1354,00	1346,30	1349,20	-1,60	39,786	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
June	985,30	1002,10	982,55	984,75	-6,85	23,754	
Sept	984,00	994,90	978,50	979,90	-5,60	1,004	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
April	967,10	974,90	961,20	961,50	-5,80	57,239	
July	972,00	979,60	966,00	966,30	-5,90	21,522	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
March	16,935	16,535	16,500	16,467	-0,092	402	
May	16,605	16,670	16,515	16,537	-0,090	143,589	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
April	60,83	61,33	60,11	60,96	0,25	180,109	
May	60,84	61,34	60,18	61,02	0,27	439,145	
June	60,75	61,20	60,07	60,91	0,26	328,519	
Sept	59,79	60,13	59,07	59,89	0,22	144,292	
Dec	58,65	59,01	57,96	58,79	0,23	239,766	
Dec'19	55,32	55,58	54,69	55,47	0,27	121,760	
<b>NY Harbor ULSO (NYM)</b> -40,000 gal.; \$ per gal.							
April	1,879,00	1,896,2	1,865,7	1,887,1	0,0132	72,201	
May	1,882,2	1,895,9	1,870,5	1,891,8	0,0149	92,150	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.							
April	1,8927	1,9260	1,8835	1,9243	0,0380	82,977	
May	1,9051	1,9346	1,8965	1,9300	0,0330	128,606	
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.							
April	2,791	2,798	2,710	2,731	-0,055	180,602	
May	2,813	2,820	2,737	2,759	-0,056	296,598	
June	2,860	2,867	2,786	2,809	-0,047	87,120	
July	2,905	2,914	2,835	2,859	-0,046	142,226	
Sept	2,901	2,905	2,831	2,858	-0,039	81,586	
Oct	2,915	2,915	2,842	2,870	-0,038	128,703	

## Agriculture Futures

## Corn (CBT)

5,000 bu.; cents per bu.

March 386,50 386,50 ▲ 384,25 383,50 -2,00 1,829

May 391,00 393,25 388,00 388,75 -3,00 725,424

## Oats (CBT)

5,000 bu.; cents per bu.

May 264,00 264,50 253,50 255,75 -7,50 4,568

July 266,00 266,50 ▼ 257,50 259,25 -6,75 762

## Soybeans (CBT)

5,000 bu.; cents per bu.

March 1042,25 1042,75 1032,50 1028,50 -12,00 244

May 1048,50 1054,00 1031,00 1032,25 -16,50 396,890

## Soybean Meal (CBT)

100,000 tons.; \$ per ton.

March 376,10 376,10 373,90 368,30 -4,00 112

May 375,70 380,30 370,60 370,90 -4,60 212,916

## Soybean Oil (CBT)

60,000 lbs.; cents per lb.

March 32,20 32,37 ▲ 31,63 31,71 -24 22

May 32,20 32,37 ▲ 31,63 31,71 -51 245,409

## Rough Rice (CBT)

2,000 cwt.; \$ per cwt.

May 1227,00 1236,00 1225,50 1234,00 7,00 5,998

July 1251,50 1253,00 ▼ 1243,00 1250,00 6,50 1,218

## Wheat (CBT)

5,000 bu.; cents per bu.

March 512,00 512,25 512,00 511,75 4,75 16

May 519,50 526,75 517,25 524,75 4,50 123,892

## Wheat (MPLS)

5,000 bu.; cents per bu.

March 636,00 628,75 623,25 623,25 -6,25 1

May 624,75 627,75 620,75 621,75 -3,75 32,133

## Cattle-Feeder (CME)

50,000 lbs.; cents per lb.

March 142,175 143,600 141,650 142,050 500 5,983

April 143,225 144,850 142,350 142,725 425 15,393

## Cattle-Live (CME)

40,000 lbs.; cents per lb.

April 123,000 124,300 122,775 123,000 1,100 78,161

June 114,000 114,800 112,900 113,250 1,00 151,816

## Hogs-Lean (CME)

40,000 lbs.; cents per lb.

April 67,450 67,725 66,625 66,875 -850 44,053

June 77,300 78,550 77,000 78,350 -875 44,053

## Lumber (CME)

110,000 bd. ft.; \$ per 1,000 bd. ft.

March 517,20 519,50 510,10 516,20 -1,00 61

May 485,80 488,00 482,50 484,40 -80 5,220

## Milk (CME)

200,000 lbs.; cents per lb.

March 14,21 14,29 14,19 14,24 .04 4,230

April 13,85 14,08 13,78 14,05 .22 3,584

## Cocoa (ICE-US)

10 metric tons.; \$ per ton.

March 2,583 2,587 ▲ 2,583 2,575 24 105

May 2,530 2,581 ▲ 2,517 2,556 24 124,136

## Coffee (ICE-US)

37,500 lbs.; cents per lb.

March 119,75 119,75 119,40 119,95 -50 29

May 121,40 122,05 120,65 121,05 -50 138,343

## Sugar-World (ice-US)

112,000 bbls.; cents per lb.

May 12,64 12,83 12,58 12,76 .14 423,643

July 12,90 13,02 12,84 12,97 .08 208,511

## Commodities

WSJ.com/commodities

## Cash Prices

Wednesday, March 14, 2018  
These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Wednesday	(U.S.\$ equivalent)	Wednesday	Wednesday
Propane,tet,Mont Belvieu-g	0.8225	16,6050	Soybeans,No.1ylw IL-bp,u
Butane,normal,Mont Belvieu-g	0.9366	12214	Wheat,Spring14% pro Mnpls-u
NaturalGas,HenryHub-i	2,660	967,0	Wheat,No.2 softed,St.Louis-bp,u
NaturalGas,TranscoZone-3-i	2,650	968,0	Wheat- Hard -KC (USDA) \$ per bu-u
NaturalGas,TranscoZone-6Ny-i</td			



## BANKING &amp; FINANCE

# FICO's Lock on Credit Scores Under Fire

Provision would require Fannie and Freddie to weigh other measures of creditworthiness

BY ANNAMARIA ANDRIOTS  
AND LALITA CLOZEL

Congress wants to accelerate a shake-up of one firm's dominance over the credit scores used to vet many U.S. mortgages.

Lawmakers approved a provision as part of the bank-de regulation bill that cleared the Senate on Wednesday. It would require mortgage-finance companies **Fannie Mae** and **Freddie Mac** to consider credit scores beyond **Fair Isaac Corp.'s** FICO score for determining a mortgage applicant's creditworthiness. Fannie and Freddie backed nearly half of all U.S. mortgage dollars originated in 2017, according to Inside Mortgage Finance.

The measure, should it become law, would be a big win for VantageScore, a credit-score system by **VantageScore Solutions LLC**, owned by three large credit-reporting firms: **Equifax Inc.**, **TransUnion** and **Experian PLC**.

VantageScore is already used in certain loan sectors and is FICO's biggest competitor. FICO remains the dominant score for U.S. consumer lending. It also has a big hold on mortgage-related business because its score is the only one lenders can use for mortgages they plan to sell to Fannie and Freddie. The mortgage-finance companies don't make loans but instead buy them from lenders and package them into securities that are sold to other investors.

The matter is already under review by the Federal Housing Finance Agency, which regulates the two mortgage-finance firms. In December, it asked for public feedback on whether to revamp credit-



**Fair Isaac Corp.'s** FICO score is the only one lenders can use for mortgages they plan to sell to **Fannie Mae** and **Freddie Mac**.

score rules, including allowing competition. Some backers of the provision think the agency has taken too long to act.

The FHFA declined to comment. Its director, Mel Watt, told real-estate brokers in August that the credit-score review was "among the most difficult evaluations undertaken during my tenure" because of the broad impact it could have on the mortgage industry. A Republican aide briefed on the issue said some lawmakers were worried the agency might decide against allowing mortgage lenders to use an alternative to the FICO score.

VantageScore has long argued its score could help approve more mortgage appli-

cants, in part because it can assign a score to consumers who haven't used credit in more than six months. FICO counters that VantageScore's approach, which seeks to give credit scores to people with stale or thin credit files, would lead to less predictive scores and riskier loans.

The current system is completely reliant on outdated FICO scoring models and that isn't serving consumers or lenders well," said Barrett Burns, president and CEO of VantageScore Solutions. "This is a productive step towards a more inclusive housing-finance system."

FICO said the provision would help the credit-reporting firms gain more power in

the mortgage market. "Allowing the credit bureaus to offer a score they own in a system where they are the single point of sale and distribution for both credit reports and scores would not increase competition; it would consolidate their power," said Joanne Gaskin, a senior director at FICO. She added the measure also would interfere with and delay the FHFA's credit-score review.

Liberal Democrats said the provision is an untimely gift to the credit-reporting firms, and Congress should leave the decision to regulators. "Determining creditworthiness, balancing access to credit with the need to make sure we don't end up with millions of

foreclosures, is a complicated thing," said Sen. Sherrod Brown (D., Ohio), who opposes the provision and the overall banking bill. "That's why we have FHFA; that's why we have a process in place."

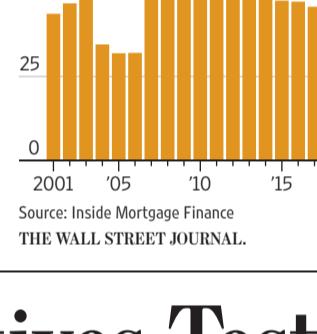
Sens. Tim Scott (R., S.C.) and Mark Warner (D., Va.) have championed the change in the Senate, which this week is poised to approve the broader bill easing postcrisis banking rules. The overall package has bipartisan support and is expected to clear Congress and become law.

Some lawmakers decided to act on the issue after seeing what they believed were signs the FHFA might not open up credit scoring to competition, the Republican aide said.

## Dominant

Fannie Mae and Freddie Mac backed nearly half of all U.S. mortgage dollars originated in 2017.

**Fannie's and Freddie's share of mortgages**



Source: Inside Mortgage Finance

THE WALL STREET JOURNAL.

## U.K.'s Prudential to Split Into Two Firms

BY PHILIP GEORGIADIS  
AND BEN DUMMETT



British insurer **Prudential PLC** is splitting its European and international arms into two new companies, the latest example of wide-ranging restructuring of the European insurance sector.

The 170-year-old firm said Wednesday it will split off M&G Prudential, its U.K. and European business, leaving investors with shares in two separately listed companies with entirely different business models.

Prudential—which isn't related to **Prudential Financial Inc.**, a U.S. financial-services provider—will become a solely international firm, focused on the U.S., Asia and Africa, and will be led by current Chief Executive Mike Wells.

M&G Prudential will focus on its retirement and savings business in the U.K. and Europe and will pursue a less capital-intensive structure, following new rules that require insurers to hold higher levels of capital.

Shares of Prudential closed up 5% on the London Stock Exchange.

Prudential's transformation comes as the European insurance sector is being reshaped.

While many European insurers have struggled to expand in their home markets, Asia and other emerging markets have proved far more attractive. That has led to a rise in deal making.

German insurer **Allianz SE** expanded its presence in South Asia this year, announcing deals in Sri Lanka and Thailand. **Zurich Insurance Group AG** on Monday announced a deal expanding its presence in

Latin America.

While earnings at Prudential's insurance and asset-management operations in the U.K. and Europe have increased 7% annually over the past 10 years, its Asian operation has seen a 24% annual rise over the same period.

Prudential expects Asia's expanding middle class to continue to drive that growth by fueling demand for more savings and life and health insurance coverage. Mr. Wells said the region's population is "underprotected" and offers an attractive growth opportunity.

Prudential's Jackson operation in the U.S., which sells annuities, is also growing at a faster clip than the U.K. and European business. Earnings at the division have climbed 17% annually over the past 10 years.

As part of the split, Prudential said it sold its U.K. annuities portfolio to insurer **Rotthaus Life** for £12 billion (\$16.9 billion). Prudential announced the moves as it reported annual results for 2017, recording a 10% increase in operating profit to £4.69 billion.

### IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	% Chg From IPO date/Offer price	Wed's close (\$)	Offer price	1st-day close (\$)	% Chg From IPO date/Offer price	Symbol	Wed's close (\$)	Offer price	1st-day close (\$)
Bridgewater Bancshares	12.62	7.4	...				DFB Healthcare Acquisitions	10.12	1.2	1.2
<b>BWB</b> March 14/\$1.75							<b>DFBHU</b> Feb. 16/\$10.00			
Opes Acquisition	10.02	0.2	...				Biofrontera	16.73	67.6	37.4
<b>OPESU</b> March 14/\$10.00							<b>BFRA</b> Feb. 14/\$9.98			
BioXcel Therapeutics	10.47	-4.8	-5.1				Motus GI	4.84	-3.2	10.5
<b>BTAI</b> March 8/\$11.00							<b>MOTS</b> Feb. 14/\$5.00			
Union Acquisition	10.04	0.4	0.3				Cardlytics	16.80	29.2	25.7
<b>LNTU</b> Feb. 28/\$10.00							<b>CDLX</b> Feb. 9/\$13.00			
Farmmi	6.57	64.3	6.3				Quintana Energy Svcs	9.48	-5.2	5.3
<b>FAMI</b> Feb. 16/\$4.00							<b>QES</b> Feb. 9/\$10.00			

Sources: WSJ Market Data Group, FactSet Research Systems

## SEC Seeks Trading-Incentives Test

BY DAVE MICHAELS

WASHINGTON—A system of fees and rebates that promotes trading in stocks would be reduced under a pilot program proposed by regulators.

Critics of the system, known as "maker taker," say it can distort brokers' decisions about where to send orders and attracts high-speed traders whose strategies sometimes focus on capturing rebates.

The two-year experiment, now open for public comment, would allow the Securities and Exchange Commission to analyze whether reducing the incentives affects where brokers send orders or curtails the appetite of speedy traders for some stocks.

Maker taker has been a feature of pricing on stock trading venues for 20 years. The system rewards entities that "make" trades happen by providing standing orders, known as limit orders. Exchanges charge a fee to brokers and investors who "take" those quotes.

A primary criticism of the system is that fees pose a con-

flict of interest for brokers, who might prefer to direct orders to exchanges where rebates are available, instead of picking venues based on factors such as the probability an order will be filled. There are also concerns that investors pay artificially high trading fees—particularly for the most actively traded shares—to offset the rebates that exchanges offer traders who provide them with limit orders.

Used by exchange operators such as Intercontinental Exchange Inc. and Nasdaq Inc., maker taker also gets blame for making the stock market more complex. Brokers seeking to avoid paying fees have an incentive to route orders to bank-owned alternative trading venues known as dark pools, which unlike exchanges don't publish their quotes.

In theory, exchanges could benefit from lowering the fees they charge brokers to access their quotations. That might prompt brokers to send more orders to public exchanges, instead of the dark pools.

But exchanges resisted the

pilot program in recent months, saying it shouldn't take the place of a broader examination of how all trading venues work, including whether dark pools should be subject to more regulation.

"The current proposal would thus merely favor the interme-

**Critics say brokers might prefer stock exchanges where rebates are available.**

diaries whose fees would be reduced at the expense of issuers, investors, liquidity providers and exchanges," Cboe Global Markets President Chris Concannon, Nasdaq Stock Market CEO Thomas Wittman and NYSE Group President Thomas Farley told the SEC in a letter in October.

"While there may not be consensus of some of the elements of the pilot, this is one of the few areas where there is

significant consensus among market participants that something needs to be done," said Brett Redfearn, the SEC's director of trading and markets.

Exchanges maintain complex pricing schedules, with bigger traders capturing higher rebates and retail participants sometimes paying less to trade. Trading fees generally cost 30 cents per 100 shares.

Under the pilot program approved Wednesday, all exchanges would be required to test trading on three groups of stocks with trading fees set lower than current rates. The program would also use a control group, with fees set at the level under existing rules.

For one sample of stocks, the maximum trading fee would be 15 cents per 100 shares. A third group would have trading fees set to 5 cents per 100 shares. In a fourth group, exchanges wouldn't be allowed to offer any rebate or offer participants a discount on trading fees in exchange for providing the market with a large volume of limit orders.

For one sample of stocks, the maximum trading fee would be 15 cents per 100 shares. A third group would have trading fees set to 5 cents per 100 shares. In a fourth group, exchanges wouldn't be allowed to offer any rebate or offer participants a discount on trading fees in exchange for providing the market with a large volume of limit orders.

## EU Beef Up Bank Capital Required for Bad Loans

BY PATRICIA KOWSMANN

FRANKFURT—The European Union's executive arm on Wednesday unveiled a proposal that would force the region's banks to set aside more capital to deal with new loans that turn sour.

The European Banking Authority said that based on estimates that extrapolate the recent high bad-debt levels onto a 20-year horizon, the average European bank would see its common equity Tier 1 ratio, a measure of high-quality capital as a share of risk-weighted assets, fall by 2.05 percentage points.

Over seven years, which is the amount of time national regulators have to implement the new rules, the cumulative hit would be equal to 10% of retained earnings.

"As Europe and its economy regain strength, Europe must seize the momentum and accelerate the reduction of non-performing loans (NPLs)," said European Commission Vice President Valdis Dombrovskis.

Under the plan, which won't touch those bad loans, banks

will have to fully write down unsecured new loans that turn sour within two years and secured bad loans within eight years.

The European Banking Authority said that based on estimates that extrapolate the recent high bad-debt levels onto a 20-year horizon, the average European bank would see its common equity Tier 1 ratio, a measure of high-quality capital as a share of risk-weighted assets, fall by 2.05 percentage points.

Over seven years, which is the amount of time national regulators have to implement the new rules, the cumulative hit would be equal to 10% of retained earnings.

"As Europe and its economy regain strength, Europe must seize the momentum and accelerate the reduction of non-performing loans (NPLs)," said European Commission Vice President Valdis Dombrovskis.

Under the plan, which won't touch those bad loans, banks

## Wells CEO Receives \$17.4 Million

BY EMILY GLAZER

**Wells Fargo & Co.** awarded Chief Executive Timothy Sloan \$17.4 million in compensation for 2017, his first full year leading the embattled bank.

Mr. Sloan received \$2.4 million in base pay, with a bonus that included shares valued at \$15 million. He didn't receive a cash bonus, at his recommendation based on Wells Fargo's "significant but incomplete progress on addressing compliance and operational risk-management issues," according to the bank's proxy. Other top executives did receive cash bonuses.

Mr. Sloan's pay for 2017 was the lowest compensation for a major U.S. bank executive. But it represented a 36% increase from his total pay package in 2016, when he received \$12.83 million. Mr. Sloan was promoted to CEO in October 2016.

## MARKETS

# Treasury Prices Rise For Third Day in Row

BY AKANE OTANI

Treasury prices notched their third straight advance after data showed retail sales unexpectedly slipped in February, hinting at some slowdown in economic momentum early in the year.

Yields, which fall as bond prices rise, declined Wednesday following the Commerce Department's report, with the yield on the 10-year Treasury note settling at

**CREDIT MARKETS** 2.815%, compared with 2.848% Tuesday.

The report showed retail sales fell 0.1% in February, dragged lower by reduced spending on cars and gasoline. Economists surveyed by The Wall Street Journal had expected to see sales, which have fallen for three straight months, rise 0.3%.

The report was the latest to suggest that the U.S. economy continues to evade signs of overheating, even as the unemployment rate has held steady at a nearly two-decade low, confidence among consumers and businesses has generally risen, and gains from a \$1.5 trillion tax-cut package are expected to lift spending among Americans.

"Investors are on inflation watch, but so far it still looks pretty benign," said Paula Solanes, a portfolio manager at SVB Asset Management.

Fears that a rise in inflation and growth could push the Federal Reserve to pick up its pace of interest-rate increases helped spur a wave of Treasury selling in February, with the yield on the 10-year note experiencing its biggest one-month advance since the end of 2016. Inflation is a threat to government bonds because it chips away at the purchasing value of their fixed returns.

Yet in recent weeks, reports including consumer prices and wage growth have suggested that inflation pressures remain muted. That has helped support Treasuries, which typically look more attractive to investors when they are uncertain about the economic outlook.

Bonds have also strengthened as fears of retaliation to U.S. tariffs on steel and aluminum imports have pushed investors into the safety of government debt.



Boeing was among the worst performers in the Dow Jones Industrial Average in Wednesday's trading, tumbling 2.5%.

# Barclays Signs Up A Virtual Customer

BY MARGOT PATRICK

Barclays PLC has become a rare global bank to embrace the cryptocurrency sector by signing exchange operator Coinbase as a customer.

Deposits from Coinbase users in the U.K. will be held in a new customer account at Barclays, Coinbase U.K. Chief Executive Zeeshan Feroz said Wednesday, amid what he called "a huge surge of interest" in the country to trade bitcoin and other digital currencies.

Mr. Feroz said the European Union, led by the U.K., was Coinbase's fastest-expanding market in 2017. The San Francisco-based startup plans to have hundreds of people working in its London headquarters by the end of the year, up from dozens now, he said.

Working with Coinbase is a big stride for Barclays into a sector that many banks have shunned for being too risky. Bitcoin and other cryptocurrencies aren't backed or controlled by any government, and global regulators are still grappling with how to supervise trade in the currencies and related activities.

"That's a very legitimate debate for the market to have and for the market to be worried about," said Ben Laidler, global equity strategist and head of Americas research at HSBC. "We're definitely in the slightly-more-sanguine camp."

Still, division among investors over interest-rate increases could continue contributing to market swings, analysts said.

On Wednesday, the Labor Department said a gauge of U.S. business prices rose 0.2% in February, a sign of modest inflation pressure. Americans cut spending at retailers in February for the third consecutive month despite receiving bigger paychecks, the Commerce Department said.

Shares of department stores and apparel sellers fell following the downbeat retail-sales data. Kohl's shed 1.86, or 2.9%, to 62.25. Nordstrom fell 85 cents, or 1.7%, to 49.48.

Signt Jewelers slid 9.69, or 20%, to 38.22, after the jewelry seller said same-store sales fell more than expected in the most recent quarter and said it planned to close some stores.

Stocks were lower in Asia early Thursday. Japan's Nikkei Stock Average was down 0.9%, while Hong Kong's Hang Seng Index was off 0.7%.

# Stock Indexes Extend Fall

Renewed worries tied to tariffs follow signals of few exclusions, talk of an EU retaliation

BY AMRITH RAMKUMAR AND RIVA GOLD

Shares of industrial and materials firms pushed the Dow Jones Industrial Average and S&P 500 lower for the third straight session, as investors weighed new signs that protectionist trade policies could spread.

Stocks had come under pressure earlier in the month as investors worried that U.S. tariffs on steel and aluminum could hurt companies that use

**WEDNESDAY'S MARKETS** the metals to manufacture goods.

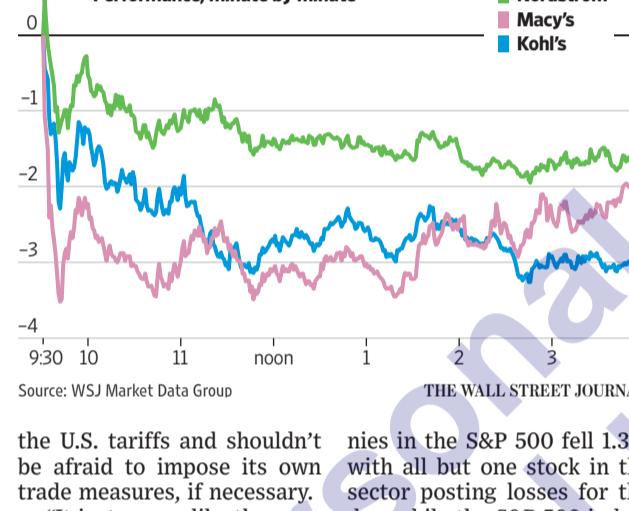
And some are concerned that other countries might retaliate, slowing international trade and eventually weakening global growth.

While the White House appeared to soften its initial stance on trade policy last week, helping stocks recoup some of their losses, stocks and bond yields came under fresh pressure Wednesday after the Commerce Department signaled that few product exclusions to the tariffs would be granted to U.S. companies.

Germany's newly re-elected chancellor, Angela Merkel, also said the European Union needs to respond with one voice to

## Retail Drop

Nordstrom, Kohl's and Macy's shares fell Wednesday after data showed Americans cut spending at retailers in February.



Source: WSJ Market Data Group

the U.S. tariffs and shouldn't be afraid to impose its own trade measures, if necessary.

"It just seems like the market is kind of resigning itself to this trade-war narrative," said Yousef Abbasi, global market strategist at JonesTrading.

The Dow Jones Industrial Average closed down 248.91 points, or 1%, at 24758.12, after opening higher. The S&P 500 fell 15.83 points, or 0.6%, to 2749.48, while the Nasdaq Composite declined 14.20 points, or 0.2%, to 7496.81.

Aerospace giant **Boeing** was among the worst performers in the blue-chip index Wednesday, sliding \$8.41, or 2.5%, to \$330.26, and slicing 58 points off the Dow industrials.

Shares of materials compa-

nies in the S&P 500 fell 1.3%, with all but one stock in the sector posting losses for the day, while the S&P 500 industrial sector lost 1.1%.

Despite renewed trade worries, stocks have largely stabilized following a wave of volatility in February that sent the S&P 500 and Dow industrials into correction territory. The S&P is 4.3% below its high set on Jan. 26, while the Dow industrials are 7% from their record that day.

Investors attribute stocks' recovery to recent data pointing to more measured economic growth, which they hope will keep the Federal Reserve on a gradual path of interest-rate increases.

Last month, many investors

feared that significantly higher inflation would give the Fed a freer hand to raise rates more quickly than anticipated, pushing up bond yields and making stocks less attractive.

"That's a very legitimate debate for the market to have and for the market to be worried about," said Ben Laidler, global equity strategist and head of Americas research at HSBC. "We're definitely in the slightly-more-sanguine camp."

Still, division among investors over interest-rate increases could continue contributing to market swings, analysts said.

On Wednesday, the Labor Department said a gauge of U.S. business prices rose 0.2% in February, a sign of modest inflation pressure. Americans cut spending at retailers in February for the third consecutive month despite receiving bigger paychecks, the Commerce Department said.

Shares of department stores and apparel sellers fell following the downbeat retail-sales data. Kohl's shed 1.86, or 2.9%, to 62.25. Nordstrom fell 85 cents, or 1.7%, to 49.48.

Signt Jewelers slid 9.69, or 20%, to 38.22, after the jewelry seller said same-store sales fell more than expected in the most recent quarter and said it planned to close some stores.

Stocks were lower in Asia early Thursday. Japan's Nikkei Stock Average was down 0.9%, while Hong Kong's Hang Seng Index was off 0.7%.

# Dropbox Pitches IPO to Investors

BY MAUREEN FARRELL

Leading up to its initial public offering, **Dropbox** Inc. executives have spent the past few days pitching potential investors on the company's ability to reach an expansive user base of 500 million and its growth potential, according to people who attended the meetings.

On Wednesday as part of the company's so-called roadshow to peddle its IPO, Dropbox Chief Executive Drew Houston, Chief Financial Officer Ajay Vashee and Chief Operating Officer Dennis Woodside addressed about 200 investors who crowded into a ballroom at the Lotte New York Palace Hotel in Manhattan.

The executives touted Dropbox's potential for accelerating growth and its likelihood of turning a profit, seeking to portray the company as one less dependent on an active sales force and instead a service that tends to sell itself to users who become advocates, according to people who attended the meetings.

Dropbox's IPO is slated to be the largest U.S. technology debut since Snap Inc. went public in 2017, based on its expected valuation of between \$7 billion and \$8 billion.

Dropbox's IPO price—and its early days of trading—will be closely watched for signs of whether more highly valued tech companies could be enticed to tap public markets instead of remaining in the well-capitalized private markets.

Just three technology IPOs had listed in the U.S. in 2018 through Tuesday, raising \$2.7



CEO Drew Houston says the most important thing to its users is 'the sharing, the collaboration.'

**\$8B**  
Expected valuation of Dropbox after its IPO.

boost interest in Dropbox's debut as a rare, high-growth tech company with a sustainable business model.

Some potential investors said the company's current

price target of \$16 to \$18 a share is conservative, and they think it could be raised before the company starts trading next week on the Nasdaq. The Dropbox IPO will seek to raise \$612 million at the midpoint of its range, and the company said it would receive proceeds of \$529.7 million at that midpoint.

Still, Dropbox's current expected price range sets it far below the \$10 billion valuation at which the company had raised private capital in 2014.

Pricing can change up until the night before a company starts trading.

Dropbox and its underwriters, which include **Goldman Sachs Group Inc.** and **JPMorgan Chase & Co.**, will set a final IPO price based on feed-

back from investors over the next week.

Mr. Houston and others spelled out the use case for Dropbox as a collaboration tool for businesses and consumers rather than simply a web-storage company.

In an investor video released ahead of the roadshow, Mr. Houston highlighted the company's evolution: "We've realized the most important thing to our users wasn't the storage. It's the sharing, the collaboration."

Whether investors are willing to accept that broader concept of Dropbox's business likely will be a key to how the company prices and trades and a crucial consideration for investors as they decide how to value the business.

**THE CUSHING® FUNDS**  
A SWANK CAPITAL FUND FAMILY

**The Cushing® Renaissance Fund**

Transferable Rights Offering for Common Shares

NYSE Symbol "S2C"

NYSE Rights Symbol "S2C RT"

Record date was February 16, 2018\*

Last trading day for rights is March 21, 2018\*

Offer expires March 22, 2018\*

\*Unless extended

For more information and a prospectus, contact:

**Georges**

Call Toll-Free: +1-888-613-9988

Dealer Manager

**UBS**

March 15, 2018

An investment in The Cushing® Renaissance Fund, a non-diversified, closed-end management investment company, is subject to investment risk, including the possible loss of the entire principal amount invested. Investment return and the value of shares will fluctuate. The rights offering is subject to certain risks, including economic dilution and voting dilution.

All of the costs of the rights offering, including offering expenses and sales load, will be borne by the fund and indirectly by all of its common shareholders, including those who do not exercise their rights. The rights are transferable and have been admitted for trading on the NYSE during the course of the offer, however, there can be no assurance that a market for the rights will develop.

Investors should carefully consider the fund's investment objectives and policies, risks, charges and expenses before investing. The fund's prospectus, which contains this and other information about the fund, is available by calling the phone number listed above. An investor should carefully read the fund's prospectus before investing. This communication is not an offer to sell these securities and is not soliciting an offer to buy these securities, nor shall there be any sale of these securities in any state where the offer, solicitation or sale is not permitted.

UBS Securities LLC is acting as dealer manager for the rights offering. In the U.S., securities underwriting, trading, and brokerage activities and M&A advisory activities are provided by UBS Securities LLC, a registered broker/dealer that is a wholly owned subsidiary of UBS AG, a member of the New York Stock Exchange and other principal exchanges, and a member of SIPC.

© UBS 2018. All rights reserved.

## MARKETS

## Transportation Stocks Step on the Gas

BY AKANE OTANI

Shares of airlines, railroads and truckers are catching up with the broader stock market after a slow start to the year, a relief to investors worried that poorly performing transport stocks often presage a broader market downturn.

The Dow Jones Transportation Average, which tracks the performance of companies ranging from railroad operator CSX Corp. to airline giant United Continental Holdings Inc., has rallied this month, cutting its losses for the year to 0.4%.

The transports are now closing in on the broader Dow Jones Industrial Average, which after stalling out in March is up 0.2% for the year.

The transportation sector's rebound is encouraging investors who had questioned why transports lagged behind in the first two months of the year even as data showed the unemployment rate was hovering near a 17-year low, the U.S. economy was on pace to accelerate again and corporate earnings were growing.

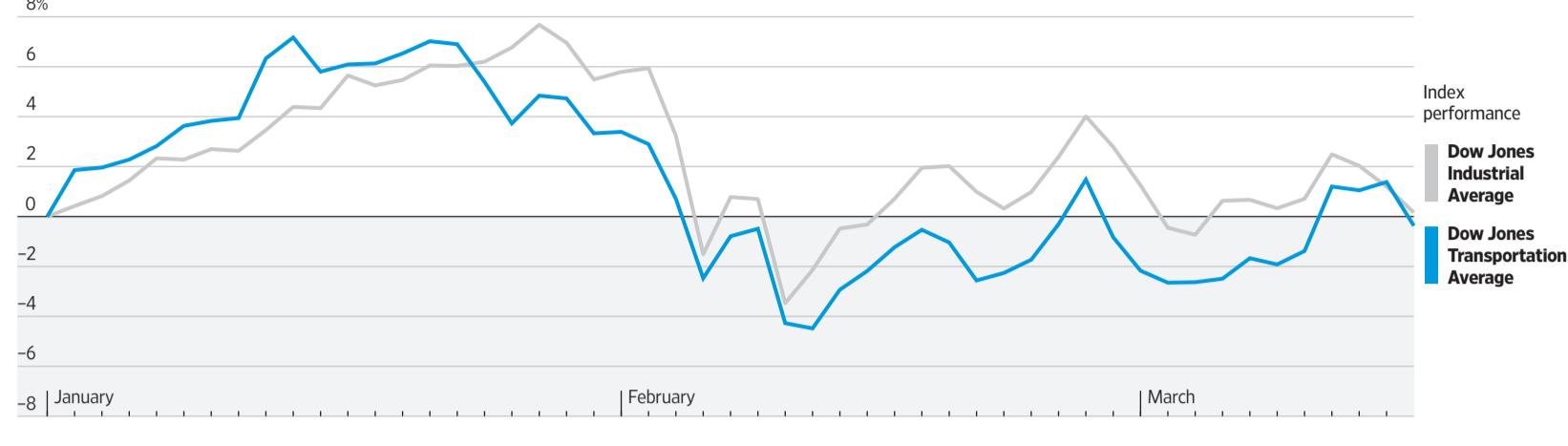
The Dow transports dropped 2.2% in January and February, while the Dow industrials rose 1.7%.

The disconnect between the two indexes was a worrying sign to proponents of the roughly century-old Dow theory. They believe declines in the Dow transports often hint at broader weakness in the economy—and signal a steep market selloff could be ahead.

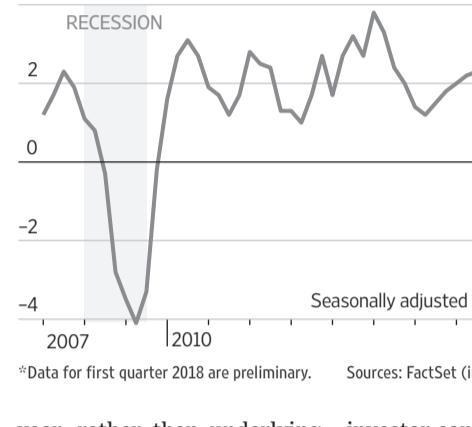
Over the past decade, the two indexes have had a correlation of 0.98, according to WSJ Market Data Group, meaning they tend to move in the same direction.

But some analysts and investors say that the early underperformance of transportation stocks had more to do with a string of downbeat analyst reports at the start of the

The Dow Jones Transportation Average, which includes shares of truckers, rental-car operators and railroads, has narrowed its losses for the year after stumbling in February.

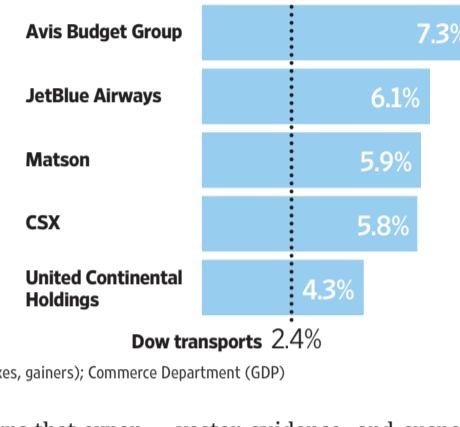


U.S. gross domestic product, change from the same quarter a year earlier



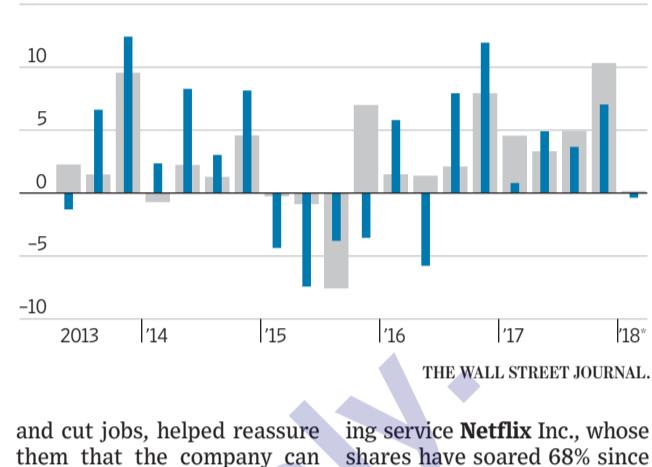
\*Data for first quarter 2018 are preliminary.

Five biggest month-to-date gainers in the Dow Jones Transportation Average



Sources: FactSet (indexes, gainers); Commerce Department (GDP)

Index performance, quarterly



THE WALL STREET JOURNAL.

and cut jobs, helped reassure them that the company can execute its turnaround plan.

Still, even as transportation stocks have recouped some of their February losses, they remain far behind the year's top-performing shares, many of which are in the technology and consumer-discretionary sectors.

Neither the blue-chip index nor the Dow transports has set a fresh high since January. In comparison, the tech-heavy Nasdaq Composite is up 8.6% for the year, well ahead of the Dow industrials' 0.2% gain.

Among the standouts in the technology space are stream-

ing service Netflix Inc., whose shares have soared 68% since the start of the year on the back of strong subscriber growth; Amazon.com Inc., up 36%, and Cisco Systems Inc., which has gained 18%.

"The transportation industry has just been ignored," said Tom Stringfellow, president and chief investment officer of San Antonio-based Frost Investment Advisors.

As long as economic data stay positive, the sector is poised to pick up in coming months, Mr. Stringfellow added.

—Allison Prang contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

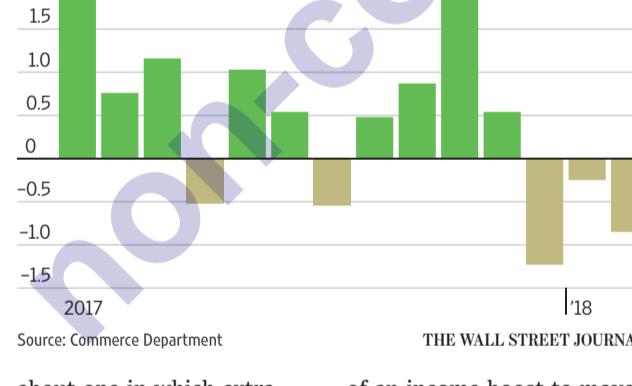
WSJ.com/Heard

Email: heard@wsj.com

## Don't Fret About U.S. Consumers

## Storm Surge

Furniture and home-furnishing sales, change from the previous month



Source: Commerce Department

about one in which extra money many Americans are seeing as a result of the tax cut really isn't all that meaningful, with middle-class incomes not receiving enough

of an income boost to move the needle and upper-class households not motivated to spend more than they already do?

The real answer might be

more prosaic: Hurricanes late last summer set off a bout of spending on replacement goods in the fall. Once that demand was exhausted, a lull in spending followed. Motor-vehicle and parts sales, for example, rose 5.1% in the three-month period ended in November, and fell 2% in the three months that followed. Sales at furniture and home-furnishing stores rose 3.5% in the three-month period ended in November, and then fell 2.3%.

The lull won't last forever. In short order, job-market strength and fatter paychecks should begin to push retail sales higher. There may be reasons to worry about the U.S. economy, but Americans' ability to spend money shouldn't be one of them.

—Justin Lahart

## Nike Investors Should Switch to Team Adidas

Nike investors should cast their eyes across the Atlantic where Adidas is running faster and its stock is inexplicably cheaper.

The German sportswear group, long dominant in Western Europe, has been making up for lost time in the U.S. and China—the world's two largest markets. For its two brands, adidas and Reebok, constant-currency sales surged 27% in North America last year as adidas in particular took market share from an enfeebled Nike. The group growth rate was 16%, after 18% in 2016, according to results filed Wednesday.

Reflecting on the U.S. turnaround, Chief Executive Kasper Rorsted, dressed in a hoodie, told reporters that Adidas may have been earlier than its peers to exploit the "athleisure" trend, where activewear has become fashionable.

Adidas also has learned the hard way that Americans like different sports than soccer-obsessed Europeans do.

Adidas still has room to run in the U.S. The company's market share in athletic footwear is roughly 11%,

compared with more than 20% outside the U.S., according to Andreas Inderst, an analyst at Macquarie.

As importantly, Adidas has been improving its operating margin—historically a weak spot. Last year it hit 9.8%, up from 8.6% in 2016, prompting Mr. Rorsted to upgrade his 2020 target to 11.5% from 11%.

The shares rose 11%, in part due to a €3 billion (\$3.71 billion) multiyear share buyback program announced late Tuesday. Yet excluding cash they still trade at 16 times operating profits, compared with 21 times for Nike.

This difference, which has emerged since November, is hard to explain in terms of the companies' performance. Nike's constant-currency sales rose just 3% in the most recent quarter through November, as the company continued to lose ground in North America. There also is more potential for margin improvement at the German group.

Investing isn't about die-hard team allegiance. Nike supporters would do well to decamp to Adidas.

—Stephen Wilmot

## Big Winners in Bill to Help Small Banks

## Size Matters

Cash on deposit with the Federal Reserve and other central banks, end-2017



\*Refers only to deposits in excess of required minimums

Source: the companies

Three of the biggest winners, in a bill meant to help small and midsize banks, are anything but.

The bill, championed by Senate Banking Committee Chairman Mike Crapo, would raise the threshold for stricter oversight by the Federal Reserve to \$250 billion in assets from \$50 billion, a boon for midsize regional lenders. It also contains measures to reduce the burden of regulation on smaller community banks.

Thanks to this focus, it garnered enough Democratic support to pass in the Senate, despite strong opposition from the likes of Sen. Elizabeth Warren, who calls it a gift to Wall Street.

Another group of banks that dwarf these small lenders stands to get a healthy profit boost if the bill goes through: Bank of New York Mellon, with \$372 billion of assets on its balance sheet;

its they hold at the Federal Reserve or other central banks from their total assets when calculating total leverage. No other banks, big or small, get such a benefit.

The argument is that assets held at the Fed are free of risk, so banks shouldn't have to hold capital against them. The custody banks hold a disproportionate share of Fed deposits.

The impact could be quite significant. Keefe, Bruyette and Woods analyst Brian Kleinhanzl estimates the change could boost earnings per share at the two biggest custody banks by around 8%, assuming they use the freed-up capital to invest in other profit-generating assets.

JPMorgan Chase and Citigroup, which have their own custody businesses, aren't granted the same exemption. This exclusion appears to be due to them still having negative reputations

on Capitol Hill. Helping them out would jeopardize the bill's chance of passage.

Still, it makes no sense that central-bank deposits, if they are truly risk-free, be treated differently for different banks. The U.S. Treasury's report on financial regulation last year proposed that all banks be able to exclude Fed deposits from their leverage ratios. It also is jawing that such big custody banks will benefit from a bill designed to help smaller banks.

The fact that Congress narrowed the exemption to three banks that happen not to be household names says something about the current political climate. Even with Donald Trump in the White House and Republicans controlling Congress, politicians don't want to appear to be doing anything to help the most well-known Wall Street banks.

—Aaron Back

## OVERHEARD

In fast food, imitation may not be the sincerest form of flattery. There is a long history of chains clamping down on those selling similarly named products or using names and logos that bear a striking resemblance to their own.

Britain's BBC profiled the owner of Fernando's, a restaurant serving "peri-peri" style Portuguese chicken whose name isn't Fernando but Asam Aziz. He says he came up with the name from a game show,

but Nando's, an international chain serving Portuguese peri-peri chicken with an almost identical rooster logo, smells a cock and bull story, accusing him of trademark infringement.

Mr. Aziz might take solace from other supposedly innocent fast-food clones such as MacDavid's, Pizza Huh, Sunbucks, and KFC clones KFG, KLG and OFC. The difference is that all of those were in countries with weak intellectual-property regulation, not Britain.