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## THE WALL STREET JOURNAL.

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

MONDAY, MARCH 12, 2018 ~ VOL. CCLXXI NO. 58

WSJ.com

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## What's News

## Business &amp; Finance

**Intel**'s consideration of a bid for **Broadcom** shows the depth to which the chip giant feels threatened by a potential tie-up between **Broadcom** and **Qualcomm**. **B1**

◆ **Dow Chemical** Executive Chairman **Liveris** plans to step down next month, ending a nearly 14-year tenure. **B1**

◆ **Commercial drones** in the U.S. are expected to begin limited package deliveries within months, boosted by stepped-up interest from the White House. **B1**

◆ **Disclosures mandated** by Dodd-Frank are revealing how much employees at the biggest U.S. companies earn and how that compares with CEO pay. **A1**

◆ **OPEC** is breaking down into two camps, with Saudi Arabia pushing for prices at \$70 a barrel or higher and Iran wanting them around \$60. **B2**

◆ **German energy giant** E.On said it agreed in principle to swap a range of assets with rival RWE. **B3**

◆ **Regeneron and Sanofi** plan to offer discounts on a pricey cholesterol drug in exchange for insurers and pharmacy-benefit managers expanding coverage to more patients. **B4**

◆ **Oak View** is getting a large cash infusion from Silver Lake in exchange for an undisclosed equity stake. **B3**

## World-Wide

◆ **American and European** officials plan new trade talks this week as U.S. allies seek ways to avoid steel and aluminum tariffs, while China signaled it is set to retaliate. **A1**

◆ **The White House's** plan to reduce school gun violence includes spending federal money to train school staffers to carry concealed weapons. **A4**

◆ **Visas issued** to foreign students fell markedly last year amid stricter immigration policies, hurting some colleges financially. **A3**

◆ **The Syrian regime** has seized more than half of a rebel enclave outside of Damascus, part of a final onslaught on one of the last areas held by rebel forces. **A7**

◆ **The U.S. has sharply** reduced combat operations at the Incirlik air base in Turkey and is considering permanent cutbacks there. **A8**

◆ **A House committee** issued its version of 'Right to Try' legislation that would enable a terminally ill patient to use an unproven drug in an effort to save that person's life. **A3**

◆ **Delegates to Beijing's** national legislature voted to scrap presidential term limits and approved other constitutional changes to entrench Xi and his Communist Party's dominance over China. **A9**

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## Xi's Coronation Gets Legislature's Rubber-Stamp of Approval



**BIG STEP:** Chinese President Xi Jinping arrives for a National People's Congress plenary session Sunday in Beijing before a vote ending term limits and allowing him to serve indefinitely. Delegates likened him to a Buddhist saint or the world's longest-reigning monarch. **A9**

## House Race Is Seen as Party Test

Democrats hope close Pennsylvania contest offers clues on how to appeal to Trump voters

By JOSHUA JAMERSON

A closely watched special election for a vacant U.S. House seat in Pennsylvania comes to a head Tuesday, in a district that Democrats hope

offers them a blueprint for how to win in Trump country.

The closeness of the race has Democrats hoping they can show they can win in a Trump-friendly district, not just in the

23 districts that voted for Hillary Clinton for president and elected a Republican House member in 2016. Democrats need to win a net 24 seats to take control of the House.

"Conor Lamb didn't seek to distance himself from Donald Trump; he chose instead to make himself more like Donald Trump," said Charlie Gerow, a longtime political strategist in Pennsylvania. "He ran away from Nancy Pelosi."

Mr. Lamb, a former federal prosecutor and Marine, has

said he doesn't agree with the more liberal wing of his party on issues like a so-called Medicare-for-all health system. He also has been campaigning with pro-coal groups, like the miners union, and has backed Mr. Trump's new punitive tariffs on foreign steel and aluminum. And, Mr. Lamb said he wouldn't support Mrs. Pelosi, the House Democratic leader, to lead the party's caucus if he should win his election.

Outside organizations have

Please see VOTE page A4

◆ GOP talks of bill to curb trade powers of president..... A6

◆ Steel town looks forward to firing up a furnace..... B1

◆ American and European

officials plan new trade talks this week as U.S. allies seek ways to avoid steel and aluminum tariffs, while China signaled it is set to retaliate. **A1**

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## U.S. NEWS

THE OUTLOOK | By Sharon Nunn

## Labor-Force Race Gap All but Closes

**F**or weeks in 2014, Christopher Simms often walked to one of Baltimore's malls and picked up job applications from stores he passed on the promenade.

The 31-year-old submitted applications online and asked store managers for work. The attempts failed and he stopped looking.

Then in the middle of 2016, things changed. The job market improved and he got tired of sitting at home. He went to a career center and found a job as a sheet metal apprentice.

**M**r. Simms, who is black, personifies a trend. Black labor-force participation—meaning the number of people working or looking for work—is trending up, while broader participation in the U.S., particularly among whites, has flattened after falling.

Participation by race is now near a crossroad. The share of black Americans actively working or looking for work was 62.9% in February, while the corresponding white rate sat at 63.0%,

which matches the overall U.S. average.

The gap, which has all but closed, is the smallest gap in labor-force participation by race since 1972, when black participation was slightly ahead of white participation and the national average. Among prime-age workers, those between 25 and 54, the participation gap is also narrowing.

The budding return of African-Americans to the labor market is a sign of their improving fortunes as the economy expands. The tight labor market is pulling people from the sidelines who may have been discouraged from looking earlier in the expansion.

By the end of 2017, the black unemployment rate fell to 6.8%, the lowest level on record going back to 1972. It was as high as 16.8% in the wake of the 2008 recession, meaning blacks were among the hardest hit groups by the financial crisis. In February the jobless rate for blacks hit 6.9%, its second-lowest level on record, while the white rate ticked up to 3.7%. The gap

between the white and black unemployment rate has fallen steadily since the middle of 2013, hitting its second narrowest on record.

"There are more and more opportunities for folks to enter the labor market, many of whom might have been excluded previously," said Bradley Hardy, an economic expert at the Brookings Institution.

## 62.9%

share of black Americans working or seeking work in February

Fields that have high concentrations of black workers have been adding jobs at fast rates, which could be encouraging blacks to rejoin the workforce. Black Americans made up about 21% of the transportation and warehousing industry in 2017, which grew 2.9% in February from a year earlier, compared with 1.6% growth in overall employment. The ed-

ucation and health services industry, of which black workers make up about 15% of the workforce, saw 2% growth.

Broader demographic trends that are reshaping U.S. labor markets are helping to close the participation gap. The white U.S. population is older than the black population. While whites are retiring, many blacks are in their prime working years. The median white age, for example, was 43.4 years in 2016, according to Census Bureau data. The black median age was 33.9 the same year. The most common age among whites was 55 in 2015, compared with 24 for blacks, according to Pew Research Center.

"You've got an Anglo population that has the same sort of profile as Western Europe: low replacement fertility and relatively low immigration," said Nicholas Eberstadt, an economist at the American Enterprise Institute. "And you have a more youthful profile for black Americans...more migration and slightly higher fertility."

Mr. Simms's family represents the trend well; he has three children under the age of 14 and his fiancée is pregnant with another child.

While the jobs gap between blacks and whites narrows, other economic gaps between the races persist.

Valerie Wilson, demographic economist at Economic Policy Institute, points to huge disparities in wealth. Since the early 1960s, median black wealth has climbed from \$2,647 to \$17,409 in 2016, while wealth among whites has climbed from \$47,655 to \$171,000 according to data analysis by EPI.

"There's not that store of wealth in terms of homeownership, savings, inheritance, or any of the kinds of assets that appreciate and grow in value," she said.

"The rising labor-force participation rate, assuming the majority that are participating are getting gainful employment, will increase wages, but that doesn't translate as quickly into increased wealth."

## ECONOMIC CALENDAR

**TUESDAY:** The Organization for Economic Cooperation and Development will release forecasts for growth in the major economies, and likely will raise its projections for the U.S. in response to the tax and spending packages passed in recent months. While it is unlikely to incorporate the impact of new U.S. tariffs in its global growth forecasts, it could join other international organizations and governments in warning of the dangers posed by trade conflict.

**WEDNESDAY:** The U.S. Commerce Department releases retail sales for February after January saw spending at retailers drop. The recent numbers surprised some analysts because of the low unemployment rate and rising wages. Some economists said January's weakness could stem from stronger-than-expected 2017 holiday sales that wouldn't have been sustainable in the new year. That could make for a modest rebound in February, Morgan Stanley said.

**FRIDAY:** The Commerce Department releases housing starts data for February. Housing construction got off to a strong start in 2018, which could help boost economic growth and ease home-price increases in the coming months. Economists expect starts in February to decline after January's robust growth.

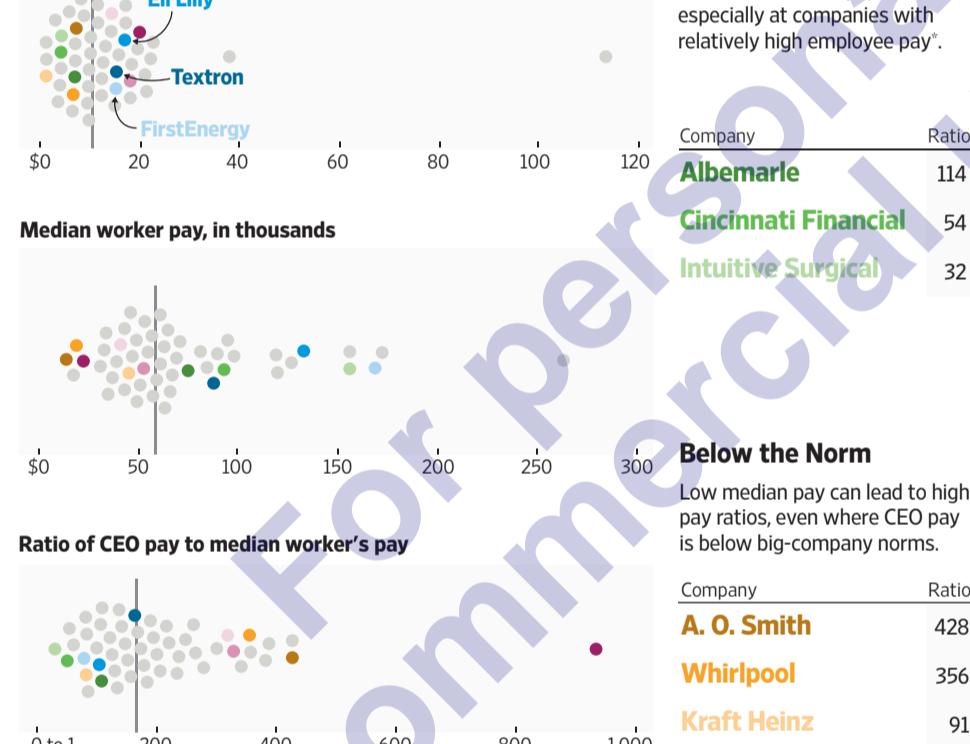
## Corporate Pay Gap

## Less Disparity

Companies with high employee pay—especially in the energy, utility and pharmaceutical industries—often report lower pay ratios.

Company	Ratio
Textron	165
Eli Lilly	118
FirstEnergy	90

For the first time, publicly traded U.S. companies are reporting how much their median employees earn and how that pay compares with the chief executives' CEO pay, median worker pay and the pay ratio for more than 50 companies:



## Wider Gap

Companies with considerable global or retail operations often have a higher pay ratio.

Company	Ratio
Marathon Petroleum	935
Honeywell	333
Sherwin-Williams	323

\*Median CEO pay for large firms in recent years: around \$11 million; median worker pay is around \$60,000

Source: Company filings

## Rule Highlights Salary Disparities

The required corporate disclosures this year about the pay of chief executives and the median salary of employees, and the ratio between the two, are highlighting contrasts within industries.

Processed-food giant Kraft Heinz Co. last year paid its CEO \$4.2 million, about 91 times its median worker's \$46,000 compensation. Mean-

time, Kellogg Co., a smaller food maker, paid its CEO an annualized \$7.3 million, or 183 times its median employee, who was paid about \$40,000.

Kraft declined to comment; Kellogg didn't respond to requests for comment.

Meantime, U.S. Bancorp's median-worker pay of \$58,269 was outpaced by that of two smaller banks, Cincinnati Financial Corp. at \$91,647 and BB&T Corp. at \$84,550.

The three banks declined to elaborate on their proxy statements.

Willis Towers Watson who has been counseling companies on the disclosure rule. "First shock, then anger, and the last stage is acceptance," he said.

One of the biggest contrasts so far is at Marathon Petroleum Corp. The company's median worker made \$21,034 last year. The oil refiner paid CEO Gary Heminger 935 times as much, or \$19.7 million.

Marathon notes in its filing that 32,000 of its 44,000 employees work in the convenience stores and gas stations of its Speedway unit, many of them part time. Excluding those workers would bring the Findlay, Ohio, company's median pay closer to \$126,000 and lower the ratio to 156 to 1.

Businesses must include part-time, temporary and seasonal workers, but needn't account for independent contractors if they don't set their pay. Companies may also exclude up to 5% of their employees, but only non-U.S. workers.

A Honeywell spokesman said Mr. Adamczyk's compensation reflected his strong performance in 2017, including

calculate its ratio: The industrial conglomerate excluded just over 7,000 workers from Brazil, Indonesia, Russia and Slovakia, among other countries. Its median worker made about \$50,000, while Darius Adamczyk, who became CEO in April, made 333 times as much on an annualized basis, or \$16.75 million.

David Jahn, an electrician at Honeywell's research lab in Buffalo, N.Y., and a local union leader, said the disclosure makes even clearer the disparity between the chief executive and the typical Honeywell worker and is likely to be raised in labor-contract negotiations next year.

"It would be one thing if the CEO's pay was going down like ours has, but it isn't—it just keeps going up," said Mr. Jahn, pointing to a jump in employees' health-care premiums and deductibles over the past decade.

A Honeywell spokesman said Mr. Adamczyk's compensation reflected his strong performance in 2017, including

a shareholder return of 35%.

In some cases, companies are publicly supplementing their disclosures with details that go beyond the SEC's requirements. In large part, those efforts are directed at employees rather than investors, said Steven Hall, managing director of Steven Hall & Partners, a pay consultancy.

"You have to tell your story in a way that's very clear to everyone," Mr. Hall said. "How are they going to pitch it to the staff so the staff isn't upset about what they're getting paid?"

Companies are identifying a median worker in a variety of ways. Some use cash compensation, salary alone or measures that include stock shares and other kinds of pay, and they must disclose which components they picked. When comparing the median worker's total pay to the chief executive's, however, both figures must be calculated using existing rules for determining a CEO's total annual compensation.

The CEO-worker ratio itself can hide stark contrasts in pay practices.

Investment firm KKR & Co. and boilermaker A.O. Smith Corp. reported nearly identical pay ratios of 429-to-1 and 428-to-1, respectively. KKR got there by paying co-CEOs Henry Kravis and George Roberts more than \$113 million each, and its median employee \$265,000.

A.O. Smith, by contrast, notes that its median employee is an hourly factory worker in Nanjing, China, who made the equivalent of \$17,687, while the manufacturer's CEO, Ajita Rajendra, made just shy of \$7.6 million.

The tallest building in Kentucky's capital city, Frankfort, was destroyed by a controlled implosion viewed by thousands of onlookers who then moved quickly away to avoid the dust raised by the collapse.

The demolition of the 28-story Capital Plaza Tower will make way for a new, modern five-story office building and its 1,100-spot parking garage. The tower opened in 1972 as a state

office building and closed in 2016.

Republican Gov. Matt Bevin auctioned the right to push the ceremonial plunger to start the demolition, with proceeds going to charity. The winning bid of \$15,000 came from a Shelbyville resident, A.J. Stivers.

—Associated Press

## NORTHEAST

## Third Nor'easter Brewing Along Coast

The region braced for a third nor'easter in under two weeks, though the risk of coastal flooding was expected to be lower than the last storm, which flooded much of Cape Cod and seaside towns.

The National Weather Service reported that a storm is ex-

pected to make its way up the coast causing more snowfall.

The Boston area is predicted to get 6-8 inches, while Maine could see more than a foot of snow by Wednesday.

New York could see 4-6 inches of snow. Philadelphia could see a few inches by Tuesday morning commute. Eight inches could fall in West Virginia.

A winter storm watch is in effect for most of New England.

—Associated Press

## KENTUCKY

## Tallest Building in Capital Demolished

The tallest building in Kentucky's capital city, Frankfort, was destroyed by a controlled implosion viewed by thousands of onlookers who then moved quickly away to avoid the dust raised by the collapse.

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—Associated Press

## MICHIGAN

## State Pushes Stricter Sex-Abuse Reporting

Michigan is looking to shore up its law that requires certain people to report suspected child sexual abuse to authorities to address gaps that were exposed after disgraced former sports doctor Larry Nassar admitted to sexually assaulting female athletes.

Like all other states, Michigan requires health providers, psychologists, teachers, police, clergy and others to report suspected child abuse or neglect to authorities. A bill up for approval in the state Senate would add college employees and youth sports coaches, trainers and volunteers to those required to report.

—Associated Press

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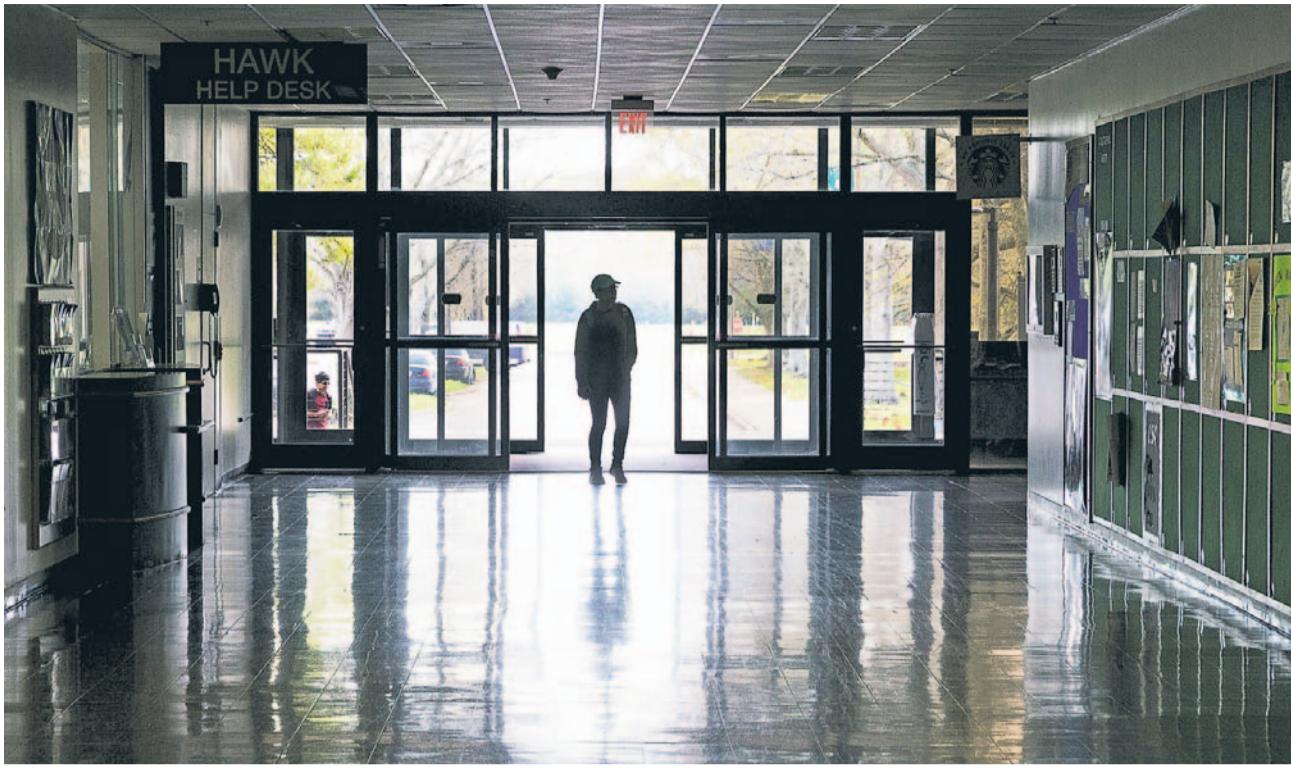
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## U.S. NEWS



International enrollment at the University of Houston-Clear Lake, mostly Indian students in graduate programs, has fallen sharply.

# Foreign-Student Visas Drop

Trump executive order tightened guidelines, as China has worked to keep talent home

BY LAURA MECKLER AND MELISSA KORN

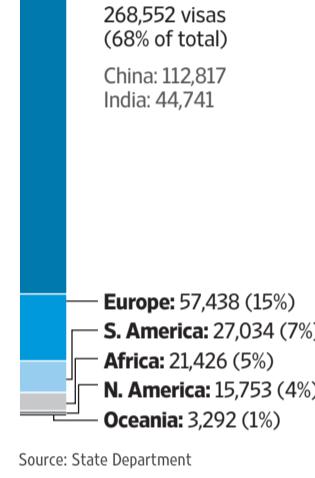
**WASHINGTON**—The number of visas issued to foreign students fell markedly last year amid stricter immigration policies, State Department data show, exacerbating financial challenges for some U.S. colleges and universities.

Some of the slide can be attributed to stepped-up competition from schools in other countries and less support for foreign study by some governments. But immigration attorneys and school officials say Trump administration policies are making the U.S. a tougher destination for foreigners.

In the year ended Sept. 30, 2017, the State Department issued 393,573 student visas, known as F-1s. That was down 17% from the previous fiscal year and nearly 40% below the 2015 peak. The drop-off was particularly dramatic among Indian students this year, with a 28% decline in visas from

## Origins

Fiscal year 2017 F-1 student visas by continent



Source: State Department

THE WALL STREET JOURNAL

the second-biggest feeder of foreign students at U.S. colleges.

There was also a big drop from China—down 24% last year and the No. 1 source of foreign students in the U.S.—but much of that reduction can be traced to a 2014 change in visa terms for Chinese students. Their visas are now good for five years, instead of

one, meaning there are fewer visa renewals but not necessarily fewer students.

There were about 78,000 fewer visas issued in fiscal year 2017 compared with 2016 for all countries, including about 35,000 fewer from China. Setting aside visas from China, the overall drop was 13% from 2016 to 2017.

Universities say international enrollments help make for a richer cultural experience for all students on campus. They also boost schools' finances amid state funding cuts; at public universities, nonresident students often pay two or three times as much as local students.

Some Americans complain that foreigners take their spots in universities and, later, their jobs. President Donald Trump was elected on a platform vowing to protect American workers.

Leon Fresco, an immigration attorney who represents several large universities, said he visited consulates across India and was told the State Department has a “renewed emphasis” on checking that students actually plan to return to their home country after graduation.

That shift is reflected in the Foreign Affairs Manual, which offers guidance to consulate officers assessing visa applications. Last year, language that was more lenient toward student applicants was removed.

The change stemmed from an executive order signed last year by Mr. Trump, State Department spokeswoman Ashley Garrigus said.

Todd Diacon, executive vice president and provost at Kent State University, said there was a noticeable increase in visa rejections this year. Indian enrollments this term stand at 265, compared with 1,017 in the spring of 2016.

China has invested heavily in its local institutions in recent years, pushing to keep intellectual talent close to home, while Canadian schools are reporting recruiting success. The University of Toronto enrolled 4,592 students from outside Canada this fall, up nearly 14% from the prior year.

“There’s greater competition from other countries,” said Jake Elsen of Navitas, a program that helps foreign students enroll in U.S. schools. He said that is “compounded by the perception that the U.S. does not value diversity.”

# Insanity Defense Rarely Succeeds

BY CORINNE RAMEY AND ZOLAN KANNO-YOUNGS

As the murder trial of a former nanny unfolds in a Manhattan courtroom the prosecution and defense agree on one thing: On Oct. 25, 2012, Yoselyn Ortega fatally stabbed two young children in her care.

But whether the 55-year-old ex-nanny is convicted of the brutal killings, which rattled parents in New York City and beyond, rests on whether the jury believes her insanity defense—one of the most controversial and misunderstood concepts in criminal law.

“To put it in lay terms, you would have to either not know what you were doing or not know that it was wrong,” said Charles Ewing, author of the book “Insanity: Murder, Madness and the Law,” referring to New York state’s law. “That’s a really hard sell under any circumstances.”

In 2012, Ms. Ortega, who had worked as a nanny for Marina and Kevin Krim for about two years, fatally stabbed 6-year-old Lucia “Lulu” Krim and her brother, Leo, who was nearly 2 years old. The incident took place in the Krim’s Manhattan apartment.

“I will show that the lack of motive in this case is the hallmark of a mentally ill offender,” her lawyer, Valerie Van Leer-Greenberg, said in state Supreme Court in Manhattan earlier this month.

By arguing that her client murdered the children but wasn’t in her right mind at the time, Ms. Van Leer-Greenberg is invoking the insanity defense, an approach that is rarely used and even more rarely succeeds.

In New York state, out of about 5,000 murder cases resolved from 2007 to 2016, six defendants were found not guilty by reason of insanity, according to the state’s Division of Criminal Justice Services.

Prosecutors say Ms. Ortega was aware of her actions when she committed the acts.

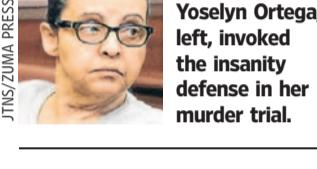
Under New York law, proving insanity requires showing a defendant lacked the ability to appreciate the nature and consequences of his actions—

or didn’t understand his conduct was wrong.

Invariably, said Mr. Ewing, also a professor at University of Buffalo’s School of Law, a trial turns into a battle of the experts, with psychologists who testify for both sides offering differing assessments of defendant’s mental state.

Most jurors are loath to agree with the insanity defense, said Peter Arenella, a law professor at the University of Southern California in Los Angeles. “Their attitude is, ‘A lot of these killers are going to have mental illness, but we can’t acquit all of them,’ ” he said.

The insanity defense gained national attention in 1982 after John Hinckley Jr., who attempted to assassinate President Ronald Reagan, was acquitted in Washington, D.C. The



The lawyer for former nanny Yoselyn Ortega, left, invoked the insanity defense in her murder trial.

Hinckley decision spurred changes in insanity laws in most states and in the federal system.

Mr. Hinckley, who was committed to a mental institution, was released in 2016 after a judge ruled he had “recovered his sanity” and didn’t pose a threat.

In New York City, prosecutors have said Ms. Ortega killed the children because of conflicts with their mother about workload issues.

Ms. Ortega showed little emotion during pretrial hearings, but when Mrs. Krim testified about her interactions with the defendant, Ms. Ortega grew animated, shaking her head dismissively. She had a similar reaction when the therapist she saw three days before the killings recently testified.

If Ms. Ortega is found not guilty by reason of insanity she likely would be committed to a forensic mental hospital. If she is found guilty, she will go to prison.

# House Advances Bill on Unproven Drugs for Terminally Ill

BY THOMAS M. BURTON

**WASHINGTON**—A House committee issued its version of “Right to Try” legislation that would enable a terminally ill patient to use an unproven, investigational drug in an effort to save that person’s life.

Such legislation was passed in August by the Senate

and supported by President Donald Trump in his State of the Union address.

The conservative Goldwater Institute, which has helped such bills become law in 38 states, has been a prime driver of the idea.

The institute has described this type of legislation as an effort to get potentially life-saving drugs into the hands of

patients who would otherwise not survive. It said Saturday of the bill that it “will provide millions of terminally ill Americans an additional pathway to access promising investigational treatments before it’s too late.”

But the Food and Drug Administration consistently has testified in congressional hearings that 99% or more of

such patients get access to these unproven medicines under its own compassionate-use program.

The idea has become controversial in the definition of precisely what sort of patient qualifies.

Since the idea essentially involves skirting the FDA’s normal approval process to get medicine quickly to

a direly ill patient, it has been especially important, in the view of FDA leadership and public-interest groups, to be certain that a “terminally ill” patient be precisely defined.

Otherwise, a broad range of patients could get access to unapproved medicines—not reviewed for safety or effectiveness by the FDA—that could be dangerous, and not helpful to the patient.

The White House has backed the “right to try” initiative. Vice President Mike Pence has long supported such bills. Mr. Trump in his State of the Union said, “We also believe that patients with terminal conditions should have access to experimental treatments that could potentially save their lives.”

# Elementary Schools Grapple With Gun Protests

BY LESLIE BRODY

Plans for students nationwide to walk out of class for 17 minutes on Wednesday to draw attention to gun-control issues are spreading to include elementary schools.

The idea began with high-school shooting survivors in Parkland, Fla. Now schools are grappling with how to address the event with children as young as 5 years old, and finding ways for students who are too young to be told about school shootings to take part.

The protest calls for students to walk out of class at 10 a.m. for 17 minutes, one minute in honor of each victim at Feb. 14’s shooting in Parkland.

Some of the most organized events are at schools with progressive traditions and parent bodies. At Manhattan Country School in New York City, children in prekindergarten through fourth grade are planning to sing the peace songs “If I Had a Hammer” and “Paz y Libertad.”

And at PS1 Pluralistic School in Santa Monica, Calif., elementary students wrote their wishes for a safer world on small pieces of rice paper, to be hung from a large piece of driftwood in a schoolwide ceremony. Children said they wished for houses for the homeless, kindness, an end to drought and more wishes. Although teachers didn’t mention anything about firearms, they were on at least one boy’s



California teachers Bonnie Koo, left, and Kelly Gresalfi spoke with students about a safer-world project.

mind. “I wish there were no guns so people couldn’t suffer,” said 8-year-old Gabriel Chibane.

In Utah, leaders of the statewide parent-teacher association are embracing a social-media campaign called #WhatsYour17. It encourages positive actions tied to the number of victims killed in Parkland. “We’ve talked about reaching out and smiling at 17 new people or finding 17 new friends,” said Jeana Stockdale, president of the Utah PTA.

Deciding what to do is especially tricky at schools that include students with different stages of awareness. At the

Ridgewood Avenue School in Glen Ridge, N.J., which serves third through sixth grades, Nicole Quinn, president of the Home & School Association that represents parents, said the debate is “coming down to an argument about when it’s appropriate to ruin our students’ innocence.”

Ridgewood Avenue School Principal Michael Donovan said parent-driven proposals are still evolving, and he planned to meet with participating students to discuss how to express themselves in ways that won’t scare their peers. “My focus is to be as supportive as I can to parents who feel it’s

important to participate, and at the same time respect parents who didn’t feel they were ready for their kids to be exposed to the tragedy,” he said.

Many districts support walkouts at high schools, as long as students obey safety rules and return to class. But in Needville, Texas, the superintendent warned that students who demonstrate during school hours will get three-day suspensions.

“We are here for an education and not a political protest,” Superintendent Curtis Rhodes said in a letter to families. He didn’t respond to a request for comment.

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## U.S. NEWS

# White House Unveils Proposals on Guns

**Plan would fund training for armed school staff in wake of Florida school shooting**

By MICHAEL C. BENDER

WASHINGTON—The White House on Sunday announced a plan to reduce gun violence at schools that includes spending federal money on training school staffers to carry concealed weapons, but not President Donald Trump's earlier call to raise the age limit for buying guns.

Instead, the plan creates a new federal panel to study age restrictions and other potential changes in laws and to make recommendations later.

The White House blueprint,

which comes in the wake of last month's mass shooting at a Parkland, Fla., high school, calls for "hardening our schools" by instituting security procedures comparable to those in airports and government buildings. One way to do that, the White House said, is to use Justice Department grants to train school personnel to carry weapons "on a voluntary basis."

"There's no time to waste," said Education Secretary Betsy DeVos, who presented the plan to reporters.

The Trump administration plan also calls on states to adopt laws allowing police, with court approval, to remove firearms from people who are a threat to themselves or others, and to temporarily prevent them from purchasing

new guns.

The blueprint contains Mr. Trump's support for two gun-related bills being considered by Congress, officials said. One, known as the "Fix NICS" bill, is designed to improve background checks for gun purchases, although the measure has run into hurdles in Congress. The second measure, the STOP School Violence Act, would authorize \$50 million a year for school-safety improvements.

Ms. DeVos will chair the new Federal Commission on School Safety, which will study issues such as increasing the age to buy some guns to 21, the effect of violence in video-games and movies on children and identifying the best violence prevention strategies.

The creation of the commis-

sion comes a day after Mr. Trump, during a campaign rally in Pennsylvania, ridiculed similar panels that "meet and they have a meal and they talk." "We can't just keep setting up blue-ribbon committees," the president said.

There is no deadline set for Ms. DeVos's panel to present its findings, White House officials said. The officials also declined to comment on Mr. Trump's assessment of such commissions, and said the age restriction issue was "a state-based discussion."

Mr. Trump has said repeatedly that he thinks the age limit to buy certain guns should be 21 years old. The National Rifle Association sued the state of Florida over that issue after GOP Gov. Rick Scott signed a new gun law Friday.

## New Steps Urged In Name of Safety

### Summary of measures sought by the Trump administration:

- ◆ Assist states in training school staffers in firearms use. Allow military veterans and retired police to work as school safety personnel.
- ◆ Support legislation by Sens. John Cornyn (R, Texas) and Chris Murphy (D, Conn.) to improve background checks for gun purchases.
- ◆ Support the proposed STOP School Violence Act to provide funding for safety improve-

ments including violence-prevention training for teachers and students.

◆ Call on states to allow police, with court approval, to remove firearms from people who are a threat to themselves or others.

◆ Ban "bump stock" devices that allow some firearms to function as machine guns. A regulation banning them was submitted for review Saturday by the Justice Department.

◆ Form a commission to study age restrictions for gun purchases, effects of violent video games and other entertainment and press coverage of mass shootings.

## WASHINGTON WIRE

### TREASURY DEPARTMENT

#### Mnuchin Acquiesces To Full Video Release

Treasury Secretary Steven Mnuchin has had a change of heart about a video showing him being heckled at a California university last month.

A spokeswoman for the University of California, Los Angeles said the Treasury Department gave its consent for the school to post a full video of Mr. Mnuchin's Feb. 26 appearance at UCLA's Burke Center for International Relations, where he participated in a moderated discussion on the economy. The video was posted on Friday.

That was a reversal from Mr. Mnuchin's earlier request that the school not release a video of the event, after hecklers hissed and coughed during the conversation.

—Kate Davidson

### NATIONAL ECONOMIC COUNCIL

#### GM Alum Considered For Job of Director

Former Microsoft Corp. and General Motors Co. executive Chris Liddell is under consideration to become President Donald Trump's top economic adviser, and has the support of Jared Kushner, the president's son-in-law and senior adviser, according to people familiar with the discussions.

Mr. Liddell, 59 years old, is among those being considered as the next director of the National Economic Council, succeeding Gary Cohn, the former Goldman Sachs executive who resigned from the position.

Mr. Liddell didn't return a phone call seeking comment. A White House spokesman declined to comment.

—Michael C. Bender



Fundraising for Republican candidate Rick Saccone, above watching President Donald Trump on stage on Saturday, has lagged behind that of his rival, Democrat Conor Lamb, shown below at a campaign event with a labor leader on Sunday.

Interview that Mr. Saccone is "too far right" for the district.

A Saccone spokesman said Sunday the Republican enjoys "broad support from union workers."

The race has spurred the parties to bring out their big guns, with former Vice President Joe Biden hitting the stump for Mr. Lamb last week and Mr. Trump appearing at a rally for Mr. Saccone on Saturday night.

"I could not have asked for a stronger endorsement of our campaign," Mr. Saccone said in a statement after the president's visit.

The National Republican Congressional Committee, the House GOP's campaign arm, believes it has a winning attack message in races this

year: linking any Democratic candidate to Mrs. Pelosi, who is particularly unpopular among Republican voters in much of public polling.

But Mr. Lamb has sought distance from the national party, and the campaign arm of the House Democrats has spent little on the race.

Some of Mr. Saccone's allies say the Republican's conservative bona fides are well suited to the district, but they acknowledge Mr. Lamb has proved to be a better fundraiser.

Mr. Saccone previously told The Wall Street Journal in an interview: "If it was all about money, Hillary Clinton would be president and Jeb Bush would've been our nominee."

At the rally Saturday in

Moon Township, Mr. Trump gave remarks that were free-wheeling and covered an array of topics before he called Mr. Saccone to the podium near the end. He said that Mr. Saccone would support his agenda in Congress and called Mr.

Lamb "smart" for backing the Trump administration's punitive tariffs on foreign steel and aluminum, a policy the president called "my baby."

"But as soon as he gets in, he's not going to vote for us,"

Mr. Trump said of Mr. Lamb.

to use the strategy against a president of their own party.

### Immigration

Because Congress hasn't passed legislation extending an Obama-era program shielding young undocumented immigrants from deportation, lawmakers said they hoped to include a short-term patch in the spending bill. But Republicans want a short-term extension coupled with money to start building a wall along the southern border, which Democrats are likely to oppose.

### Tunnel Funding

Last September, the House approved a spending bill that included roughly \$900 million to help pay for a new rail tunnel between New Jersey and New York City, which is seen as vital to the economic future of the Northeast. But President Donald Trump is opposed to having the federal government pay for half of the proposed \$12.7 billion project, as local officials want. He has indicated to lawmakers that he wouldn't sign a bill that includes the Gateway funds, although it is unclear how firm that stance is, according to a congressional GOP aide.

### Tariffs

GOP lawmakers are also weighing whether to use the power of the purse to block Mr. Trump's aluminum and steel tariffs from taking hold. Cutting funds to enforce rules and regulations that lawmakers oppose is a common tactic, but it is rare for the majority

Centers for Disease Control and Prevention's ability to conduct research on gun violence. The provision's supporters say it ensures the agency doesn't become enmeshed in a contentious political issue.

### Election Security

Democratic leaders are pressing their GOP counterparts to include extra funds to help the Federal Bureau of Investigation, Department of Homeland Security and the Election Assistance Commission prepare for any Russian efforts to meddle in this fall's midterm elections. They suggested \$300 million more for the FBI and a "substantial increase" for the other organizations. Democratic aides said the funding hadn't been agreed on, but added it faced

less GOP opposition than many other requests.

### Abortion

Republicans have been trying to expand restrictions that prevent the federal government from directly funding abortions. GOP lawmakers also want to cut off federal funding for Planned Parenthood Federation of America, make it harder for the group to receive federal family-planning grants under the Title X Program and insert a prohibition on funding research that uses human fetal tissue obtained after an abortion. Democrats oppose all of the measures and have said they would fight to block them.

—Reported by Kristina Peterson, Siobhan Hughes, Ted Mann and Laura Meckler

## Tariffs, Guns and Money: Budget Fights Loom

By WSJ STAFF

WASHINGTON—Government funding expires March 23, giving Congress less than two weeks to finish spending bills for the current fiscal year. A budget deal passed in February set overall funding levels. But that doesn't mean the fights are over. Here are some of the main sticking points:

### Tunnel Funding

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The size of the U.S. Border Patrol is one of a number of issues in congressional spending battles.

to use the strategy against a president of their own party.

### Immigration

Because Congress hasn't passed legislation extending an Obama-era program shielding young undocumented immigrants from deportation, lawmakers said they hoped to include a short-term patch in the spending bill. But Republicans want a short-term extension coupled with money to start building a wall along the southern border, which Democrats are likely to oppose.

### Gun Research

Democrats and some centrist Republicans are pressing to remove a provision called the Dickey Amendment, included in spending bills since 1996, which has restricted the

Centers for Disease Control and Prevention's ability to conduct research on gun violence. The provision's supporters say it ensures the agency doesn't become enmeshed in a contentious political issue.

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—Reported by Kristina Peterson, Siobhan Hughes, Ted Mann and Laura Meckler

JOHN VARVATOS &  
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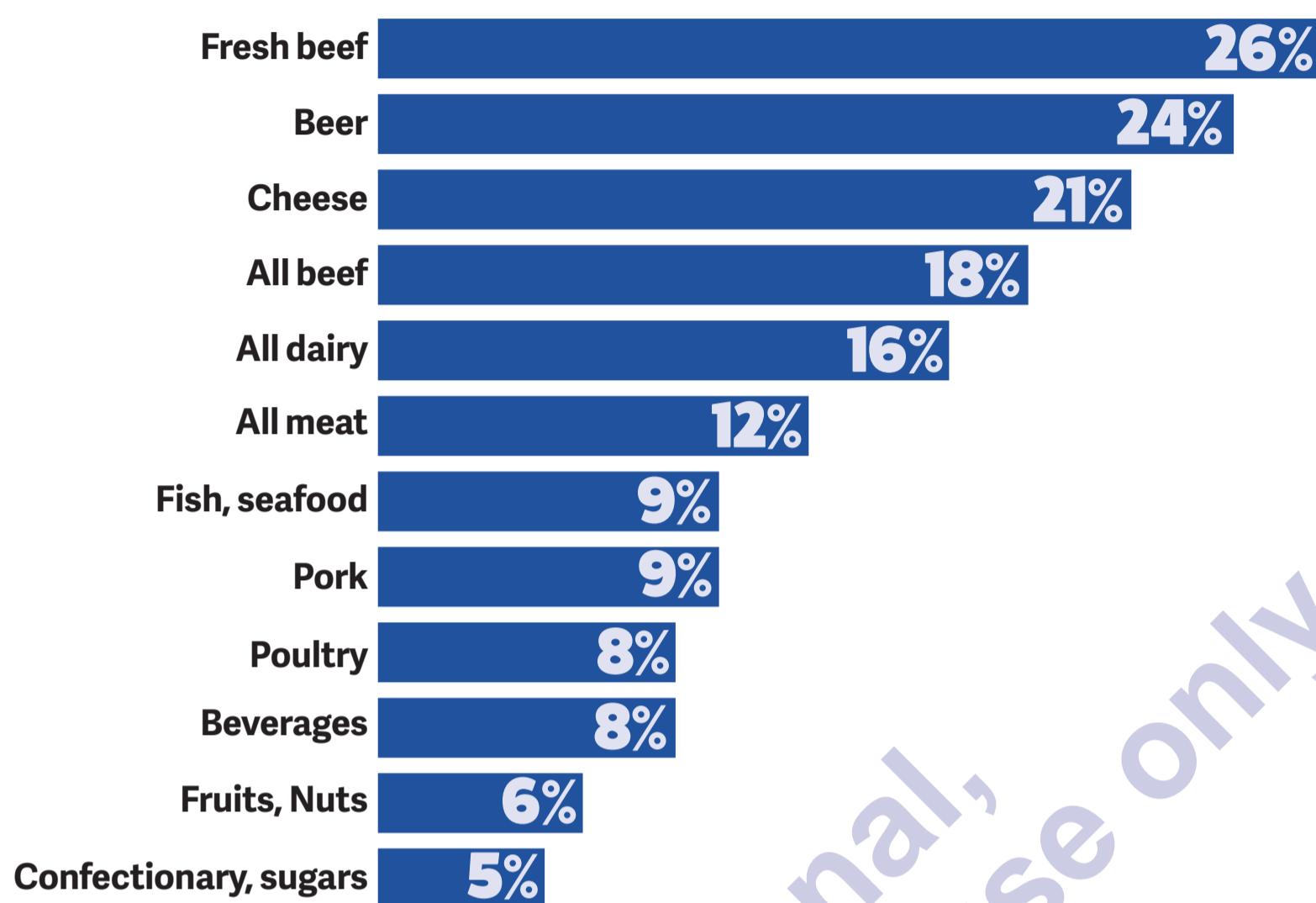
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Source: USA Trade Online, USA Census Bureau, [www.usatrade.census.gov](http://www.usatrade.census.gov). US Import and Export Merchandise trade statistics (HS code). Measured in value (\$US).

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## U.S. NEWS

# GOP Talks of Bill to Thwart Metals Tariffs

BY WILLIAM MAULDIN  
AND TED MANN

Republican lawmakers are openly discussing legislation to limit President Donald Trump's trade powers after the White House detailed plans last week to impose global tariffs on U.S. imports of steel and aluminum.

But the support of key Democrats—including Sen. Elizabeth Warren of Massachusetts—for Mr. Trump's "America first" approach to trade stands to complicate any

GOP effort to tie the president's hands.

The awkward political divisions over trade matters were on display Sunday as Ms. Warren backed Mr. Trump's policy while Republican senators rebuked the president from their own party.

"When President Trump says he's putting tariffs on the table, I think tariffs are one part of reworking our trade policy overall," Ms. Warren said on CNN's "State of the Union."

Some Democratic lawmak-

ers have found fault with the implementation or scope of the steel and aluminum tariffs. But Ms. Warren, to whom Mr. Trump derisively referred as "Pocahontas" again on Saturday, declined to criticize the president's policy and said previous approaches to trade boosted profits at multinational corporations.

On the GOP side, some Republican congressional aides worry that public opposition to Mr. Trump on trade could divide the party or backfire politically, pointing out that

Mr. Trump is following through on explicit promises he made in his successful 2016 campaign.

Still, some lawmakers are worried about economic repercussions or retaliation from trading partners and are looking at tools that could rein in Mr. Trump's approach.

Sen. Jeff Flake (R., Ariz.), a critic of Mr. Trump who isn't seeking re-election, said he intends to introduce legislation to nullify the Trump administration's proposed steel and aluminum tariffs, despite the

long odds of getting a bill through the Republican-controlled Congress.

"I'm not suggesting that what the president did wasn't popular in a lot of circles—it is," said Mr. Flake, adding that "as a Republican who believes in free trade, limited government, economic freedom, I couldn't be re-elected in my party right now."

Sen. Cory Gardner (R., Colo.) said Congress has "some legislative tools at our disposal" to oppose the administration's tariff proposals.

"I think everyone in Congress believes opening up new markets is good for the United States," he said in an interview on CBS's "Face the Nation."

Sen. Ron Johnson (R., Wis.) cast doubt on the success of any legislative action to claw back presidential trade powers, many of which were delegated to the executive branch in decades-old legislation.

"I doubt it would have any chance of passing or even, if it passed, that we would have the votes to override the veto," Mr. Johnson said on CNN.

**TRADE**

*Continued from Page One*  
to Washington this week.

Mr. Trump, for his part, appears to be unwavering in his plans, saying at a campaign-style rally in Pennsylvania late Saturday, after the Brussels meeting, that the metals tariffs are his "baby."

Separately, in a tweet Saturday, Mr. Trump said: "The European Union, wonderful countries who treat the U.S. very badly on trade, are complaining about the tariffs on steel & aluminum. If they drop their horrific barriers & tariffs on U.S. products going in, we will likewise drop ours."

Mr. Trump also reiterated his objective to close America's trade deficit with the EU: "If not, we Tax Cars etc. FAIR!"

The Trump administration hasn't settled on an exact plan for excluding certain countries from the tariffs, although officials said Mexico and Canada, already facing broad trade negotiations with Washington, wouldn't face duties on metals exports for the time being.

The U.S. still appears to be formulating its guidelines on waivers, which may be published soon, according to people familiar with the weekend's discussions. A spokeswoman at the U.S. trade



**U.S., European and Japanese trade officials met in Brussels; further talks are slated for this week.**

merce minister, Zhong Shan, said that Beijing doesn't want a trade war and wouldn't initiate one, but reiterated that the government is ready to retaliate. "We can handle any challenge," Mr. Zhong said at a briefing in Beijing.

In Washington, the planned tariffs have created some awkward political divisions, as Republican lawmakers in TV appearances openly discussed legislation to limit the GOP president's trade powers while prominent Democrats backed Mr. Trump's move. Sen. Elizabeth Warren (D., Mass.), who has frequently clashed with Mr. Trump publicly, declined to criticize his tariffs during an appearance on CNN.

The Trump administration is imposing the metal tariffs under a 1960s law that allows for trade barriers on national-security grounds. "On the issue of steel and aluminum, those specific industries are critical to U.S. national security," White House spokesman Raj Shah said Sunday on ABC.

Mr. Trump said on Twitter that he spoke with Japanese Prime Minister Shinzo Abe about "opening up Japan to much better trade with the U.S." The current U.S. trade deficit with Japan is "not fair or sustainable," the president wrote, putting the gap at \$100 billion. The merchandise trade deficit with Japan was \$68.8 billion in 2017, according to

the U.S. Census Bureau.

The Trump administration has focused on trade deficits as the main yardstick for bilateral economic relations and threatened to impose tariffs if countries don't take steps to balance trade with Washington. China's Mr. Zhong said the U.S. trade deficit with China isn't as deep as Washington says it is and could be reduced by 35% if the U.S. lifted restrictions on exports of certain high technology to China.

The agenda for EU-U.S. talks this week isn't yet set. Officials from both sides are expected to have phone calls and meetings—though likely not at the highest levels.

The source of hope for Brussels is the trilateral agreement on a seven-point plan the U.S., EU and Japan formulated to fight unfair trade practices. While the allies didn't name any countries, they took aim at policies of oft-criticized Beijing such as overcapacity, subsidies and trade-distorting practices.

The trade officials also said they would "enforce existing rules by working jointly on current and new disputes in the WTO" and engage in multilateral efforts to address issues such as the global steel glut.

—Chao Deng in Beijing and Peter Landers in Tokyo contributed to this article.

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## WORLD NEWS

# Assad Regime Advances in Rebel Enclave

Gains make recapture of Ghouta more likely after 3-week assault on area near Damascus

By RAJA ABDULRAHIM

The Syrian regime has seized more than half of a rebel enclave outside Damascus that has been under a tightening military and economic siege, part of a final onslaught on one of the last areas held by forces that have fought for seven years to topple President Bashar al-Assad.

The latest advances have split Eastern Ghouta and made its recapture possibly imminent. Taking Ghouta would enable the regime to further consolidate control around the capital and move toward its goal of ending the conflict through force rather than a political settlement. Several rounds of peace talks have failed to end the conflict.

With the backing of the Russian military and foreign Shiite militias, the regime has largely regained control over much of the territory once held by rebels.

The three-week military assault on Ghouta, home to nearly 400,000 people, follows years of deprivation of food and medical supplies—a signature tactic used by the regime to weaken local resistance and buy time for its overstretched military to mount an offensive.

"This has definitely been a slow concerted tightening of the noose while the regime had been pursuing other priorities," said Chris Kozak, a military analyst at the Institute for the Study of War in Washington.

The latest offensive on Eastern Ghouta has killed more than 800 civilians, many of them women and children, according to the White Helmets, the emergency rescuers who operate in opposition areas. Warplanes drop dozens of bombs daily and fire rockets containing chlorine gas or incendiary chemicals, local doctors said.



A member of the Syrian Civil Defense group carried a wounded boy in Ghouta on Sunday, as an onslaught by Syrian forces continued.

**A United Nations Security Council resolution for a 30-day cease-fire that passed unanimously in February has done nothing to quell the violence. Regime ground forces, backed by foreign Shiite militias and Russian air power, have advanced through sparsely populated areas and battles are now concentrated around urban areas.**

U.N. High Commissioner for Human Rights Zeid Ra'ad Al Hussein called it "an apocalypse intended, planned and executed by individuals within the government, apparently with the full backing of some of their foreign supporters."

Mr. Assad has said the Ghouta offensive is an effort to return stability to the country, and that it would continue despite the U.N. resolution. The Syrian regime has long denied targeting civilians, and con-

tends it is fighting terrorists, its standard term for the anti-government opposition. The regime also denies it has used chemical weapons.

**800**

The rough number of civilians killed in the Ghouta offensive

The regime has thwarted U.N. efforts to provide humanitarian assistance to residents, having denied most requests to deliver aid. Those deliveries allowed in have often been incomplete, residents and aid groups said.

On March 5, the Syrian government removed 70% of the medical supplies, including trauma kits, in a U.N. aid con-

voy, according to the U.N. Office for the Coordination of Humanitarian Affairs.

Of the 46 trucks sent in on March 5, 13 had to return to Damascus before being unloaded. On Friday, those remaining trucks were allowed to return to Ghouta, but again only delivered food and no medical aid, according to the International Committee of the Red Cross and residents.

The siege of Ghouta began in 2013 when the area was first surrounded by a military perimeter. The regime then took systematic steps to weaken the opposition there. Early last year, the regime seized a number of towns on the outskirts of Ghouta in order to eliminate tunnels operated by rebels.

Residents have largely been trapped in Ghouta since the siege began in 2013, though some used tunnels to leave.

Russia and the regime say they have set up humanitarian corridors to enable civilians to leave but that they are being prevented by rebels seeking to keep them as human shields.

Rebels and residents have countered that there has been no letup in airstrikes and shelling in order to allow them to leave. Many say they don't trust the regime not to arrest them if they cross over.

In the past two years, the regime has systematically picked off neighborhoods, towns and suburbs it had subjected to siege warfare, said Valerie Szybala, executive director of the Syria Institute, a Washington-based independent research institution. The strategy, she said, is "basically crystallized as 'surrender or die,' not just 'surrender or starve.'"

—Nazih Osseiran contributed to this article.

## Mattis Warns Syria, Russia on Weapons

**MUSCAT, Oman**—Defense Secretary Jim Mattis called out the Syrian government and its key ally, Russia, over the issue of chemical-weapons use, saying it would be "very unwise" for the regime to deploy such weapons.

United Nations experts are investigating numerous reports of chlorine gas being used against civilians and rebel fighters, prompting concern at the White House and discussions about possible military options.

U.S. military officials have been unable to verify the reports, but Mr. Mattis said they appeared to be credible. "We have made it very clear that it would be very unwise to use gas against people, civilians, on any battlefield," he said Sunday.

Syria has denied using chemical weapons and Russia has dismissed the accusations.

Mr. Mattis declined to say whether there was evidence that Russian forces had directly killed any civilians or dropped munitions near Eastern Ghouta, where Syrian regime and rebel fighters are locked in an intense battle.

"The president has full political maneuver room to take the decision that he believes appropriate," Mr. Mattis said of any potential U.S. response to the situation.

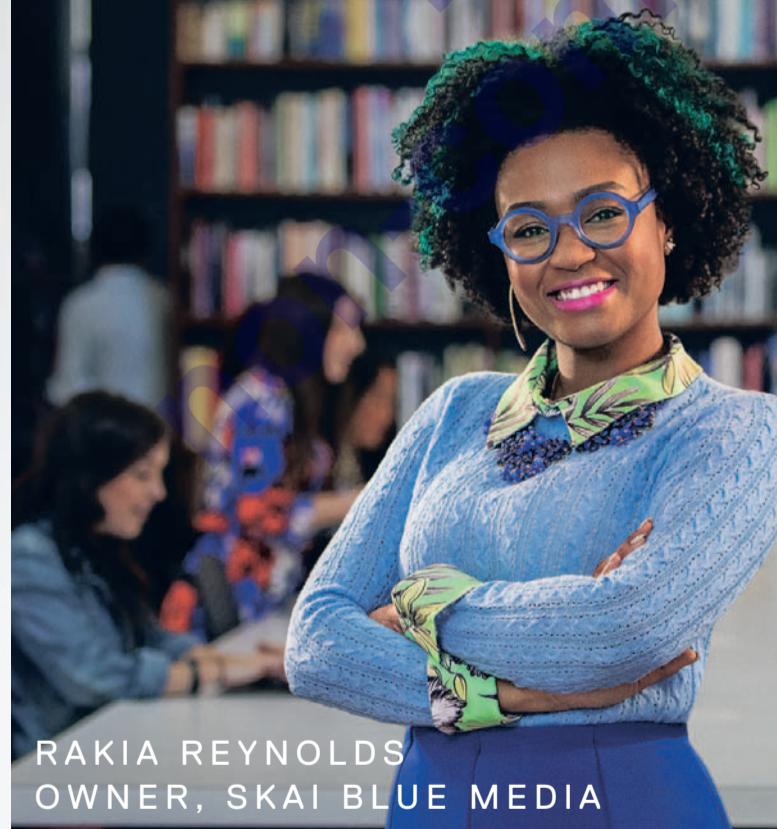
Last April, President Donald Trump ordered a strike by Tomahawk cruise missiles at Shayrat Airbase in Syria after the U.S. concluded that the post was used to stage at least one sarin gas attack, killing at least 70 people. That attack left Washington and Moscow at odds, because Russia has been providing support to the Assad regime since 2011.

—Gordon Lubold

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## WORLD NEWS

# U.S. Pares Operations at Base in Turkey

Military uses Incirlik less, weighs permanent drawdown amid tensions with Ankara

**WASHINGTON**—The U.S. military has sharply reduced combat operations at the Incirlik air base in Turkey and is considering permanent cuts.

*By Gordon Lubold,  
Felicia Schwartz  
and Nancy A. Youssef*

backs there, U.S. officials said, a shift they said was driven by tensions between Washington and Ankara.

The base was the centerpiece of the U.S.-led fight against Islamic State for several years, but conflicting aims in Syria have driven a wedge between the U.S. and Turkey. The drawdown is among the strongest consequences yet of those fraying ties.

A squadron of American A-10 ground-attack jets was moved from Incirlik to Afghanistan in January, leaving only refueling aircraft at the Turkish base.

At the time, the Pentagon said it was stepping up operations in Afghanistan.

The U.S. military has also gradually reduced the number of military family members living on the base, shrinking its footprint in Turkey.

U.S. officials maintain that the U.S. remains committed to



Incirlik base, above, was the centerpiece of the fight against Islamic State for years, but conflicting aims in Syria have driven a wedge between the U.S. and Turkey.

Turkey, a North Atlantic Treaty Organization ally, and that there are no immediate plans for a further drawdown of forces and aircraft.

The A-10s, officials said, could return to the base at any time.

An American drawdown at the base could rattle the NATO alliance amid tensions between the U.S.-led coalition and Russia over the war in Syria, where Moscow backs the regime of President Bashar al-Assad while the U.S. has supported his opponents.

Turkey hasn't imposed any

formal new restrictions on use of the base, U.S. officials said. But U.S. military officials said it has become challenging to operate at Incirlik, whose use Ankara has long used as leverage against the U.S.

The officials said they view internal deliberations about the continued use of the base as necessary to mitigate any impact from the potential loss of their ability to conduct operations from the base.

"We've been looking at that possibility for a while," a U.S. military official said of reducing use of the base.

A Turkish official acknowledged the downturn in the pace of U.S. airstrikes but said officials there didn't believe it stemmed from new restrictions by Ankara.

The Turkish official said the decline reflects a shift in American priorities from Syria to Afghanistan, rather than a downturn in U.S.-Turkish relations.

Turkey and the U.S. have had a rocky relationship for many years. The most-recent tensions have been over the war against Islamic State in Syria, where the U.S. has sup-

ported local Kurdish forces that Ankara sees as a threat.

In recent weeks, Turkey has pressed an assault on the Kurdish-dominated Afrin region of Syria, seeking to keep Kurdish-controlled territory away from its border.

On Wednesday, the Turkish government demanded the U.S. prevent Kurdish fighters from moving toward Afrin.

The Incirlik base plays an important role for the U.S. military and reflects the commitment between the two countries, said Capt. Wendy Snyder, a spokeswoman for

the U.S. European Command.

"We have a strong mil-to-mil relationship with Turkey, and they are an important stakeholder," she said.

The base was built with U.S. help in the 1950s to assist NATO in countering the Soviet Union.

There are no permanently assigned aircraft at Incirlik, U.S. officials said. In addition to the refueling planes, the U.S. has F-22 Raptor and F-15 Eagle jet fighters there.

—Julian E. Barnes  
in Brussels  
contributed to this article.

## WORLD WATCH

## NORTH KOREA

**Officials Say Trump's Move Was Deliberate**

President Donald Trump's advisers on Sunday argued that his surprise decision to agree to meet North Korean leader Kim Jong Un was less impulsive than it appeared to U.S. allies and members of Congress.

The advisers, including CIA

Director Mike Pompeo and Treasury Secretary Steven Mnuchin, said the administration had laid the groundwork for talks with Mr. Kim by imposing tougher economic sanctions than previous administrations on the North Korean government.

"I do believe a major reason why they're having this meeting is because the economic sanctions have had a very big impact on both their economy and their

ability to get pieces of material and other things they need for their weapons programs," Mr. Mnuchin said Sunday, speaking on NBC's *Meet the Press*.

The remarks by Mr. Trump's cabinet officials suggested the president's surprise decision to agree to meet with Mr. Kim had been made in line with a broader strategy of combating the North Korean nuclear threat.

—Ted Mann

## IRAN

**Istanbul-Bound Plane Hits a Mountain**

A Turkish private jet flying a group of young women from the United Arab Emirates to Istanbul crashed Sunday in heavy rain in a mountainous region of Iran, killing all 11 people on board, authorities said.

Days earlier, the doomed air-

craft carried a bachelorette party bound for Dubai, although it wasn't clear who was on the plane when it went down.

Iranian state television quoted a spokesman for the country's emergency-management organization as saying the plane hit a mountain near Shahr-e Kord and burst into flames. Shahr-e Kord is some 230 miles south of Tehran.

The spokesman, Mojtaba

Khaledi, later told a website associated with state TV that local villagers had reached the site in the Zagros Mountains and found only badly burned bodies. He said DNA tests would be needed to identify the dead.

Villagers said they saw flames coming from the plane's engine before the crash, according to a report by Iran's state-run judiciary news agency Mizan.

—Associated Press



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Military personnel, above, are among those investigating the poisoning of Russian Sergei Skripal.

## Ex-Spy Led a Quiet Life in U.K.

BY JENNY GROSS  
AND WIKTOR SZARY

**SALISBURY**, England—On Friday, Sergei Skripal went to a small delicatessen, exchanged pleasantries with the owner and, just like every other week, bought Eastern European specialties that reminded him of home.

Two days later, the Russian double agent and his daughter were found slumped over a bench by a shopping mall in the quiet cathedral city, the victims of poisoning by a rare nerve agent.

As Mr. Skripal, 66 years old, and his 33-year-old daughter, Yulia, lay in Salisbury District Hospital in critical but stable condition, residents reflected on the seemingly ordinary life that the former Russian spy lived, hiding in plain sight. None knew his background, but said his thick, Russian accent stood out in Salisbury, a city in southwestern England of 45,000 people.

Weronika Paliszewska, who runs the Polish delicatessen, said Mr. Skripal would visit her shop to buy sausage, mackerel and herring. "He wanted food that reminded him of home, that he couldn't get from English shops," said Ms. Paliszewska, who has known him since 2012.

Despite their frequent in-

teractions, she said she knew little about him other than that he was from Moscow. "We talked about the weather, about life around here," she said. "But normally it'd be him asking me questions."

Just down the road, at the Railway Social Club, Mr. Skripal also kept a low profile. He would wave hello to the other regulars, mostly older men, and sit by himself with a pint, locals said.

*Authorities combed Salisbury for clues, and parts of the city remained cordoned off.*

"We didn't take any notice—he was just another person," said John McKeown, a 70-year-old bus driver and club member.

Police officers, forensics specialists, and military personnel were combing Salisbury over the weekend looking for evidence of how Mr. Skripal, a former colonel in Russian military intelligence who has lived in Britain since a 2010 spy exchange, and Ms. Paliszewska, who has known him since 2012.

Mr. Skripal had been im-

prisoned in Russia in 2006 for 13 years for passing secrets to Britain's MI6 in return for money.

A Western security official said many unanswered questions remained and that it would take time before officials reach any firm conclusions.

Salisbury residents described Mr. Skripal as quiet and courteous, but said he stood out in a place where there were few, if any, other Russians. Locals remembered seeing him in a jewelry shop, dining at Cote Brasserie, a chain restaurant, eating pork sandwiches in cafes or frequenting the Polish delicatessen.

Mehmet Beykanoglu, a 49-year-old taxi driver, said he frequently drove Mr. Skripal from the Salisbury train station to his house in the evenings over the past seven years.

He said Mr. Skripal was well-spoken, but never initiated conversation. "If you don't ask him he doesn't say anything," he said, adding he said he worked for the government. He was usually well-dressed in a dark suit, he said.

Over the weekend, large parts of the city, including the modest street where Mr. Skripal lived, remained cordoned off.

CHRIS J RATCLIFFE/GETTY IMAGES

## WORLD NEWS

# Xi Is Cleared to Rule China Indefinitely

Legislature votes to repeal term limit that was imposed after Mao's death in 1976

BY CHUN HAN WONG

BEIJING—Since China's Communist Party unveiled plans to let Xi Jinping remain president indefinitely, delegates to the national legislature have gushingly likened him to a Buddhist saint or the world's longest-reigning monarch.

Their devotion translated into a near-unanimous vote on Sunday to scrap presidential term limits and approve other constitutional changes to entrench Mr. Xi and his Communist Party's dominance over Chinese life.

The vote, a formality for a congress dominated by Mr. Xi's ruling party, stripped away an institutional check against one-man rule installed after the 1976 death of Mao Zedong, whose autocratic rule was marked by policy disasters and bloody power struggles.

It brought presidential tenures in line with Mr. Xi's other, more powerful, posts of party chief and military-commission chairman, which aren't subject to formal term limits. Delegates and officials say "centralized, unified leadership" under Mr. Xi will allow continuity in decision-making to better steer China's modernization.

Others saw the change as setting China on a risky path. The revision "disrupts the key feature that the Chinese Communist Party, unlike most other communist parties, had been able to achieve: leadership succession," said Daniel Leese, a professor at Germany's University of Freiburg.

"The risk of compiling all power in one hand will become visible most clearly in periods of crisis," said Mr. Leese, who has studied the Mao personality cult.

Of the 2,964 delegates present at Beijing's Great Hall of



President Xi Jinping drops his ballot during a vote to lift presidential term limits. Whether he intends to stay in power for life remains unclear.

provisions for a new anticorruption agency that expands party oversight to all public servants.

Lawmakers are also expected to approve a plan designed to streamline China's sprawling bureaucracy and subsume state functions under party control.

Mr. Xi telegraphed plans to stay on for the long haul in October, when the Communist Party reappointed him as party chief without a likely successor.

The party didn't publicly disclose its plans for amending the constitution until late December. And it wasn't until two weeks ago that the text of the proposed changes was published—with the bombshell inclusion of the plan to scrap presidential term limits.

Mr. Xi's predecessor, Hu Jintao, signaled plans to amend the constitution more than a year before revisions were passed in 2004, and released the text of the proposed changes nearly three months before final approval. Public debate of those amendments was tolerated, even if it had little bearing on the final outcome.

Whether Mr. Xi indeed intends to stay in power for life remains unclear. Officials and experts have pointed out that in any case, the change helps him avoid the lame-duck status that plagued his recent predecessors during their final years in office.

Meeting lawmakers on Wednesday, Mr. Xi said the amendments promote "rule of law" and the drafting process "reflects the common will of the party and the people."

Social-media discussions of the term-limit change have been censored and lawyers have been ordered not to discuss constitutional amendments publicly.

An open letter opposing the move by Li Datong, a former editor at China Youth Daily, the official newspaper of China's Communist Youth League, circulated widely on social media before censors intervened.

the People, 2,958 voted in favor of the amendments, a 99.8% approval rate. There were two dissents, three abstentions and one invalid vote, said a congress official, whose announcement of the outcome drew a rapturous ovation from delegates.

"Under President Xi's leadership, we are certain to achieve the 'China Dream' of national rejuvenation, said Song Fengnian, a 70-year-old delegate in a Mao suit adorned with a Communist Party flag pin and a Mao badge. "This is the wish of the people."

Constitutional changes require approval from at least two-thirds of the National People's Congress. Sunday's vote was more strongly endorsed than any of the four earlier revisions to the 1982 constitution and was expected after a procession of delegates

## Hong Kong Election Is Blow to Activists

HONG KONG—Pro-democracy candidates lost two of four special elections to fill vacant seats in the city's legislature, failing to regain some veto power and reflecting a fragmented movement hurt by Beijing's crackdown.

The four seats were among six left empty when a group of lawmakers were expelled following a 2016 controversy over

have cheered Mr. Xi's leadership over the past week and the change to let him govern longer.

"Doesn't the emperor of Japan rule for life? Doesn't the Queen of England rule for

their oaths, which they used to defy China.

Lesser-known democracy activist Au Nok-hin won a key battleground in Sunday's vote, defeating Judy Chan of the New People's Party. He was enlisted at the last minute after officials rejected the pro-democracy camp's marquee candidate, Agnes Chow, for her Demosisto party's political platform.

Demosisto didn't field candidates in the other two districts holding elections to fill seats left vacant by the ousting of legislators over their oaths. The

life?" said Chen Jinshi, a delegate and chairman of real-estate developer Zhongnan Group. "So why can't our president rule for life?"

"As long as his health is good," Mr. Chen said, "what's

party said the barring of Ms. Chow signals that authorities intend to shut out all party members from future elections.

The results showed the democrats' majority support is at best shaky, said Ho-fung Hung, a political economy professor at Johns Hopkins University. Opposition voters may have grown disillusioned about how much lawmakers could do, he said.

Demosisto co-founder Joshua Wong said despite being shut out of elections, the party plans to continue its advocacy.

—Natasha Khan

there to be worried about?"

Other amendments added Mr. Xi's signature political theory to the national charter as well as a clause affirming the Communist Party's leading role in governing China and

## U.N. to Shield Refugee Camps From Elephants in Bangladesh

BY JON EMONT

COX'S BAZAR, Bangladesh—The United Nations plans to build more than 50 watchtowers around Rohingya refugee camps in Bangladesh to protect them from wild elephants, which have killed at least 10 people since nearly 700,000 Rohingya started arriving from Myanmar seven months ago.

The camps sprawl across traditional migratory and feeding routes for the animals, which regularly enter the clusters of huts and wreak havoc. U.N. officials in Bangladesh estimate that 500,000 people are somewhere in their path.

The issue is serious enough that it is commanding resources from aid groups. The United Nations High Commissioner for Refugees, which helps oversee the displaced Rohingya, said 17 elephant response teams have been formed in the camps and were already warding off elephant attacks, including chasing away two pachyderms during recent intrusions.

"The next few weeks we're going to see more incidents,"

said Caroline Gluck, a UNHCR representative in Bangladesh. "It is the dry season so they look for food and water. That is why we're speeding up on all of this. This is a really critical period."

The response teams, comprised of Rohingya who are paid a stipend, will begin as next week to construct 56 watchtowers, which the UNHCR said would be manned 24 hours a day.

The U.N. says elephants have killed 10 Rohingya since August and injured many others.

Hossain Ahammed had an elephant crash into his shack, lift him up and toss him head-first into a tree. He was knocked unconscious and received emergency treatment for a head injury. Friends say that he now sometimes falls into rages and speaks incoherently.

"I came here for safety," said Mr. Ahammed. "But it is turned out to be the opposite."

The Rohingya, a long-persecuted Muslim minority in Buddhist-majority Myanmar, began fleeing to Bangladesh in August after Myanmar's mili-

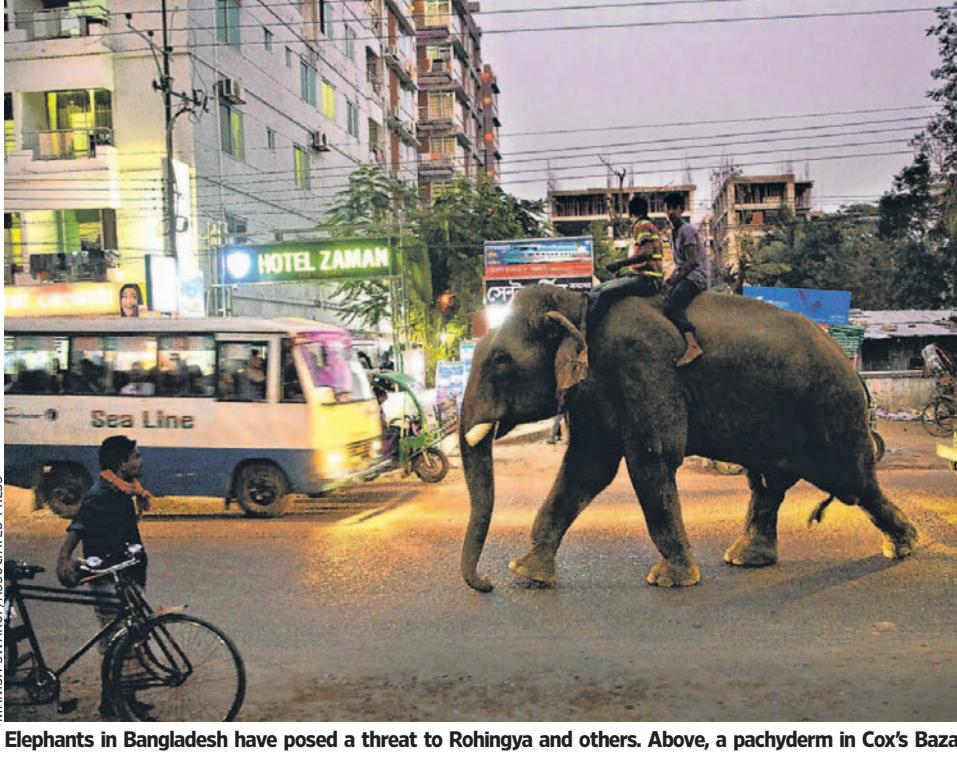
tary launched a campaign of killings, rape and burning villages in response to attacks by Rohingya insurgents. The U.S. has called the operations ethnic cleansing and U.N. officials have said they bear the hallmarks of genocide.

Myanmar denies the allegations but has refused to give human-rights investigators access to the area.

The International Union for Conservation of Nature, an environmental group working with the U.N. on the issue, says the camps are highly exposed to elephants, with numerous entry points. The group helped establish the response teams to chase off the elephants using flashlights and whistles.

The elephants' forest habitat has been depleted as refugees chop trees for fuel, said Andrea Dekrout, the UNHCR's senior environmental coordinator.

Ms. Dekrout said the fuel situation for the refugees is inadequate and liquefied gas canisters would soon be introduced in a trial to offer an alternative source of energy in the poorly lit camps.



Elephants in Bangladesh have posed a threat to Rohingya and others. Above, a pachyderm in Cox's Bazar

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## IN DEPTH

## BONUS

*Continued from Page One*  
tin, a retired banker in Ashland, Va., says he hasn't "noticed any changes at all."

The tactic, known as crosswalking, adds millions of dollars in federal payments to the companies that sell Medicare Advantage policies. For Humana, the shift is estimated to be worth nearly \$600 million in revenue this year, according to JPMorgan Chase & Co. analysts.

Other large managed-care companies, including UnitedHealth Group Inc., Aetna Inc. and Anthem Inc., also engage in the practice, according to an analysis of federal data by The Wall Street Journal. Insurers have used the maneuver to shuffle plans covering more members into higher-rated setups over the past few years—including around 1.45 million people for 2018.

The maneuver "is nothing more than gaming of the system," says Paul Ginsburg, a professor at the University of Southern California and member of the Medicare Payment Advisory Commission, a federal watchdog agency that has been critical of the strategy.

The Journal's analysis "shows us the magnitude of the problem," says Gretchen Jacobson, an associate director at the nonprofit Kaiser Family Foundation, who reviewed the analysis.

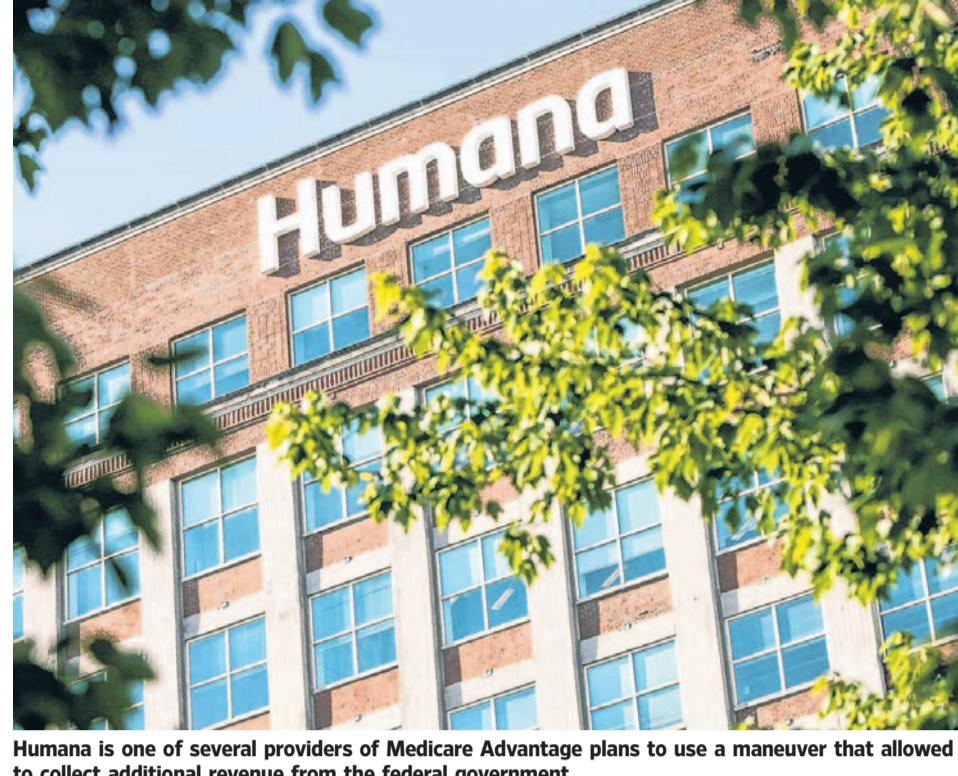
## Budget provision

The two-year budget deal signed into law last month included a provision expected to significantly reduce the practice. Yet industry experts say that even after the change, which won't affect payments until 2020, insurers will still be able to achieve some gains on quality scores—and bonuses—from crosswalking.

"The window won't be completely closed," says Melissa Smith, a vice president at industry consultants Gorman Health Group. "There will still be some circumstances in which it is profitable to crosswalk."

A spokesman for the Centers for Medicare and Medicaid Services, which had proposed a change similar to the one in the budget package, says that the agency "reviews requests for contract consolidations based on current requirements." Last November, the Medicare agency proposed changing the methodology "so that we can address the continued increase in the number of Medicare Advantage beneficiaries being moved from lower Star Rating contracts that do not receive a quality bonus to higher Star Rating contracts that do receive a quality bonus."

The bonus system was created by the 2010 Affordable Care Act. The intention of the ratings was to provide guidance to people shopping for plans, and the payments were supposed to create additional incentive for providers to upgrade the quality of their offerings. The system measures such factors as whether members get proper screenings and vaccines, and the quality of customer service provided by



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Humana is one of several providers of Medicare Advantage plans to use a maneuver that allowed it to collect additional revenue from the federal government.

## How Companies 'Crosswalk'

UnitedHealth combined two groups of Medicare members in a way that increased federal quality-bonus payments in 2016.

## Bonuses without merger

Group 1	162,088 members	Group 2	1,729 members
RATING	★★★☆☆	RATING	★★★★★

Plans in Group 1 were not going to get 2016 bonus payments because their star ratings were too low. Group 2 members were in highly rated plans slated to get them.

## State distribution of plan members



Group 1 members were spread out all over the country. Group 2 members lived in New England.

## Bonus for combined group

RATING	★★★☆☆	BONUS*	\$64.3 million
		Roughly 164,000 members	

UnitedHealth increased its bonus payments by merging Group 1 into Group 2, getting the payments for the combined membership instead.

\*Bonus calculation reflects minimum payment. †Excludes enrollment changes in membership unrelated to crosswalking. Note: Group 1 rating includes both three and three-and-a-half star ratings

Source: WSJ analysis of Centers for Medicare & Medicaid Services data

THE WALL STREET JOURNAL

insurers. Plans that win four or more stars are entitled to bonus payments.

The stars are applied to insurers' contracts with the Medicare agency. Each contract can contain dozens of plans covering thousands of members. If plans in a low-rated contract are moved—or crosswalked—into a contract

with a high rating, the high rating automatically applies to the newly added plans.

"There is no change in the nature of the plans offered," wrote MedPAC, the Medicare watchdog agency, in a 2017 report. The consolidations mean that seniors "will receive inaccurate information about the quality of care in [Medicare

Advantage] plans available in their area," the report said.

The higher rating could go down after a couple years when the Medicare agency updates its assessments of plans' quality performance. In some cases in the Journal analysis, an insurer has gained higher bonuses through crosswalking the same members more than once, including Mr. Martin, the Virginia retiree.

New crosswalks typically are made public in the fall, after they are approved by regulators, then take effect on Jan. 1, when the plans' coverage starts.

Heading into 2016, UnitedHealth, the biggest Medicare Advantage insurer, merged plans covering 162,088 members, across more than 15 states including Indiana, Texas and Georgia, into a contract that had included just 1,729 members in Rhode Island and Massachusetts, who were enrolled in special plans for nursing-home patients. Before the consolidation, the rating on the small contract was 4.5 stars. The larger plans carried ratings of 3 and 3.5 stars—too low to get bonuses.

After the merger, the larger contract—using the Medicare number of the smaller one—still rated 4.5 stars. The bonuses applied to the combined enrollment of about 164,000, along with new members who signed up that year. The move resulted in at least an additional \$63.7 million flowing to UnitedHealth, the Journal calculated, based on the membership of the plans at the end of 2015.

For 2016, UnitedHealth moved plans with 624,973 members at the end of the prior year into higher-bonus contracts, according to the Journal's analysis, and it did the same thing the next year for plans with 594,016 members.

UnitedHealth said that Medicare Advantage members "benefit from being moved into higher-performing plans in numerous ways, including through greater benefit and premium stability." It said that "any business benefit that comes from consolidating Medicare Advantage membership to fewer contracts is short-lived if the underlying quality fails to

improve," adding that 78% of its Medicare membership is in highly rated plans.

Taylor said. More than half of the Humana members whose plans were moved for 2018 were in one large contract known as H6609. That contract had been highly rated, and other plans had previously been consolidated into it, raising Humana's bonuses and swelling its enrollment to 791,260 by last year. Then federal regulators said H6609 was slated to drop to 3.5 stars and get no bonuses in 2018.

Aetna said contract consolidation isn't "a critical component of our Medicare Advantage business," and that some of its moves were tied to efforts to simplify contract structures. Anthem said it has consolidated some plans "so that more of our consumers could benefit from our highest quality offerings," and that it had done so only when it was "confident that our plans were well positioned to provide our consumers with consistent, high-quality care for many years to come."

## Investor warning

In October 2016, Humana warned investors that its star bonuses were set to fall sharply effective in 2018, partly because of downgrades tied to the results of a Medicare audit. It said the drop-off did "not accurately reflect the company's actual performance under the applicable Star measures." Humana's shares dropped by around 5% on the day of the disclosure, wiping out around \$1.4 billion in market capitalization.

Last August, the company said it had been able to eliminate nearly the entire shortfall by working to "rationalize contract structures." For 2018, Humana crosswalked 1.27 million beneficiaries into higher-bonus contracts, effectively dealing with the problem, more than twice the prior largest one-year total for an insurer, according to the Journal analysis.

JPMorgan Chase analyst Gary Taylor, who estimated the loss of star bonuses could cost Humana around \$600 million in revenue for 2018, said the crosswalking erased nearly all of that projected shortfall. The star bonuses are supposed to help plans pay for extra benefits, and they play a vital role in making plans more attractive to seniors and ensuring growth, analysts said. "There are very few things that would be more important to the success of your Medicare Advantage business than those star ratings," Mr.

Taylor said.

More than half of the Humana members whose plans were moved for 2018 were in one large contract known as H6609. That contract had been highly rated, and other plans had previously been consolidated into it, raising Humana's bonuses and swelling its enrollment to 791,260 by last year. Then federal regulators said H6609 was slated to drop to 3.5 stars and get no bonuses in 2018.

The company poured all of those members, including Mr. Martin, into a different contract known as H5216. Until the end of December, that four-star contract had included only about 50,000 members. The latest available data, published by Medicare in February, shows the contract now has 1.14 million enrollees, and Humana gets bonus payments for all of them.

Mr. Martin, whose plan had been moved once before, says he doesn't object. The 73-year-old says he chose his plan because it was a preferred-provider organization that offered more options for health-care providers.

Humana said all its consolidations "were reviewed and approved by CMS in accordance with applicable rules and regulations, and were undertaken to avoid significant reductions in benefits, increases in premiums, and disruptions in health-care coverage for our members, and for investments in our network of value-based providers."

*The tactic adds millions of dollars in federal payments to the companies.*

Crosswalking will become less attractive to insurers under new rules written into the budget package. For payments starting in 2020, the quality rating after a consolidation will be a weighted average of all the merged contracts. That will make it impossible to raise the scores of giant contracts by merging them into far smaller ones.

The averages likely will need to be rounded to the nearest half star to calculate bonuses. That is one reason companies may still be able to bolster their payments when they slot lower-performing contracts into even slightly larger ones with better scores, industry experts say.



JESSICA HILL/ASSOCIATED PRESS

Aetna also has engaged in the practice known as crosswalking.

## YOUTH

*Continued from Page One*  
from 61. The new members bring to the council dais an assortment of ideas and tattoos—Mr. Egleston's Charlotte's crown logo, for one.

The newcomers faced an old guard not easily moved. Municipal government, the front lines of public works and services, isn't known for speed. It seemed a match between the irresistible force and the immovable object.

One of the first orders of business for the new majority—who span ages 29 to 38—is to air meetings on Facebook Live.

City council meetings are close to the heart of American democracy, a place where residents usually get a chance to share whatever is on their mind. Live-streaming allows people on smartphones to add comments or emojis to discussions, supporters on the council said.

"We should meet people whenever we can, especially when it's easy," said City Councilman Braxton Winston, a 35-year-old community activist. Social media exchanges let the council engage with more constituents than at rub-

ber-chicken luncheons or city parades, the younger council members said.

Veteran council members objected, saying the practice could turn into an online shouting match. They called for legal advice: *Can you boot online trolls from an open meeting? Do emojis belong in the public record?* They asked to postpone discussion until the three-day council retreat, weeks away.

The new council majority called for a vote. "It's all about real-time," said City Councilman Justin Harlow, a 29-year-old dentist. "We can be genuine, authentic and stay connected faster than any generation."

After the measure passed, Mayor Pro Tem Julie Eiselt, a 57-year-old former investment banker, said on her Facebook page that she was disappointed the vote was sprung on the council by members who "saw no need to wait."

"I would argue that something that has been discussed nearly every week for over a month cannot be 'sprung on' anyone," Mr. Egleston replied.

Council veterans had a lot to learn from the new members, Ms. Eiselt said, but the reverse was also true. "We have to learn to listen to each other."

Change in Charlotte goes beyond city hall. In a city once known as Banktown U.S.A., the headquarters of Bank of America Corp. and others, the local economy has grown more diverse. So have residents; 1 in 6 were born outside the U.S. The median age is 34, and the city is a magnet for millennials, ahead of even Houston and Austin, Texas, say council members, who cite the climate and good jobs.

Millennials, generally considered people born from 1981 to 1996, equaled the baby-boomers' bloc of eligible vot-

ers in 2016, roughly 69 million. So far, though, their turnout has been anemic: 49% cast votes in 2016 compared with 69% of boomers.

Demographers say this year

will likely mark a turning point. Baby boomers started voting in force when the generation's median age reached 30. "We'd expect to see the same with millennials in 2018 and definitely in 2020," said Alec Tyson, senior researcher at the Pew Research Center.

Minneapolis voters elected Mayor Jacob Frey in November. The 36-year-old lawyer

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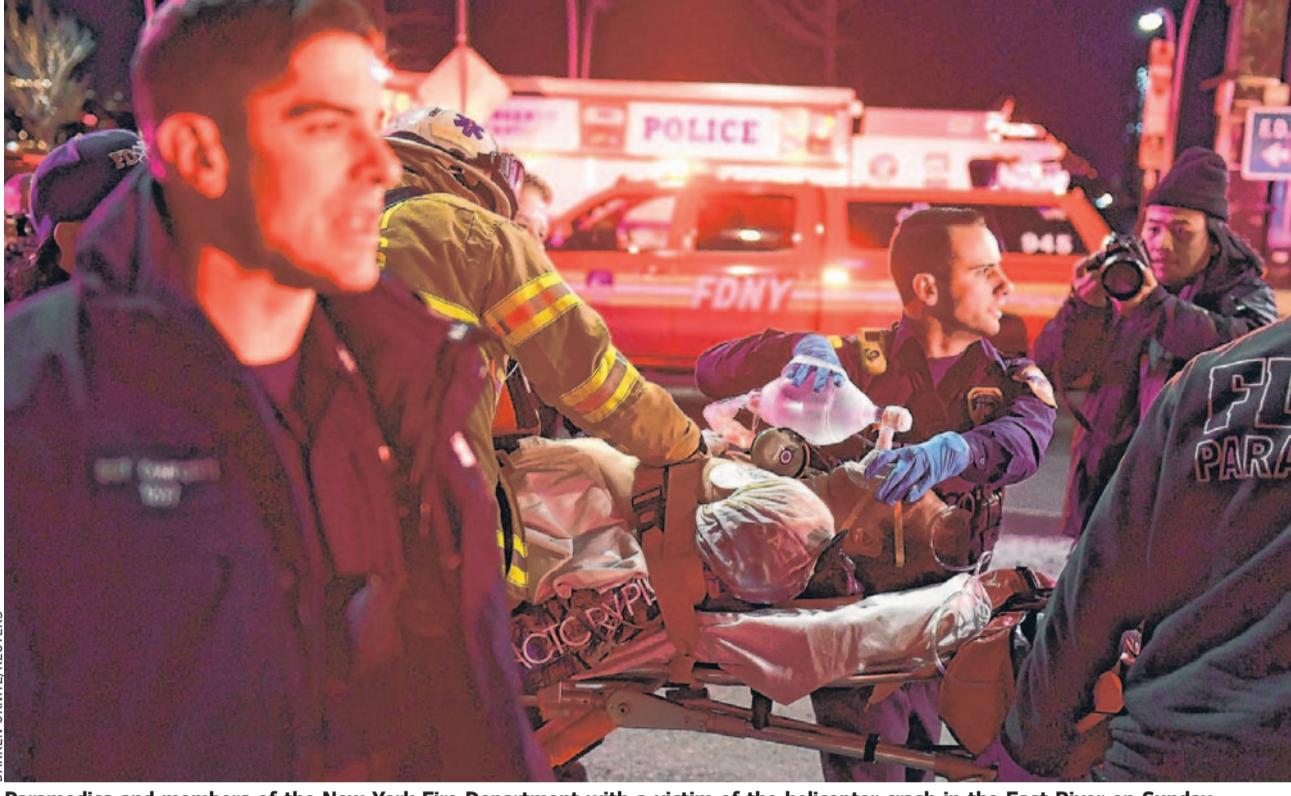
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# GREATER NEW YORK



Paramedics and members of the New York Fire Department with a victim of the helicopter crash in the East River on Sunday.

## Copter Crashes in East River

At least two are dead, three in critical condition; pilot survives accident

By KEIKO MORRIS  
AND MELANIE GRAYCE WEST

A private helicopter chartered for a photo shoot crashed into New York City's East River near Roosevelt Island killing at least two aboard.

The helicopter pilot survived, and three passengers were taken to the hospital in

critical condition, according to officials. There were six people aboard the private aircraft.

"It was a great tragedy on an otherwise quiet Sunday evening," said New York City Fire Department Commissioner Daniel Nigro. He said divers faced difficult conditions with cold water, currents and tight harnesses on the passengers. "It took a while for the divers to get these people out."

The Federal Aviation Administration said on Twitter that the Eurocopter AS350 helicopter went down around 7 p.m. and was reportedly in-

verted in the water. New York Police Department Commissioner James O'Neill said the National Transportation Safety Board will investigate the accident.

Mr. O'Neill said the helicopter is owned by Liberty Helicopter Tours. An email to the company's chief executives wasn't immediately returned, and no one was reachable by phone at the company's headquarters.

Emergency responders including the police's special operations team were on the scene near East 90th Street, according to a Twitter mes-

sage from the police.

The FAA said local authorities will confirm the number of people on board and their condition.

In recent years there have been several helicopter accidents in the city. In 2011, a helicopter carrying a veteran pilot and four tourists crashed into the East River, killing three tourists. In 2013, a helicopter pilot landed safely after the aircraft lost power at about 1,500 feet with four tourists on board. There were no serious injuries.

—Mike Vilensky contributed to this article.

## Class Tackles Tough Subject of Family

By LESLIE BRODY

When Ian Rowe moved his charter schools' headquarters to the South Bronx just over a year ago, he was dismayed to see a bright blue truck driving by, emblazoned with the slogan, "Who's Your Daddy?"

The mobile laboratory sold paternity tests as it roamed neighborhoods where, federal data showed, most children lived with a single parent. About 40% of U.S. babies are born outside of marriage, up from 10% 50 years ago.

Mr. Rowe calls the "silent tsunami" of births to unwed parents in poverty a huge obstacle to improving achievement. Many school leaders hesitate to make this claim, for fear of moralizing or criticizing many of the families they serve.

He isn't just talking. As chief executive of Public Preparatory Network, a network of three single-sex schools, Mr. Rowe launched a Life Knowledge course this winter for eighth-graders, to help them

Please see CLASS page A10B

### Learning Starts Before School Does

Quality schools are necessary but insufficient to overcome challenges faced by children in low-income areas where family instability is the norm, said Ian Rowe, chief executive of Public Preparatory Network.

He offers a project to try to improve children's vocabulary years before they show up at

school. His network has teamed up with the Parent-Child Home Program, a nonprofit that sends early-learning specialists to the homes of low-income toddlers twice a week for two years to boost skills and parent-child interaction.

Some younger siblings of his charter students get the same services before entering pre-school.

"Our philosophy," he said, "is to start early with the end in mind."

## Murphy's Plans For New Taxes Face Resistance

By KATE KING

As New Jersey Gov. Phil Murphy gears up to present his first budget proposal Tuesday, some of the governor's fellow Democrats in Trenton have doubts about how he plans to pay for it.

Mr. Murphy, who took office in January, is expected to increase spending to pay for the progressive policy agenda he advocated on the campaign trail, which includes fully funding the state's public schools and pension system, overhauling the commuter railroad and making community college free.

Some Democratic lawmakers, however, aren't sold on two new taxes Mr. Murphy has proposed to help pay for the spending increases: one on marijuana, which he is trying to legalize, and another on the state's millionaires.

The new taxes would augment revenue generated by growing the economy and closing corporate loopholes, the governor has said.

The dissent in his own party could threaten the speed at which Mr. Murphy, the state's first Democratic governor in eight years, can implement his agenda despite the Democrats being firmly in control of the state Legislature.

Republican lawmakers also have expressed concerns about Mr. Murphy's proposal to tax millionaires and legalize marijuana.

Senate President Steve Sweeney, a Democrat, said he is worried that a millionaires tax would be too much in addition to the new federal tax law, which capped previously unlimited annual state and local tax deductions at \$10,000 for individual and married filers.

Mr. Sweeney previously sponsored several bills that would have raised income taxes on New Jersey residents earning more than \$1 million, all of which were blocked by former Republican Gov. Chris Christie.

"We're going to jack up people's taxes and they can't write it off?" Mr. Sweeney asked. "The game changed when Washington passed this so-called tax cut."

Instead of a tax on million-

aires, Mr. Sweeney has proposed raising the state's top corporate income tax to 12% from 9%, but only on businesses earning more than \$1 million annually. He said the tax would affect about 2,375 companies and generate more than \$650 million in additional revenue for the state, which he proposed spending on educational and environmental programs.

The governor told reporters last week that he was intrigued by Mr. Sweeney's proposal but wanted more details, including about how it would affect small businesses. Mr. Murphy said he didn't see it as a substitute for a millionaires tax, but "perhaps as an additional weapon at our disposal."

At the same time, other Democratic lawmakers are balking at Mr. Murphy's proposal to legalize marijuana, which he has said could generate more than \$300 million in



New Jersey Gov. Phil Murphy will present his first budget Tuesday in Trenton.

tax revenue. Assemblywoman Shavonda Sumter said she was concerned about how legalizing marijuana would affect urban residents' health and job prospects.

"Any job you go for, especially in health care, you're doing a drug screen," she noted.

A spokesman for the governor said he is still committed to legalizing marijuana. Mr. Sweeney said he strongly supports legalization but acknowledged that he doesn't yet have enough support from his Democratic caucus.

Lower sales-tax revenue also is putting pressure on the coming budget, which must be finalized by June 30. New Jersey's sales-tax rate dropped to 6.625% in January, down from 7% two years ago, as part of a tax-cut deal passed by Mr. Christie and the state Legislature in 2016 that was projected to cost the state budget \$575 million by fiscal 2022.

## New Schools Chancellor Starts April 2

By LESLIE BRODY

New York City's new schools chief, Richard Carranza, will take over the district on April 2.

The 51-year-old superintendent of Houston schools will succeed chancellor Carmen Farina, 74, who is retiring.

Mayor Bill de Blasio's first choice, Miami-Dade County Public Schools superintendent Alberto Carvalho, rejected the city's offer after initially accepting it, to the embarrassment of City Hall.

The mayor said he wanted a leader who would embrace the plans already under way for the district. At Mr. Carranza's debut press conference last week he said: "There is no daylight between Mayor de Blasio and myself."

Mr. Carranza leaves Houston as it faces budget deficits and the risk that if achievement ratings don't improve at about 10 schools this summer, the Texas Education Agency might close them or appoint managers to take over the elected school board.

Ms. Farina is exiting after four years. She came out of retirement to take the job, and said she wanted to step down this spring.

Mr. Carranza has been superintendent since August 2016 of the Houston Independent School District, which serves about 214,000 students and nearly 300 schools. In New York he will oversee 1.1 million students and 1,800 schools.

## More Buyers of Billion-Dollar Buildings Want Just a Piece

By KEIKO MORRIS

Sales of billion-dollar Manhattan office buildings are rare, but in recent years sellers have been much more willing to part with sizable chunks of them.

Last year, partial-interest sales made up 83% of all deals for Manhattan office buildings valued at more than \$1 billion, according to real-estate services firm Cushman & Wakefield. In 2015, minority-interest sales made up 42% of such transactions.

Owners of these pricey properties are aiming to have their cake and eat it, too, with a number of them opting to sell minority stakes, while continuing to benefit from rising property values, said Doug Harmon, chairman of Cushman's capital markets group.

"One way to take advantage of appreciation in value and still benefit from future appreciation is to sell a piece of their building to a long-term, like-minded investor," said Mr. Harmon, whose team has brokered a number of Manhattan's biggest deals.

SL Green Realty Corp. in November agreed to sell 43% of 1515 Broadway to affiliates of Allianz Real Estate of Germany in a deal that values the tower at \$1.95 billion. Brookfield Property Partners LP, meanwhile, sold a 49% stake in the Financial District's One Liberty Plaza to a Blackstone Group LP Core+ fund at the end of last year, valuing the tower at \$1.515 billion.

The practice of selling minority stakes in commercial properties isn't new, but it has become increasingly common

L.R. ANDREW HARRER/BLOOMBERG; KEVIN HAGEN FOR THE WALL STREET JOURNAL



in large property deals, brokers and real-estate executives said. For the buyers, partial-interest sales make the equity required for the deals more manageable, and reduce taxes and other transaction expenses that typically come with the purchase of entire buildings. Some foreign investors like to join with landlords already experienced in the local market, said brokers and real-estate executives.

"Looking from the investor's point of view, having an experienced player with deep local roots and knowledge is a plus," said Isaac Zion, co-chief investment officer at SL Green.

The fact that the sellers still want to hold majority stakes,

meanwhile, demonstrates confidence the assets have more room to run, Mr. Harmon said.

Before the financial crisis, debt was abundant and cheap, and buyers could borrow at high loan-to-value ratios, making large deals manageable because less equity was needed, Mr. Harmon said. Since then, lenders have been more disciplined, requiring more equity, and those who bought trophy properties during the current cycle are under less pressure to sell.

"If you create enough value and have no pressure to sell, you can sell a 49% interest, re-finance and get all your money back and still own 51%, which is what we have done in our prop-

erties," said Scott Rechler, chief executive of RXR Realty LLC, a private real-estate company.

A more prudent approach to debt also has meant investors have to write bigger checks for the equity required for these big commercial deals. In this environment, minority-interest sales of property make the amount of equity needed more manageable and avoid incurring city and state transfer taxes, which, combined, are 3.025%, real-estate experts said. These types of transactions also can widen the pool of potential buyers.

Partial-interest acquisitions, particularly of large, high-end office buildings, have been

growing at a time when overall sales of Manhattan commercial properties are down, tumbling 66% from a peak total of \$63.2 billion in 2015 to \$21.6 billion in 2017, according to Cushman & Wakefield. In 2015, five of 12 were partial sales.

Foreign institutional buyers, many of whom have huge portions of their funds targeted at U.S. real estate, accounted for a majority of the partial-interest transactions in both of those years.

Minority-interest deals have been increasing across the entire Manhattan commercial market of buildings that sold for \$10 million or more, according to real-estate services firm JLL. From 2016 to 2017, deals for less than 50% of a property accounted for 17% of total sales dollars, compared with 7.1% during the prior 10 years, JLL said.

But investors also look at these transactions as a chance to forge a strategic relationship that can result in more deals between the partners, Mr. Harmon said.

Partial-interest sales are like marriages, he said. "You have to find the right fit."

From left: Worldwide Plaza, 1515 Broadway and One Liberty Plaza have had partial-interest deals.



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## GREATER NEW YORK

# Restaurant Group Bellies Up to the Bar

By CHARLES PASSY

True to its name, the Major Food Group has built its reputation as one of New York City's pre-eminent restaurateurs. Most notably, in the past year the company opened the high-end dining spots the Grill and the Pool in the East Midtown space formerly home to the Four Seasons.

Now, Major Food Group is turning its attention to the boozy side of the business.

In the coming weeks it will open the Polynesian, a 100-seat contemporary-themed tiki bar in the Pod Times Square hotel. The idea, say company officials, is to update the island-minded concept of generations ago for the mixology-crazed market of today that demands better-crafted drinks.

The bar also will offer what Major Food Group managing partner Jeff Zalaznick said will be the largest selection of rum in the city, with



GETTY IMAGES FOR HEINEKEN

**Jeff Zalaznick, left, seen with Mario Carbone, is tapping the cocktail market with new establishments.**

hundreds of choices.

The Polynesian will join another new Major Food Group drinking spot, the Pool Lounge, which is connected to the Pool restaurant. Opened in the second half of 2017, the bar focuses on cocktails built around

a single flavor, as evidenced by drinks with such straightforward names as "Cinnamon" and "Sour Apple."

Major Food Group officials declined to say how much they have spent developing their recent bar projects, but it is

clear the company isn't cutting corners. At the Polynesian, architectural details include hand-carved woodwork in the tiki tradition, Mr. Zalaznick added.

And at the Pool Lounge, the glassware is from the Japanese brand Sugahara, said director of bar operations Thomas Waugh. A single glass can retail for up to \$100, he said.

"These are like collection pieces," he added.

Major Food Group's move comes as other big names in fine dining also have branched out into the bar world. Union Square Hospitality Group, the New York-based restaurant company headed by Danny Meyer, opened Porchlight, a craft cocktail bar, in west Chelsea three years ago.

Hospitality-industry insiders and experts say such moves shouldn't come as a surprise because the bar business can be lucrative, with product and labor costs typically much

lower than in restaurants. And, in the era of craft cocktails, bars have become a forum for the kind of creativity and showmanship once exclusively associated with dining spots.

"Now, mixologists are rock stars," said bar and nightlife entrepreneur James Morrissey, whose New York venues include the VNYL and the Late Late.

Major Food Group officials don't see themselves as jumping on the bar bandwagon, so to speak. They say their latest forays into the nightlife scene are reflective of the seven-year-old company's longstanding commitments and interests. In particular, they note that they opened ZZ's Clam Bar, a Michelin-starred craft cocktail bar in Greenwich Village that also offers raw fish, in 2013.

Moreover, the group sees the Polynesian, which also will offer outdoor seating, as exemplifying the company's ap-

proach of taking classic concepts and tweaking them for modern times. So, much as Major Food Group put a new spin on Italian-American cuisine with its Parm restaurants or Jewish food with Sadelle's, now it plans to take tiki into the 21st Century.

The Polynesian "falls into the Major Food Group mold," Mr. Zalaznick said.

The challenge that Major Food Group could face is that the bar and restaurant worlds ultimately are very different, said Stephen Zagor, a dean at the Institute of Culinary Education, which has a campus in New York.

In restaurants, patrons tend to spend a fairly consistent amount, making it easier to gauge revenue, he explained. By contrast, in bars, some guests pop in for a quick drink, while others make a night of it.

The bar business "is a lot more unpredictable," Mr. Zagor said.

lactic against early and mistimed birth and unstable family formation might well be to help young people find their passion and connect them with caring, skilled adults," she said by email.

Mr. Rowe, 53 years old, brings an unusual resume to his mission. After Brooklyn Technical High School and Cornell University, he got an M.B.A. at Harvard Business School. As an executive at MTV, he harnessed its publicity tools to urge young people to vote, recycle and stay healthy. Then he worked on college-completion programs at the Bill & Melinda Gates Foundation. He began leading the city's first all-girls charter, Girls Prep, in 2010.

Public Prep has three schools on six campuses in the Bronx and Manhattan, with nearly 2,000 students in prekindergarten through eighth-grade. About 85% qualify for subsidized lunch, and nearly all are black or Hispanic. The network says 90% of its first cohort of alumni entered college last fall.



**Alison Kullman, with her students at Girls Prep Lower East Side Middle School.**

MICHAEL NOBLE JR. FOR THE WALL STREET JOURNAL

## CLASS

*Continued from page A10A*  
envision futures where they won't have babies before they can support them.

Underlying the curriculum is "success sequence" research by Ron Haskins and Isabelle Sawhill, both senior fellows at the Brookings Institution. They found that among U.S. adults who graduated from high school, got a full-time job (or belonged to a family where someone did), and delayed having babies until after they were 21 years old and married, only about 2% lived below the poverty line. Meanwhile, 71% ended up in the middle class or above.

"Of course there are exceptions to the rule, but on the macro level, the data is overwhelming," Mr. Rowe says.

Mr. Rowe says he is careful to avoid preaching to students, though he blogs about his views on the education-policy website of the conservative

Thomas B. Fordham Institute. A married father, he wants the twice-a-week "Life Knowledge" class to help students discover on their own the hurdles that untimely childbearing can put in their path. They use Sean Covey's book, "The 7 Habits of Highly Effective Teens," as a base.

During a recent class at one of the network's charters, Girls Prep Lower East Side Middle School, 26 eighth-graders talked about their insecurities, the hazards of gossip, and the difference between being confident and cocky. Three girls wound up in tears as they described how they relied on a grandmother or sister for strength.

Their teacher, Alison Kullman, asked each one to describe something that inspired her. Ferrah Reid, 13 years old, held up a book on how to communicate in sign language, saying it showed her desire to become multilingual. When she was born, her young mom quit college and didn't have the chance to learn.

Sanaai Carney, 13, brought a stuffed dog to represent her desire to be a veterinarian. She quoted Atticus Finch in "To Kill a Mockingbird," who said real courage is knowing "you're

licked before you begin" and persisting nonetheless. "If I don't try at all I won't have a chance," Ms. Carney said.

It is unclear how well Mr. Rowe's agenda will work. Kath-

ryn Edin, a Johns Hopkins University sociology professor who researches single parents, says students need interests that give them a sense of identity. "It could be that the best proph-

## GREATER NEW YORK WATCH

### CONNECTICUT

#### House to Weigh Pick To Lead High Court

The level of politicking enveloping a modern-era Connecticut chief justice nomination has reached unprecedented levels as Democrats and Republicans spar about whether Andrew McDonald should lead the state judiciary.

Justice McDonald, nominated by Democratic Gov. Dannel Malloy, would be the first openly gay state Supreme Court chief justice in the U.S.

His chances were put in jeopardy more than a week ago

when a tie vote by the legislature's Judiciary Committee, following a marathon 13-hour hearing, sent the nomination to the full General Assembly with an unfavorable recommendation.

The vote was mostly along party lines, with Republicans opposing Justice McDonald.

The House is scheduled to take up the nomination on Monday.

Democrats have suggested Republicans are against Justice McDonald because he is gay. Republicans criticized Democrats for making the allegation, saying their opposition was based solely on decisions he has made

during his five years as a Supreme Court associate justice.

—Associated Press

### NASSAU COUNTY

#### Mangano Trial Set To Start on Monday

The trial of former Nassau County Executive Edward Mangano, who is accused of taking kickbacks and bribes, is scheduled to begin on Monday.

Mr. Mangano and his wife, Linda Mangano, will be on trial in Central Islip, along with John Venditto, a former Oyster Bay town supervisor. All three have pleaded not guilty to an indictment alleging extortion, bribery and other crimes.

Between 2010 and last December, Mr. Mangano held the highest elected position in the county adjacent to New York City. Prosecutors say the Republican began engaging in corrupt acts within weeks of his election.

The indictment alleges that Messrs. Mangano and Venditto received bribes and kickbacks to help a Long Island businessman.

—Associated Press

### NEW JERSEY

#### Babysitter Charged With Kidnapping

A 22-year-old babysitter was charged with kidnapping a 4-month-old boy after she was found on a train with him, authorities in New Jersey said.

Nadaja Hill, of Camden, was caught in Riverside while she and the baby were on a south-bound NJ Transit River Line train at about 12:30 p.m. on Saturday, Camden County police said.

The baby was in good health and returned to his family, officials said.

The infant's mother reported him missing after she was unable to reach Ms. Hill on Friday night to pick up the child at a Camden home, authorities said. Detectives determined Ms. Hill had taken him to Newark using public transportation.

Ms. Hill also has been charged with child endangerment. She is being held at the Camden County Jail. It wasn't known if she is represented by a lawyer.

—Associated Press

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# LIFE & ARTS

## INFLUENCERS

## The King of Comedy Mentors

Judd Apatow on Garry Shandling's legacy of generosity with young talent



BY JOHN JURGENSEN

**JUDD APATOW** has been seeking out comedy gurus since he was a child. Long before he wrote and directed career-defining movies such as "The 40-Year-Old Virgin" and "Knocked Up," he was a teenager using a bulky tape recorder to record conversations with Jerry Seinfeld, Jay Leno and dozens of other stand-up comedy stars.

Ostensibly he made these interviews for his high school radio station in Syosset, N.Y., but their real purpose was to educate Judd Apatow and create a connection with his comedy heroes.

That led to his first interaction with Garry Shandling, who died in 2016 at age 66. He was a stand-up performer who mined his own anxieties, a frequent guest host on "The Tonight Show," and the creator of the rule-breaking TV shows "It's Garry Shandling's Show" and "The Larry Sanders Show." Nearly as influential as Shandling's own work was his tutelage of many young comedians.

After producing a TV show that flamed out quickly, Mr. Apatow wrote for "The Larry Sanders Show," and grew close to its creator, who also gave Mr. Apatow his first shot at directing.

"When he hired me he said, 'You're going to learn a lot.' He didn't say, 'You're going to be very helpful to me,'" Mr. Apatow recalls.

Mr. Apatow has directed and produced a two-part documentary film, "The Zen Diaries of Garry Shandling," airing March 26 and 27 on HBO. It's both a biography of the comedian and an immersion into his quest to expose truth in his comedy. The film uses interviews and entries in Mr. Shan-

dling's personal journals.

Mr. Apatow, 50, has followed Mr. Shandling's example as a producer and helped younger creators shape some of their first scripts into movies (including Amy Schumer's "Trainwreck," Kumail Nanjiani and Emily V. Gordon's Oscar-nominated "The Big Sick") and TV shows (Lena Dunham's "Girls," Pete Holmes's "Crashing").

Recently, during a break from the writers room of "Crashing," Mr. Apatow spoke by phone about mentorship. Here are excerpts:

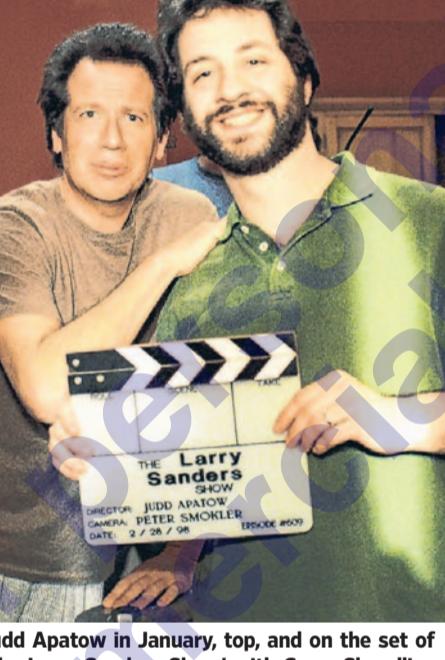
**Where do you see the connection between Garry Shandling's personal quest with his work, and his guidance of you and other young comics?**

Garry was a spiritual seeker, and there was a natural connection between his spirituality and the idea of mentorship. When Garry was in college, he wrote two pages of jokes for George Carlin and he went to a concert and was able to give them to Carlin, who said, "Come back tomorrow and I'll tell you what I think."

When Garry returned, Carlin said, "I don't buy jokes, but there's a great joke on every page so if this is something you want to do, I would pursue it." That gave Garry the courage to move to Los Angeles and be a comedian and a writer. He knew the value of that type of support and how it could change people's lives.

**What is the difference between mentoring and talent scouting?**

Those ideas run on parallel tracks. It's like finding a friend you want



Judd Apatow in January, top, and on the set of 'The Larry Sanders Show' with Garry Shandling.

to spend a lot of time with, so you have to choose people whose company you will enjoy. I had so many great years hanging out with Lena Dunham and [executive producer] Jenni Konner working on "Girls." That's the most special part of it. But if the relationship works, there's a better chance that the project works.

**Writers have said you get them to drill down into the emotion of a story first, and jokes come later. How do you help them do that kind of surgery?**

With "The Big Sick," I felt it was very important to understand what Kumail's religious beliefs were. It's the story of a Muslim immigrant caught between cultures. I felt we

had to clarify for the audience his belief in God and his religion. Those are the kind of discussions we have on every project. The characters need to be as complex and real as possible. It's very similar to therapy. With more personal projects, it's: What's your life like? What are your relationships like? What wounds do you have that create problems and obstacles for you? The answers to those questions are what inform the story.

**A lot of what you're talking about just sound like the traits of a good producer.**

It's all producing. Kumail and Emily were writing their first script, so there's some mentorship there. We don't use that word when we're working together. I don't walk in and say, "Mentor time!" I feel that when people are working on stories that they are

ridiculously passionate about, they dig deeper and care way more than when they're just fabricating something to have a job or get ahead in the business. Because that's what I'm seeking, I'm often working with people on their first or second screenplays, because those are the stories you tell early in your writing career.

**Is it important to formalize the mentor relationship?**

I think it's about people understanding the relationship and respecting their roles within it. I spent seven years working with Lena and Jenni. Early on I said, "I will be very honest about my opinions, but know for sure that you are in charge of all of it and have the final call." And that freed us to

### Who Is Judd Apatow?

**WHAT HE DOES:** Comedy writer, producer, director and performer

**HOW HE GOT THERE:** Transitioned from hard-core comedy fan as a teen to performing stand-up comedy. One of his first writing jobs: penning jokes for Garry Shandling when he hosted the Grammys.

**HIS BIG BREAK:** As a writer and producer he helped shape influential shows such as "Freaks and Geeks," but became best known for movies that married real-life emotion with raunchy comedy, including directorial debut "The 40-Year-Old Virgin," "Knocked Up," "Funny People" and "This Is 40."

**HIS OBSESSION:** Documentary films and self-help books. "I need Eckhart Tolle to be my mentor, but I can only get that through a book," he jokes about the German author of books such as "The Power of Now."

have very honest discussions about all the issues related to the show. One of the problems people have is that the rules of the relationship are never established. That's when people go to war with each other.

The curtain has been torn back on some of the problems with power abuse in Hollywood. Has that made you rethink any of the relationships you've had?

Early on when we were making "Girls," I realized I had a lot to learn about all these issues. I had worked on a lot of crews filled with Caucasian men. When we crewed up "Girls," it was very diverse and there was an enormous amount of women on the production. I can't say I was tuned into that before I saw Lena and Jenni's approach. Then we had a lot of discussions about behavior in the workplace. My eyes were opened to where men could be misbehaving. We also shot a lot of intimate scenes on that show, and our priority was making people feel safe and cared about. That's what this is about. As a producer, that's your job, to make sure people know that they'll be taken care of well if they have a concern.

**Who have you failed as a mentor?** I fail people all the time, but it's usually because we're not a great match. Sometimes you can't crack the code of how to work together. What happens is that the work never gets good enough to get made. If we're allowed to make the movie, we probably solved all those problems.

**What line of Garry's do you often use?**

I always remind people of how Garry described "The Larry Sanders Show." He said it was about people who love each other but show business gets in the way. He was very interested in how people's egos separated them and how all stories are about people trying to connect and how their wounds and baggage make that difficult. You can apply that idea to almost any story. How can we evolve to be more loving to each other? Stories are about the things that go wrong as we're stumbling and trying to figure out how to do that.

### ART AND AUCTIONS

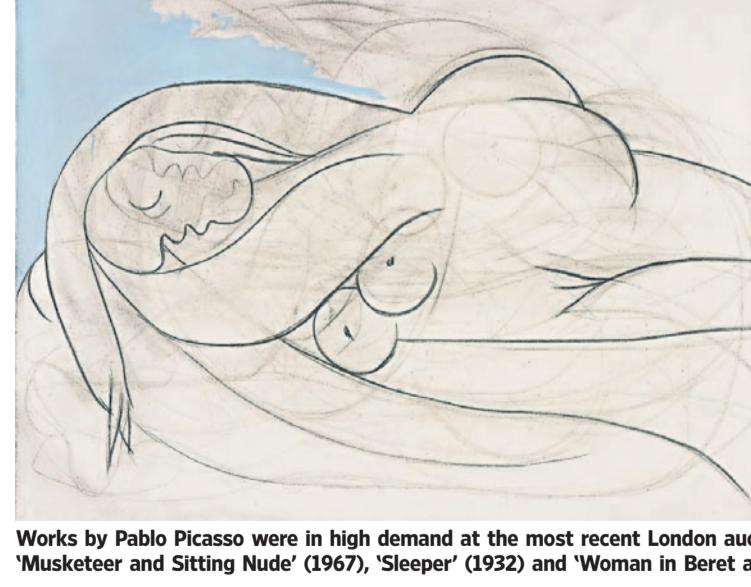
## LONDON AUCTIONS' WINNERS AND LOSERS

BY KELLY CROW

**NEW YORK'S MAJOR** spring auctions are still two months away, but a successful series of sales that just concluded in London suggests that collectors know what they want: More.

Snapping up jewel-tone modern paintings, wiry sculptures and recently completed works, bidders went on a shopping spree, buying more than \$1 billion worth of impressionist, modern and contemporary art all told from Sotheby's, Christie's and Phillips in London. That's up 27% from a similar round of sales a year ago and a sign that collector confidence could continue to build leading up to the traditionally more important auctions in New York in May, dealers said.

Christie's led the latest round, selling \$475 million in art and besting Sotheby's



Works by Pablo Picasso were in high demand at the most recent London auctions. Three that changed hands were, from left, 'Muskeeteer and Sitting Nude' (1967), 'Sleeper' (1932) and 'Woman in Beret and Checkered Dress (Marie-Thérèse Walter)' (1937).

\$430 million total. Boutique house Phillips surged with a \$135 million evening sale Thursday that eclipsed its \$18 million one the year before.

Pablo Picasso was the reigning champion across all three houses, boosted in part by an anonymous bidder or consortium who spent more than \$155 million on at least 13 pieces by the artist at Sotheby's and Christie's. The winning bids for the Picassos were all fielded

by Gurr Johns, an art advisory firm with offices in the U.S., India and England. Gurr Johns' singular efforts were reported earlier by art industry newsletter Baer Faxt.

At Sotheby's, the Picasso trove included a portrait of one of his mistresses from 1937, "Woman in Beret and Checkered Dress (Marie-Thérèse Walter)," which sold for \$69.2 million. Gurr Johns also claimed the top lot at Christie's impressionist and modern art sale, Picasso's "Muskeeteer and Sitting Nude" from 1967, which fetched \$19.2 million. It isn't clear

who bought the artist's 1932 "Sleeper" portrait of Ms. Walter at Phillips. The purchaser paid \$57.8 million, doubling its high estimate.

Records were broken for several artists

this time around, including Umberto Boccioni,

Peter Halley, Yinka Shonibare, and Mark Bradford, whose 2007 abstract "Helter Skelter I," was sold by tennis player John McEnroe through Phillips for \$12 million, passing its \$11 million high estimate.

In another sign of market momentum, col-

Please see ART page A12



FROM LEFT: CHRISTIE'S IMAGES LTD.; PHILLIPS; SOTHEBY'S

## LIFE &amp; ARTS

## LIFE

# Finding Love In the Frozen-Food Aisle

As traditional hangouts shrink, grocery stores are becoming the place where people meet to socialize—and even fall in love

BY ANNE MARIE CHAKER

**WHEN BOB SCHNEIDER** goes out on a Friday night, he no longer heads to the local singles bar. Instead, he goes to the grocery store.

"I once dated a woman from the potato section at Mariano's," says Mr. Schneider, a 67-year-old semi-retired, twice-divorced lobbyist in Oak Brook, Ill. "The next thing you know we're at the wine bar and then we're dating."

Supermarkets—those havens of the not-so-scintillating chore of scouring numbered aisles, pushing carts and perusing produce—are finding a new identity as a social hub in communities. Parents now bring their children here to play, retirees gather for Bingo, and singles find romance.

Grocery stores are fulfilling the new role as traditional gathering spots, from shopping malls to social clubs like Lions Clubs and Rotary International, continue to shrink from decades-earlier peaks. Malls, in particular, are in danger of extinction. Credit Suisse has projected that up to 25% of malls will close over the next five years, as the internet continues to reshape the way Americans shop.

As more shoppers consider alternatives including online shopping apps and meal kits, grocers are finding ways to avoid a similar fate. Many are reinventing themselves as destination spots.

"Getting people into the store is the number one objective," says Laurie Rains, Nielsen's group vice president of retail strategy. Retailers are also drawn to the higher margins that in-house prepared foods, coffee and cocktails can offer.

By offering space for people to hang out and play, grocery stores are making a calculation that customers will stay, shop longer and come back more often. Market of Choice, an Oregon chain of 11 supermarkets, has reduced space for center-store aisles by 22% in recent years and devoted more room to couches, fireplaces with seating areas and restaurant-like services, says owner Rick Wright.

Lowes Foods, a Winston-Salem, N.C.-based supermarket chain, has recently redesigned its stores into an animated "village concept" of shops around the perimeter with giant birthday-candle lights, moving signs and employees who perform a chicken dance, says Heather George, senior vice president of brand strategy for the chain of 75 stores in the Carolinas. At the heart of each store is a



Bob Schneider says a Mariano's in Westchester, Ill., is his favorite place to meet people; below, the Catawba Crafters gather at a Lowes Foods in Hickory, N.C.; Jeremy and Jessica Ellis spent most of their dating life at a Harris Teeter in Norfolk, Va.



large rectangular communal table.

That table has provided a weekly home for the Catawba Crafters, which gathers every Friday morning at a Hickory, N.C., store.

Founder Jo Boone, a 57-year-old retired nursing assistant, says the group has been surprised at how many shoppers stop and chat. "We had a lady come who was 91 and struggling with dementia. Her daughter asked, 'Can mom sit with you while I shop?' And I said sure," Ms. Boone says. "The next Friday, we made her a shawl."

Ms. Boone also attends Bingo games at the table on Tuesday mornings. She says the store has provided her with an important social outlet and a reason for getting out of the house. "Sometimes I sit there and I don't even crochet

because I start talking," she says.

Some retail experts are skeptical that the capital devoted to entertaining shoppers can reap sufficient rewards. "There is little money to be made directly from people using a store as a place to hang out," says Deborah Weinswig, chief executive of Coresight Research, a retail think tank, who says the benefit may be in a "halo effect," where shoppers develop a warm perception of a brand.

The social aspect has converted people like Frank Linik from a twice-a-week grocery shopper to a daily one. On most mornings, the 72-year-old retired school administrator in Bend, Ore., brings his laptop to the 3,000-square-foot seating area surrounded by windows on the mezzanine overlooking his local

Market of Choice, where he works on his novel. He typically orders coffee and a muffin and writes for two hours. "I started meeting people from other parts of town," he says. Employees now know him by name and ask how his wife is doing.

In the afternoon, when he starts thinking about what to make for dinner, he typically goes back to shop. "It's top-of-mind," he says.

Bo Sharon, owner of Boulder, Colo.-based Lucky's Markets, says about 25% of his stores are devoted to nonretail space, whether that's tables in a cafe, performance areas for local musicians, or a designated community room where neighborhood groups meet.

Fostering a sense of community, he says, ultimately helps drive traffic. "Sure, we could put more

aisles in and could pack more product, but then you lose the social hub of community," he says.

At Mariano's grocery store in Westchester, Ill., Mr. Schneider says open seating lowers the barrier to grabbing a seat near a stranger and starting conversation. "Once I had them cook an entire fish," he recalls. "I took it over to a table where a woman was having a drink, and I offered her some. We didn't end up dating, but I ended up with a really nice friend."

The people he meets there are different from the nearby single's bar. "People aren't going there in desperation," he says. "They are trying to get something to eat, be open—and it's fun. And the cheese section, my God! The samples they throw at you."

The social scene can be annoying for customers who just want to run in and get what they need. Jenny Perin says navigating the evening wine-tasting crowds that cluster in the aisles of her favorite grocery store, Walt Churchill's Market in Maumee, Ohio, has made her re-think when she does her shopping. "I get irritated," says the Waterville, Ohio, nonprofit consultant.

Owner Walt Churchill says the tastings are intended to be in back of the store, but that people sometimes wander. "It's like herding cats sometimes," he says. Mr. Churchill plans on confining the tasting area more in the future.

Simply roaming the aisles can inspire friendships, and even love.

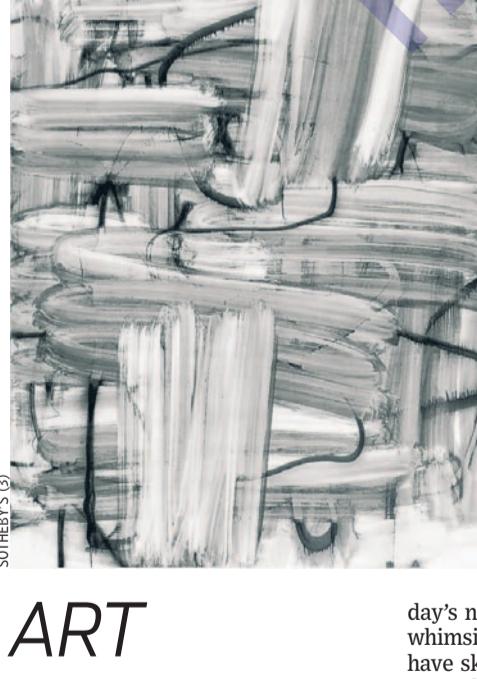
Dan Wilson and Alissa Clapper met—and had their first date—over burgers at a Hy-Vee supermarket in Ankeny, Iowa, last summer. Having an in-house restaurant made the date possible, says Mr. Wilson. "It was 90% of the reason she even said yes," he says, "because she didn't have to get in the car with a stranger." The couple recently got engaged.

During their nine-month courtship, Jeremy and Jessica Ellis regularly met at a Harris Teeter in Norfolk, Va. The grocery store was the midway point in the 45 miles between their two towns.

"Most of our dating life was at the grocery store," says Ms. Ellis. "You get a chance to talk, there's another task to focus on and you're not worried about impressing the other person."

The couple would chat, have coffee and smell flowers. "Whenever a song came on, we would dance in the middle of the aisle," says Mr. Ellis, "and not care what people thought."

CLOCKWISE FROM TOP: LUCY HEWETT FOR THE WALL STREET JOURNAL; LEIGH SKAGGS PHOTOGRAPHY; CARMEN ECKARD



## ART

Continued from page A11

lectors turned out for the houses' daytime sales of lower-priced works, with Sotheby's selling 85% of its offerings in its \$32 million day sale of contemporary art last week and Christie's selling 92% of its works in a similar day sale that also totaled around \$32 million.

Here's a look at some of the biggest winners and losers of the London sales.

## WINNERS:

**FRANÇOIS-XAVIER LALANNE:**

After the 2009 estate sale of designer Yves Saint Laurent put this French sculptor on the radar of to-

day's new collectors, Mr. Lalanne's whimsical, animal-shape pieces have skyrocketed. Christie's sold his 2006 desk designed like a wild sheep and titled "Pauline's Large Mountain Sheep," for \$2 million, over its \$827,952 high estimate.

**LYNN CHADWICK:** The British sculptor is known for his series of walking figures whose clothes, though cast in bronze, appear to be flying in the wind—and now, so are his prices. Sotheby's sold his sculpture, "Pair of Walking Figures—Jubilee 1977," for \$3.5 million, tripling its high estimate.

**CHRISTOPHER WOOL:** This conceptual artist's auction performance has been volatile in recent years, with collectors paying more for his

early, word-play paintings than his later abstracts. But there are signs his market is starting to stabilize, and Sotheby's sold an untitled, 2007 abstract for \$14.5 million, over its \$8.6 million high estimate.

## LOSERS:

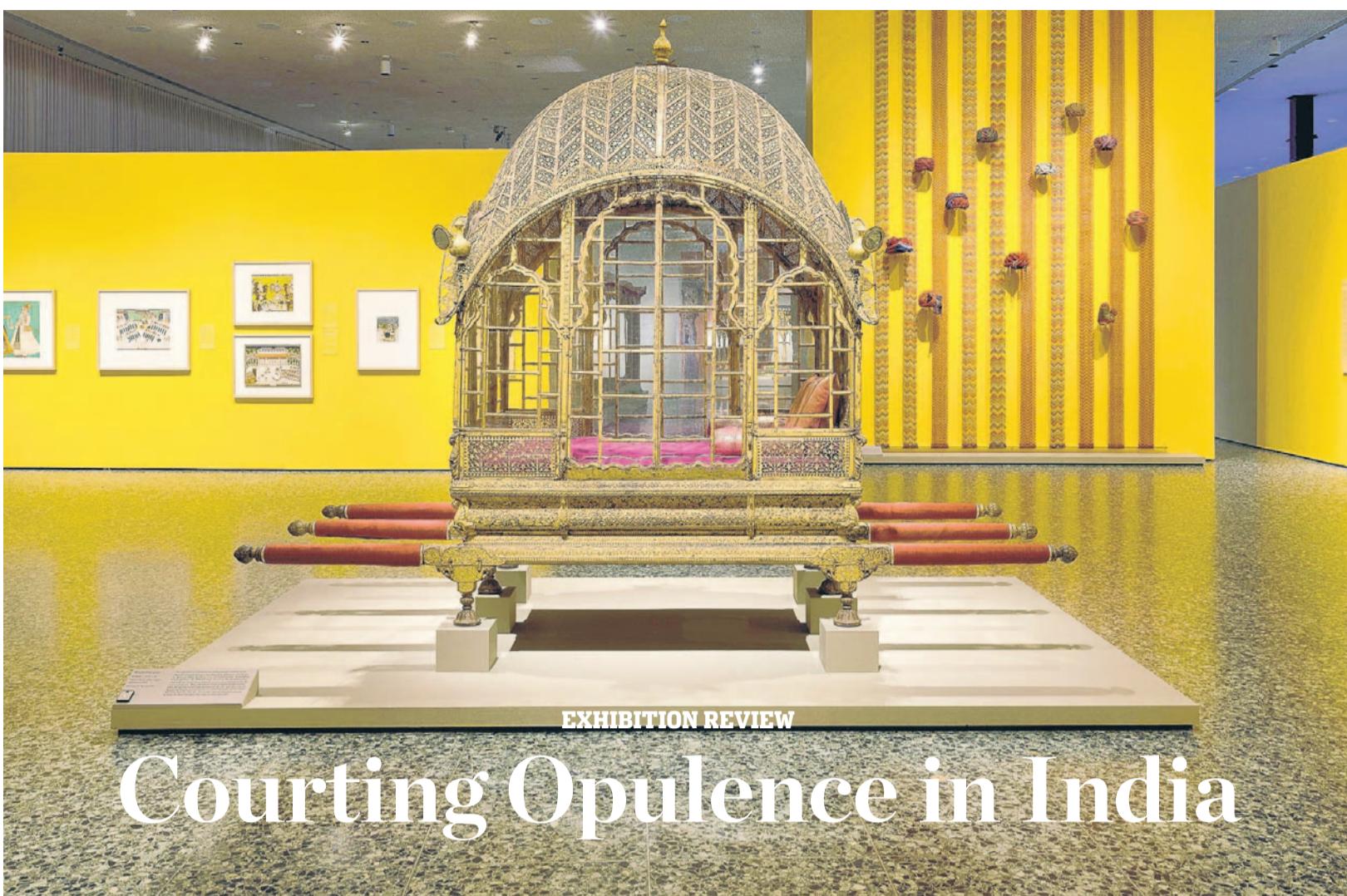
**ADRIAN GHENIE:** The Romanian painter has been a market darling for several years running, with one of his moody interiors, "Nickelodeon," selling for \$9 million two years ago. Yet when Christie's recently offered his gruesome portrait of Nazi doctor Josef Mengele, 2011's "Study for The Kaiser Wilhelm Institute," no one initially bid on the work, which had been expected to sell for at least \$551,000. In a rare move, the auction house decided to offer up the work again later in the

same sale, and one bidder stepped up and won it for \$674,435. Two nights after that, Phillips sold another work by Mr. Ghene, "Found," for \$343,600 following a single bid as well.

**DAVID HOCKNEY:** A traveling retrospective of the British painter's colorful work on view recently at

the Metropolitan Museum of Art could have led to a bump in his auction prices, but collectors may have seen enough for now. Sotheby's failed to sell Mr. Hockney's watery diagram from 1965, "Different Kinds of Water Pouring into a Swimming Pool, Santa Monica." It had been priced to sell for at least \$8.3 million.

## LIFE &amp; ARTS



EXHIBITION REVIEW

## Courting Opulence in India

BY LEE LAWRENCE

*Houston*

**IN A NORTHWESTERN** corner of the Indian subcontinent, on the edge of the Thar desert, recent arrivals from further north built a fortified palace on a rocky hill in the "land of kings," today's Rajasthan. It was 1459, and over the next 500 years the Rathores, a Hindu clan of the warrior caste, built a life both cosmopolitan and grand. Connections, not location, ensured their success, and it is fitting that "Peacock in the Desert: The Royal Arts of Jodhpur, India" opens with a tableau of one of the principal ways the Rathores networked across a wide region: a wedding.

In one of the museum's thoroughfares, drums and pipes and colorful flags surround a bride's covered palanquin and a groom's bejeweled elephant. Their procession points us toward the show's entrance, where we are like a bride following a groom she has never met into a world she does not know. But not for long. In a suite of five galleries, groupings of furnishings, jewelry, weaponry and accessories, along with a noteworthy selection of rarely seen paintings, introduce the Rathores—who they are, how they've thrived, what they've loved, where they've lived.

It is immediately clear that the world they created was stylish, opulent and colorful—witness the distinctive facial-hair fashions, the ornamented weaponry, and the turban cloths streaming down from the ceiling. Knotted turbans sport, amid their folds, a mirror tucked here, a pinned jewel there. Their reds pop against the yellow wall, a striking metaphor for

the mythological connection between the Rathores and Surya, the Sun God. The 15th-century palace itself is Fort of the Sun, or Mehrangarh. Today a museum, it co-organized the show with the Houston MFA and lent most of its 200-plus works. Over the next year, the show will travel to the Seattle Asian Art Museum and the Royal Ontario Museum in Toronto.

Life at the Jodhpur court was infused with art and artifacts from across the subcontinent. Some came as war booty and diplomatic gifts or as a result of military alliances. A late 17th- to early 18th-century portable throne room made of ruby-red velvet, for example, is the only surviving Mughal tent ensemble, believed to have been looted during a raid. It fills about 185 square feet, creating a magical space teeming with embroidered floral motifs, slender columns and scalloped arches.

Women, too, played a significant role. Until recent generations, Rathore kings had anywhere from four to 30 wives, some from as far away as the northern province of Sind, the Mughal court in Delhi, and the Deccan. This made the *zenana*, or women's quarters, an influential center of tastemakers and consumers. We don't ever really see this, but what the curators do show are energetic, engaged women with as many interests as their rajas and maharajahs. Among

'Portrait of Maharaja Sardar Singh' (1896), by Bert Harris, left; Dalchand's 'Maharaja Abhai Singh on Horseback' (c. 1725), below



Installation view of 'Peacock in the Desert' at the Museum of Fine Arts, Houston, left; detail of Ali's 'Maharaja Takhat Singh on a Hunt With Royal Women' (c. 1853), below center

of palace structures. An amazing 1780 hunting scene by Sheikh Taju at the Kota court seems to herald Henri Rousseau's jungles.

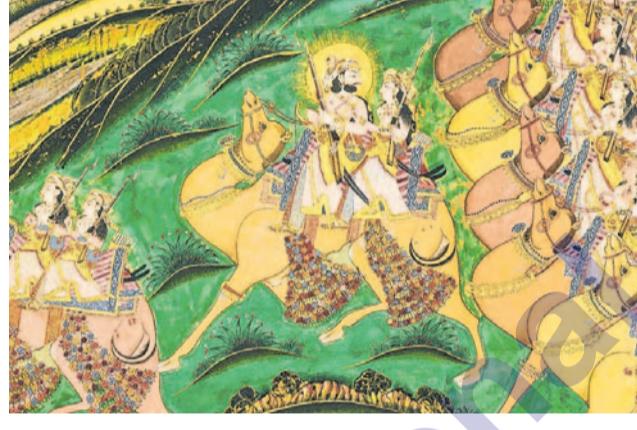
Some late 18th- and 19th-century Jodhpur artists favored saturated colors, others a spare, pale palette. The results are bold, dynamic, sometimes surreal. In "Celebration of the Festival of Kajali Teej" (c. 1830-40), swirling skirts and fanning fronds convert a garden into kaleidoscopic patterns. And in an 1827 painting of "Shiva on His Vimana (Air-craft) With Himalaya," spirals of indigo edged in gold roll the sky above a landscape dotted with temples.

While the wall texts chart the Rathores' rocky relationship with the Mughals, there is almost a sense of timelessness—until the last gallery. There, we feel the hand of the British Raj grab Jodhpur's time-space continuum and give it a yank. A British-style palace now replaces the Mehrangarh Fort. A European-style throne supplants cushion and bolster. And royals face us in life-size oils.

But within change run threads of continuity. The same interest in foreign innovations that explains importing European steel sword blades manifests in the monoplane and silver-colored Rolls-Royce that replace the howdah and palanquin. And, in a final tribute to women at court, an art deco diamond headdress illustrates new fashions that Maharani Badan Kanwar, the first female royal to travel to Europe, brought back in the 1920s.

**Peacock in the Desert: The Royal Arts of Jodhpur, India**  
The Museum of Fine Arts, Houston, through Aug. 19

*Ms. Lawrence reviews Asian and Islamic art for the Journal.*



paintings depicting women playing polo, hunting on camelback, enjoying music, and celebrating holidays.

These and other paintings—some 50 altogether—also illustrate a noteworthy variety. Works by painters from the Mughal court tend to be more formal, prioritizing figures over architectural settings and minutely recording the decorations on dress, rugs and jewelry. Other artists, reflecting styles from different centers in Rajasthan and beyond, subordinate the individuality of figures, using everything—from the foliage of trees to couriers' turbanned heads and round black shields—to create lively patterns, often set against detailed silhouettes

AMERICAN ICON  
NORMAN ROCKWELL

Master storyteller. National nostalgia. Saturday Evening Post Cover. One of the most revered illustrators of all time, Norman Rockwell captured the American spirit as no other had before. This original oil encapsulates the hopes and uncertainties of the nation during the Great Depression through the figure of a down-on-his-luck porter delivering two classical busts. Juxtaposing reality versus the ideal,

Rockwell masterfully conveys the mood of the nation. Featured on the cover of the *Saturday Evening Post* on April 18, 1931. Signed (center right). Canvas: 34" h x 27 1/2" w; Frame: 41 1/4" h x 34 1/4" w. #30-2488

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## SPORTS



FROM LEFT: APPIE PARK/GTY IMAGES; ELSA/GTY IMAGES

The Virginia Cavaliers, left, have terrorized rivals by playing the best defense in the country, while the Villanova Wildcats, right, continue to be one of the most consistent teams in college basketball.

## NCAA TOURNAMENT

## Breaking Down the Madness

BY ANDREW BEATON

After an oddball, uncomfortable and troubling college basketball season—it's time for the NCAA tournament.

There weren't any surprises at the top: Everybody seemed to figure Virginia, Villanova, Kansas and Xavier would be the No. 1 seeds.

But that doesn't mean there weren't any shocks. And there will certainly be surprises. Nobody knows what to expect from Duke and Kentucky, young teams with immense talent. Nobody knows how some of these teams made it into the field of 68. Also, nobody knows if there will be more bombshells from the sprawling federal investigation that produced 10 arrests and allegations of fraud and bribery in the sport. It's the cloud that has hung over the entire season. With that in mind, here are the big takeaways from Sunday's bracket reveal:

## What federal probe?

Before actually delving into the actual bracket, it's impossible to discuss this year without addressing the elephant in the tournament. Well, it seems the selection committee did what it could to extricate that topic from the sport's premier event.

Two bubble teams that have fallen under the spotlight during the sweeping federal investigation

into alleged corruption in college basketball were excluded: Louisville and Southern California. Hall of fame coach Rick Pitino was fired by Louisville because of allegations in the probe, while USC assistant Tony Bland was one of four assistant coaches arrested.

Louisville's exclusion may have been easier. The Cardinals didn't have an abundance of quality wins and a 20-13 record isn't so special. (Oklahoma, with superstar guard Trae Young, made it with an 18-13 record, and as a 10-seed no less.)

But USC's absence harder to fathom—especially given that UCLA and Arizona State made it. The three teams play in the same conference. The Trojans had a better record, higher RPI and better rating than both teams according to advanced metrics such as KenPom.com.

## The selection show: widely panned.

For the first time, the bracket was revealed on TBS, as opposed to CBS in recent years. Most people weren't so pleased with the new format.

The show began ominously with the audio off-sync for viewers. Then came the peculiar way of revealing the bracket that stripped the program of suspenseful moments and glossed over the bracket's most stunning revelations. First, the hosts announced all the teams that everybody knew

had automatically qualified for the tournament. After that, they proceeded to reveal all the bubble teams, in alphabetical order, without any real pause for discussion about the most shocking berths—and omissions. Only after that came the revelation of the bracket.

## Congrats Virginia! Good luck getting past the Sweet 16.

The Cavaliers, were without dispute, the best team in college basketball this season. They lost only two games, and won the conference that received the most bids to the tournament: the ACC. Their reward was, deservedly, the No. 1 seed in the tournament.

They got another prize for their efforts, too. This one coach Tony Bennett may not be so happy about: The No. 4 and No. 5 seeds in UVA's South region are Arizona and Kentucky. Which means the Cavaliers may have the toughest Sweet 16 battle of any top seed.

It doesn't take much explaining why. Arizona has found itself in the rumor mill regarding the FBI probe—coach Sean Miller was even briefly put on leave—but the Wildcats are quite good. They won the Pac-12 tournament and have arguably the best player in the country. Deandre Ayton is a 7-foot-1, double-double machine and a potential one-man wrecking crew that could topple even the best defense in the country—Virginia's.

If UVA doesn't have to play Ari-

onga? That probably means it's playing Kentucky, the SEC tournament champ that finally looks like it's clicking on all cylinders.

## Syracuse made the tournament. Wait, Syracuse made the tournament!?

That's not a typo. To the amaze-

ment of many, yes, the Orange are playing in the tournament. Many years, this wouldn't be a surprise. Jim Boeheim's teams are regularly some of the best in country. This year? Syracuse pattered along to a 20-11 record without many notable wins.

Here's what makes Syracuse's inclusion even more stunning: Some of the teams that didn't make it. And the most galling omission was Saint Mary's.

It's easy to dismiss the Gaels' 28-5 record as a product of playing in the West Coast Conference. Still, they beat Gonzaga (a four seed) and there are plenty of other reasons to think it's absolutely crazy that they somehow won't be dancing. It isn't just that Saint

Mary's has a better record than Syracuse and that Saint Mary's best win is better than Syracuse's best win. Even the numbers that should rush to the Orange's defense for playing in such a hard conference point to the Gaels, who are rated 26 spots higher on KenPom.com.

## Potential sleeper: Houston

No, Phi Slama Jama isn't back. But the Cougars are under-the-radar good—and probably deserve to be seeded far higher than on the six line.

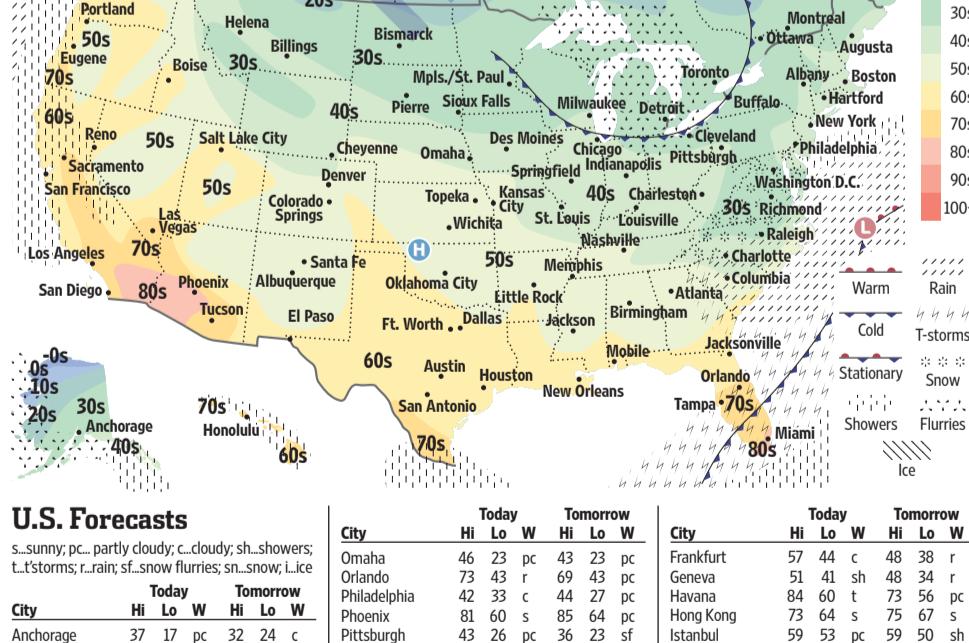
Coach Kelvin Sampson came to Houston with some NCAA warts from his time at Indiana, but he won big previously at Oklahoma and has transformed the Cougars rapidly in four years. They're also one of the best-rounded teams in the country. They can shoot. They can block shots. They can rebound. They can defend.

## Potential bust: No. 1 Xavier

The ACC got the most teams in the tournament, but the Big East got two teams on the No. 1 line: Villanova and Xavier. Still, the Musketeers may not be all that—despite a 28-5 record.

Here's one way of understanding why: According to KenPom.com, Xavier is the fourth best team...in its own region, behind No. 2 North Carolina, No. 3 Michigan and No. 4 Gonzaga. They have struggled against good teams, going 1-2 against RPI top-25 teams.

## Weather



## U.S. Forecasts

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

**Today** Hi Lo W **Tomorrow** Hi Lo W

**Today** Hi Lo W **Tomorrow** Hi Lo W

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**International**

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## The WSJ Daily Crossword | Edited by Mike Shenk



- Down**
- Become proficient in
  - Kindle
  - Overcharged
  - Grammy winner Bruno
  - Circle segment
  - City of central Georgia
  - Baseball family name
  - Silently acknowledge
  - Excited exclamation
  - Tenor Enrico
  - Geometry measure
  - Untrustworthy type
  - Frying fat
  - Asylum seeker, perhaps
  - Powerful Pontiac of the past
  - Tylenol target
  - Shoe color
  - President before JFK
  - Polite address
  - "That's correct"

- Across**
- Liquid rock
  - More than a few
  - Umpire's ruling
  - Cheering loudly
  - Lotion additive
  - Song for a diva
  - Set of rules governing a river's start?
  - Posterior
  - Pulls gently
  - Sentry watching over a river's end?
  - End for Japan or Taiwan
  - Sewing kit item
  - Feed bag fill
  - Sale item indicator, often
  - Pine-scented, say
  - Better ventilated
  - Craps cube
  - Engineers who relocate the course of a river?
  - Descartes's conclusion
  - Blackthorn fruit
  - Number after zwei
  - Llama's cousin
  - Well-behaved child
  - Prepares for prayer
  - Basketball great Archibald
  - Language of Southeast Asia
  - Leave flabbergasted
  - Purse snatcher on the side of a river?
  - Heredity unit
  - Second son
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## OPINION

## George Costanza's Investment Tips

INSIDE  
VIEWBy Andy  
Kessler

I'm frequently asked what it takes to run a hedge fund. Translation: "If a dope like you can run one, I certainly can too." Fair enough. A lot of hedge funds are getting killed in a huge upmarket: Brevan Howard's Master Fund shrank 5.4% in 2017, while David Einhorn's Greenlight was down 12% in the first two months of 2018. It's time for a new batch of fund managers. Think you can do better?

**When I smile, tell me some bad news / Before I laugh and buy or sell like a fool.**

First, let's see if you're up to it. Right now, go out and buy a 60-inch flat-screen TV. Easy, right? As soon as it arrives, return it for a 75-inch model. Then, when that shows up, return it and get the 42-inch version. Still having fun? It's a royal pain. As soon as you're comfortable with something, it's probably time to sell it. This self-qualifying exercise will show if you can turn on a dime when, say, tariffs tank the economy.

Next, visit all the people you know and ask them to

take out their wallets and give you a slug of their money. Do the same for a bunch of strangers, too. Then promise that you'll return triple the money in a decade, minus your modest 20% of the upside fees.

Ready to invest? What's your style, your edge? Macro, distressed debt, long-short, dollar-event-driven, cryptocurrency arbitrage? Actually, there's only one way to invest, especially in today's environment. It works for everyone, from \$20 billion hedge funds to individual retirement accounts worth a few thousand bucks: Take the pulse of the market and figure out how everyone is wrong.

Easier said than done. It isn't hard to get caught up in the emotion of the market. It's euphoria when stocks are booming and you're getting crypto tips from Uber drivers—and despair when everyone is dumping stocks and swearing never to own them ever again. You've got to zig when everyone else zags. "Serpentine, Shel, serpentine!"

How do you know what's right? It almost always feels wrong. There's an old saying on Wall Street: "Your hand should be shaking when you place your order." You can learn from George Costanza of *Seinfeld*. He once lamented, "Every decision I've ever made, in my entire life, has been wrong. My life is the opposite of everything I want it to be." When Jerry Seinfeld



AF ARCHIVE/ALAMY STOCK PHOTO

**Do the opposite.**

opines, "If every instinct you have is wrong, then the opposite would have to be right," George gets it. "Yes, I will do the opposite. I used to sit here and do nothing, and regret it for the rest of the day, so now I will do the opposite, and I will do something!"

Being contrarian, as Monty Python explains, "isn't just saying, 'No, it isn't.'" ("Yes it is!" "No it isn't!") But Costanza was never on his way to becoming a fund manager. There's that twisty feeling in your gut, constantly second-guessing. You wake up with goblins in the middle of the night. You train yourself to think different, to feel wrong when things are rosy. Who gets this right? Investor-guitarist Pete Townshend wrote in 1971: "When my fist clenches, crack it open / Before I use it and lose my cool / When I smile, tell me some bad news / Before I laugh and

act like a fool." Or invest like a fool.

Shrinks call this borderline personality disorder, like living on the outside looking in. It's required to succeed, though it's better if you teach yourself to simulate rather than live it. It sounds odd, but you harness these out-of-body vibes through the bile in your gut.

My former and very same fund partner Fred Kittler had it perfected. I bumped into him in February 2000, during an internet conference at San Francisco's Palace Hotel. I—metaphor alert!—was headed up the escalator and passed him on his way down. Everything in our portfolio was popping up five, six or seven points that day. He looked terrible and told me, "I need to go home and throw up." He wasn't sick, but his gut was calling the top. Fortunately, we had already been selling.

Not 16 months before, on the morning Long Term Capital Management blew up, our fund temporarily lost hundreds of millions before breakfast. Fred was absolutely giddy, buying everything in sight.

George Costanza again: "It's all happening because I'm completely ignoring every urge towards common sense and good judgment I've ever had. This is no longer just some crazy notion. Jerry, this is my religion."

If you want success running money, pay heed.

## Fast Chilean Growth Can Happen Again

AMERICAS  
By Mary  
Anastasia  
O'Grady

Arica, Chile This hard-scrabble port city is less than three hours from Santiago by jet. But in terms of development, the distance is far greater.

also underperformed the world-growth average during the Bachelet years, something that had not happened in decades.

During Mr. Piñera's previous term as president, the economy grew at an average annual rate of 5.3%. Chileans expect him to help the country get its mojo back.

Plenty of "experts" don't think that's possible. They explain the years of Bachelet drudgery as a return to the old normal for Chile. The 30-year stretch of stellar economic performance and wealth creation that began in the mid-1980s, in this view, was a "parenthesis" in a country capable only of mediocrity.

That's hard to believe looking at the financial district in Santiago, where I visited before flying north. It is dotted with shiny skyscrapers—including the tallest building in South America—coffee shops, chic restaurants and shopping centers. It's summer in the Southern Hemisphere, and at lunchtime office workers stroll the sidewalks and eat at outdoor cafes as they do in big cities in the developed world. Chileans sometimes wryly describe the neighborhood as "Sanhattan" for its New York feel.

Chilean exceptionalism is also a regional phenomenon. Around the continent Chileans are known for their competitiveness, ambition and risk-taking.

Yet Santiago's prosperity hasn't reached many parts of the country. Here in the arid north, a stone's throw from

**A pragmatic president returns to office and the country may get its mojo back.**

Ms. Bachelet was also president from 2006-2010. But her recent term was especially unkind to capital. Her New Majority coalition, which includes the Communist Party, set out to destroy the pillars of the market economy. Her government obsessed about equalizing the distribution of income rather than raising living standards.

A prime target was business, which, for the Chilean left, is public enemy No. 1. Upon taking office in March 2014 Ms. Bachelet almost immediately complicated the corporate tax code, raising rates and reducing incentives for entrepreneurs to plow profits back into their enterprises.

## OPINION

## REVIEW &amp; OUTLOOK

## Cures Welcome at FDA

**F**ew conditions are as wrenching as the destruction of memory known as Alzheimer's, and few diseases have so eluded drug companies and researchers looking for a cure. So it's welcome news that the Food and Drug Administration is inviting more innovation, and more broadly revamping the agency's review process.

FDA recently updated its scientific thinking on early Alzheimer's, along with other neurological conditions, and this matters because such draft guidance informs industry and academic efforts. One reality of Alzheimer's is that the disease may "progress invisibly for years," as Commissioner Scott Gottlieb said in the announcement, and by the time clinical symptoms arrive a patient may have lost significant function.

One important change is that FDA says it's open to considering a novel drug for early stages that can affect cognition, or measures of a person's thinking or memory. FDA previously said a drug had to deliver on two endpoints: cognition and function, and the latter involves an ability to perform tasks. FDA's guidance also includes a discussion on biomarkers, which are measurable substances that offer clues to the presence or progress of a disease.

One response has been to fret that FDA is lowering standards, but cognition is a meaningful and important measure. And Alzheimer's merits the maximum regulatory flexibility, which Congress has asked FDA to exercise. The failure rate for drugs is north of 99%, and the question is if even one therapy that delays the disease can reach the market before 2025.

The Cleveland Clinic noted in a report last year that an agent would have to be in the second of three FDA trial phases to be approved by 2025. That's because an Alzheimer's drug takes on average 13 years to move from laboratory to FDA review—and then another 10 years

to slog through three phases of FDA trials. The current clinical trials will require more than 50,000 participants.

### The agency opens its thinking on Alzheimer's to innovative methods.

The larger picture is that the disease's underlying causes are still not well understood, and the prevailing theory—stopping the buildup of proteins that form plaques in the brain—has not panned out in a

clinical trial. The silver lining is that Alzheimer's carries one of the biggest risk-reward profiles in medicine for private innovation.

Drug-approval debates tend to underestimate the potential of incremental improvements in therapies. One vogue complaint on the left is that expensive cancer treatments yield only modest improvements in some patients. Yet this radically misrepresents the costs and benefits of drug discovery. The Alzheimer's Association has estimated that a drug that could merely delay the onset of the disease for five years would save Medicare nearly \$350 billion over 10 years, with billions more in savings for other payers and patients.

The Alzheimer's news came as part of a larger plan to modernize FDA's culture of review, and the agency said it would move toward a more "team-based" approach that, say, includes a statistical expert earlier in the process. FDA evaluates drugs based on departments such as neurology or cardiovascular, yet some of the biggest challenges aren't about organs but how to interpret data.

The real test of this guidance will come when FDA is confronted with data on a drug that requires the agency to take a risk, and that might be years off. FDA papers don't attract as much attention as the outrage of the day on Twitter. Yet one of the most consequential results of the Trump Administration could be a drug-approval process that may be ready to act quickly and competently when a breakthrough for Alzheimer's arrives.

## A Not So Liddell Problem

**P**resident Trump says he likes debate among his policy advisers, but his leading candidate to replace Gary Cohn in running the National Economic Council belies that claim. If Mr. Trump chooses Christopher Liddell for the job, he'll be elevating a former corporate executive without strong free-market views who is unlikely to counter the growing clout of the antitrade corporatists in the Administration.

The best one can say about Mr. Liddell is that he'd be better in the job of White House economic policy coordinator than Peter Navarro, who is Mr. Trump's protectionist-at-large. If Mr. Navarro gets the job, cash in your stock-market profits. Mr. Liddell probably also has enough executive skill to manage a fair policy-making process.

His weakness is policy. Mr. Liddell has been the White House director of strategic initiatives, which you haven't heard much about because it hasn't done much. He's worked on the Office of American Innovation, a project of son-in-law Jared Kushner that is a perennial of businessmen who think they can bring better management to government. The White House seems to have abandoned its one major attempt at innovation—reforming air-traffic control—because it doesn't want to spend the political capital.

Mr. Liddell has served as a liaison to corporate America, but he hasn't had a high policy profile or been central to the victories on tax reform or deregulation. Our sources say that to the extent he played a role in the tax debate, he

### The front-runner for chief economic adviser has bad policy instincts.

was skeptical of corporate rate cuts and doesn't think marginal tax rates matter to behavior or growth. We're told he also favors an infrastructure bank, which has become a fund for the political allocation of capital wherever one exists. But these banks are a favorite of businessmen-turned-politicians because they offer the illusion of control by smart technocrats.

In November 2016, Mr. Liddell was asked by a reporter for Scoop.co.nz, a New Zealand news website, whether he was worried about protectionism under Mr. Trump. His answer isn't reassuring:

"I think the days of unbridled free trade and unbridled free markets are over. I worked in the private sector all my life, so I'm a believer in free markets, but not unbridled free markets. And we've had 30 years since the mid-'80s, both in New Zealand and here in the U.S. and globally of basically free markets being driving the whole thinking, the whole rhetoric around and governing. I think those days are over, personally. I think we're going to go through a circular trend of a much more restrained free market."

Unbridled free markets? In 2016? What economy was Mr. Liddell living in?

The U.S. economy in the last year has entered a faster growth phase precisely because Mr. Trump has promoted the classic free-market remedies of deregulation and lower tax rates to spur more investment and hiring. Mr. Liddell sounds like he has the wrong instincts to sustain better times.

## A Political Speech Crackdown

**V**ladimir Putin continues his campaign to sow disorder in the U.S. political system, and Democrats continue to take the bait. Witness the campaign to use Russia's interference in U.S. elections as a reason to crack down on free speech and press rights.

The political catalyst is the U.S. finding that Russian operatives used social-media platforms, such as Facebook and Twitter, to pose as U.S. citizens or organizations in an attempt to influence the 2016 presidential election. Investigators have found that the amount of Russian spending and posts was very small compared to overall campaign spending. But never underestimate the liberal quest for new campaign-finance laws.

In October Democratic Senators Mark Warner and Amy Klobuchar—joined by Republican speech regulator Sen. John McCain—introduced the Honest Ads Act. The bill would impose new disclaimer and reporting requirements on internet platforms that run paid advertising, from Facebook and Twitter to the online news sites of major newspapers and magazines or the Drudge Report. The disclosure requirements would essentially require digital platforms to publish the name of any American seeking to discuss political subjects through paid ads, a chilling standard.

The bill would also impose legal liabilities on sites if advertising from prohibited actors slip through. Media outlets and digital platforms could be held civilly or criminally responsible for content on their sites that doesn't comply with Federal Election Com-

mission legal requirements.

This is a breathtaking new standard and potentially unconstitutional under the Supreme Court's 1964 decision in *New York Times Co. v. Sullivan*, which held that the Times was not liable for an advertisement it ran that a politician claimed was libelous. Online platforms would

likely respond by restricting the types of political ads they run, diluting their First Amendment rights.

If anyone doubts where Democrats are headed, consider that the FEC's Republican commissioners recently beat back an attempt to impose new legal liability on newspapers for their political ads. The case involved a 2016 political ad in an Ohio daily newspaper, the Chesterland News, in which a citizen failed to include his name as part of the required FEC disclaimer.

The commission dropped the complaint against the individual, but Democrat Ellen Weintraub then tried a legal maneuver that would have overturned 35 years of precedent and made the Chesterland News legally responsible for the ad's noncompliance with FEC rules. Credit goes to former FEC Commissioner Lee Goodman for blowing the whistle.

The response to foreign attempts to manipulate America's media should focus on bad actors abroad. Social-media platforms did too little to police their content in 2016, and the public outcry is pushing those companies to tighten standards. But the answer isn't government using Russia as an excuse to strip U.S. citizens of their speech rights.

## LETTERS TO THE EDITOR

## Identity Politics Devalues Individual People

Edwin Meese III and Mike Gonzalez's "Trump Can Help Overcome Identity Politics" (op-ed, Feb. 28) pinpoints what is happening to our country today and why so many people are missing the obvious while they obsess about the unimportant and inane. I'm in my eighth decade, have done everything I wanted to do and gone wherever I wanted to (except in segregated Mississippi where I was stationed at Keesler AFB in the 1950s). My race has never been a big deal to me, and if it was to someone else, that was their problem.

When I started at Pitney Bowes in 1966 as the first salesperson of color in my part of the country it may have been meaningful to others, but to me it was simply a way to provide for my wife and four children and to escape the restrictive environment at the Detroit News where I had been a "ground-breaking racial pioneer" the previous two years. I did OK at Pitney for 14 years and worked another 10 at Viacom in unsalaried sales positions.

The pitiful part of the entire scenario is that those of us this racial score-keeping is supposed to help are harmed the most. The more we obsess about race, the more the rest of the world will wonder if we're the way the Constitution says we are, why the numerical and data-keeping exercises? I can't be the only African-American living a normal, stress-free existence, while the unusual, bizarre and cruel get the most attention. We aren't addressing the real social problems by focusing on identity. Let's apply the Rotarian Four-Way Test. Is it the truth? Is it fair to all concerned? Will it build good will and better friendships? Will it be beneficial to all concerned?

HARRY WALKER  
St. Clair Shores, Mich.

The authors present an excellent idea to eliminate, perhaps, the identity politics that government has helped create by having national descent information rather than racial and ethnic information collected in the census and on EEO-1 forms, for example.

Another might be to not collect any

ethnic, racial or national descent information on U.S. citizens at all. That way none of us need to carry the presumed identity that accompanies the "assigned" box on a form.

KEVIN FLETCHER  
Golden, Colo.

A push for a more racially balanced special-education student body is an odious example of illogical and counterproductive identity politics, all based on ethnic data. African-Americans have a higher poverty rate, higher incarceration rate and suffer from substance abuse or mental-health disorders at higher rates due to difficulties accessing care, including financial, social and economic barriers. Progressives don't dispute the disadvantages faced by a higher-than-average percentage of African-Americans, yet they will not accept that a higher-than-average percentage of black children have problems that put them in special-education programs. On the reverse side of the identity-politics coin, no one is arguing that better racial balance is needed in programs such as food stamps, ObamaCare or means-tested federal housing assistance where African-Americans are disproportionately the beneficiaries. Eliminating the ethnic data that fuel an identity-politics steamroller will slow it down. The ideal of skin-color-blindness might come back.

RON PENTER  
Naples, Fla.

I rue the day when the concept of diversity overcame the concept of unity in the national conversation. To emphasize the importance of diversity over the importance of unity will only serve to unravel this unique fabric of red, white and blue.

NEWTON C. MCCOLLOUGH III  
Palmetto, Fla.

When checking out the census form, I go to the bottom and write in "human race." I've always agreed with Martin Luther King Jr. that in America we should be colorblind.

ELEANOR J. DUNN  
West Dennis, Mass.

The authors present an excellent idea to eliminate, perhaps, the identity politics that government has helped create by having national descent information rather than racial and ethnic information collected in the census and on EEO-1 forms, for example.

Another might be to not collect any

## Buybacks Are a Sign of Corporate Weakness

John Cochrane states: "Share buybacks and dividends are great. They get cash out of companies that don't have worthwhile ideas [in which to invest] and into companies that do" ("Stock Buybacks Are Proof of Tax Reform's Success," op-ed, March 6). That reminds me of Nobel laureate in economics Merton Miller's graduate courses at the University of Chicago in which he noted that companies that pay large dividends are admitting they can't grow their businesses because they don't have significant new investment opportunities.

Mr. Cochrane's sanguine view of the tax cuts overlooks the reality that share buybacks take money out of the business-investment component of GDP. The effect is to hold back GDP growth while creating a floor under share prices. Share buybacks are an unproductive activity from an economic point of view.

Don't forget, the recent corpora-

tion income-tax cuts are financed by Treasury borrowing that increases the national debt.

ROBERT DE PORRES-RAS  
Oak Brook, Ill.

Share buybacks are nothing but a short-term gimmick of zero logic used by CEOs and CFOs to goose share price.

There are few good reasons to buy back shares. One is when the share price is below book value. The other is when the senior officers are also buying shares for their personal accounts using their own money.

Money used for buybacks should be used to reduce debt or returned to shareholders. Reducing debt has no effect on EBITDA but has enormous effect on the bottom line. Reducing debt enhances company strength and goodwill. It shows the leadership team is paying the bills and protecting their suppliers and employees. It has a major effect on share value and price.

B.J. KHALIFAH  
Grosse Pointe Park, Mich.

## Hedging Bets on Xi Dynasty

Regarding "Tone-Deaf: Facebook's Russia Bungle" (page one, March 3): The public needs to understand the Russian—and before that, Soviet—tactic of dezinformatsiya, or disinformation. Stalin adopted dezinformatsiya in 1923 as one of several "active measures" to subvert the West. As your article points out, the pro-Kremlin Internet Research Agency began its work in July 2013, long before either Hillary Clinton or Donald Trump declared for office.

Rob Goldman, Facebook's head of advertising, may have been inartful when he said influencing the election wasn't the "main goal" of the Russian ads, but he was more right than wrong. Russian intelligence always takes the long view, especially when it comes to eroding Western will.

ROGER H. LEEMIS  
Southfield, Mich.

When used to amplify prevailing political, economic and religious divisions, interference in American elections is one of Russia's most powerful and easy to execute antidemocracy weapons. Unless and until its electorate consists of discerning and media-literate citizens, America's democracy will continue to decline.

FRANK G. SPLITTER  
Mount Prospect, Ill.

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Pepper ...  
And Salt

THE WALL STREET JOURNAL



"You held up through a three hour PowerPoint, kid. That's a skill you can't teach."

## OPINION

# Doomsday Climate Scenarios Are a Joke

By Oren Cass

**D**ebs over climate change are filled with dire estimates of its cost. This many trillions of dollars of damage, that large a share of gross domestic product destroyed, so-and-so many lives lost, etc. Where do such figures come from? Mostly from laughably bad economics.

This has nothing to do with the soundness of climate science. The games begin when economists get their hands on scientific projections and try to translate temperatures into human impacts. They conduct statistical analyses of the effects that small year-to-year temperature variations

**O**ne study says world GDP will drop 20% by 2100, but Iceland and Mongolia will be rich beyond imagining.

have on things like mortality and economic growth, and try to extrapolate to the effect of very large, slow shifts in underlying climate. This creates absurd estimates that ignore human society's capacity for adaptation. This is the latest iteration of the same mistake environmental catastrophists seem insistent on making in every generation.

The best illustration lies deep in a 2015 paper published in *Nature* by professors from Stanford and the University of California, Berkeley. They found that warm countries tended to experience lower economic growth in abnormally warm years, while cold countries experienced

higher growth in such years. Applying that relationship to a much warmer world of the future, they concluded that unmitigated climate change would likely reduce global GDP by more than 20% from what it otherwise would reach by century's end.

That is roughly an order of magnitude higher than prior estimates, and it has received widespread media attention. But it is as preposterous as it is stunning.

While the world economy stagnates, the model projects, cold countries will achieve almost unimaginable wealth. Iceland supposedly will achieve annual per capita income of \$1.5 million by 2100, more than double that of any other country except Finland (\$860,000). Mongolia, which currently ranks 118th in per capita income, is supposed to rise to seventh, at which point the average Mongolian will earn four times as much as the average American. Canada's economy becomes seven times as large as China's.

The technical term to describe this analysis is "silly." Obviously, the relationship posited between temperature and growth has little to do with reality.

Sadly, this paper represents the norm. Last fall the U.S. Government Accountability Office released a summary of existing research on future climate costs for the United States. As I show in a new report published by the Manhattan Institute, a small set of studies dominate this research. They reach their imposing dollar figures by refusing, like the *Nature* study, to consider how society will evolve and adapt.



over time. Here they found that the mortality rate on hot days had declined precipitously. The adoption of air-conditioning, they concluded, "has positioned the United States to be well adapted to the high-temperature-related mortality impacts of climate change."

Incredibly, even though overlapping authors had contributed to both of these studies, and one of them was also a reviewer of the "Prospectus" analysis, the "Prospectus" ignored the declining-mortality trend and claimed climate change would kill tens of thousands annually.

This question of adaptation, and how to account for a future different from the present, is not an esoteric detail for science and economics. It is fundamental to understanding the challenge posed by climate change.

If you imagine society is static and incapable of innovation, the prospect of climate change must be terrifying—all of humanity paralyzed like Michelle Pfeiffer in "What Lies Beneath," watching the bathtub fill slowly with water.

But horror movies are not reality. The 1960s overpopulation scare made sense, assuming that society would not find more productive ways to farm. The 1970s fear of impending limits to growth made sense, assuming that society could not expand a finite supply of resources. Those doomsday predictions failed because the underlying assumption was mistaken. Society is constantly adapting to all sorts of changes. If a projection of climate-change cost ignores adaptation, we can safely ignore it.

*Mr. Cass is a senior fellow at the Manhattan Institute.*

## Italian Voters Decide to Give Populism a Chance

By Francesco Ronchi

**B**y now we know who won Italy's election on March 4: protest parties, especially the 5-Star Movement and the League (formerly the Northern League), which between them won half the vote. We also know who lost: the incumbent center-left Democratic Party of former Prime Minister Matteo Renzi, which secured only 19% of the vote. But it will take years to understand what this election and others like it in Europe really mean.

A few early guesses come to mind. Most important, it's not at all clear that voters have fully embraced the specific policy ideas of the anti-establishment parties. Rather, we're witnessing the consequence of mainstream parties' failures on immigration, the economy and democratic renewal in Europe.

Migration is the key to understanding the Italian campaign. More than 600,000 migrants and asylum seekers have entered Italy illegally since 2014. Many Italians feel overwhelmed by this influx. According to an international Ipsos poll conducted in July 2017, 66% of Italians thought that there were too many immigrants in their country, the second highest percentage of the 25 countries surveyed.

The center-left government, led by the Democratic Party, overlooked these anxieties and tried to cover up the gravity of the problem. In September 2016—at the peak of the migration crisis, with thousands of foreigners entering Italy from Libya—then-Prime Minister Renzi declared: "There is no emergency. There are some people."

Rather than suppressing hostility toward the government's handling of this crisis, such statements fueled the opposition—and hostility to migrants. Both the League and 5-Star responded to this. The founder of the 5-Star movement, Beppe Grillo, has called for the deportation of all illegal migrants, and the League made fighting against migration its prime issue. Voters supported the only major parties promising to take back control of the national borders and to prioritize law and order.

As for the economy, Italy still has not fully recovered from a string of recessions that began in 2011, and double-digit unemployment and lackluster growth are undermining society. The Democrats claimed their economic management was finally working. Instead they should have admitted the obvious truth and offered a clear strategy to improve growth.

Finally, this election was about Italian democracy itself. Endemic corruption, patronage and what seems like excessive political opportunism have undermined faith in government and created a democratic crisis. Mr. Renzi's cosmetic institutional reforms, especially his proposed constitutional reform of the Senate, were

### The establishment in both Rome and Brussels could do worse than let 5-Star try to form a government.

interpreted by many voters as diversionary tactics to avoid making any serious change.

By putting forward a team of young, nonprofessional politicians, the 5-Star Movement offered itself as the alternative. The party's youth and inexperience—its leader, Luigi Di Maio, is 31—has become a selling point for voters. The electoral results in the city of Rome confirm these trends. Despite the perceived amateurism of the local administration run by the 5-Star Movement, the party increased its share of votes compared with the last general election. Voters prefer an

inexperienced but honest administration to the old political parties.

All of these explanations for the insurgents' success are domestic. It's tempting to view Euroskepticism as the dominant force in European politics, following Britain's vote to leave the European Union and the election of Euroskeptic politicians or parties in recent years in Poland and Hungary. If that movement had come to the EU's heartland—Italy was one of the six original members—it would be worrying.

There's a message for Brussels in this election outcome, but not a simplistic anti-EU one. Mr. Di Maio won partly because his attitude toward the European project shifted during the campaign, from stiff hostility to a more balanced call for change. His party and the League both dialed back their earlier calls for a referendum on leaving the euro or the EU.

Brussels should not consider the Italian vote as an act of hostility but rather as a wake-up call. Italian voters want Europe to defend external borders and to deport illegal migrants. They want to curb the powers of technocratic institutions such as the European Commission, and they want a more assertive stance against a German-led European Union.

Brussels should take that message seriously.

A start, both for Italy's own political establishment and for Brussels, is to allow 5-Star to try to form a government. They won the election, with the largest vote share of any single party. Italian President Sergio Mattarella, whose largely ceremonial role includes calling on a party or coalition to form a government, should give Mr. Di Maio a mandate. Doing so will force 5-Star to stand or fall on its own competence, and voters will punish failure at the ballot box.

Italy's other parties may be tempted to freeze out 5-Star by forming some other coalition first, and Brussels might be tempted to treat a 5-Star government as a pariah in the EU's councils, for fear that handing the movement power would inflame a political crisis in Europe. On the contrary, any attempt to exclude the winners of the election from government would weaken the already fragile democratic foundations of the country and could lead to an institutional crisis. To save both Italian democracy and the EU, give 5-Star a chance.

*Mr. Ronchi is a lecturer at Sciences Po in Paris.*

## Biofuel Mandates Are a Bad Idea Whose Time May Be Up

By Thomas Landstreet

**T**he political tide may be turning against the corn ethanol mandate. The Renewable Fuel Standard, which forces oil refiners to mix corn-based fuel into gasoline, is one of history's great policy boondoggles. Even ex-Rep. Henry Waxman of California, a key sponsor of the original legislation establishing the standard, said Thursday that he favors phasing out the mandate.

There's bipartisan support in Congress for such a move. Sen. Tom Udall (D., N.M.) and Rep. Peter Welch (D., Vt.) have introduced the Greener Fuels Act, and Sen. John Cornyn (R., Texas) is said to be

working his own legislation altering the mandate, in response to the recent closure of a Pennsylvania refinery.

The corn ethanol mandate was created under the Energy Policy Act of 2005. Two years later, President Bush signed the Energy Independence and Security Act, which expanded the program by providing generous tax credits and subsidies to corn growers and ethanol blenders. It also established ambitious targets, increasing annually, for biofuels in the national fuel mix. The mandate soon diverted 40% of America's corn crop away from the food supply.

The government-imposed shortage caused corn prices to float from

long-term mean levels of about \$2 per bushel to more than \$8 per bushel in 2012. This extraordinary price surge prompted a range of harmful responses in the farming industry. Farmers planted 17 million new acres of corn at the expense of soybeans, wheat, hay and cotton, driving prices for those crops to all-time highs as well. Cattle farmers, unable to afford corn gluten feed, culled their herds to levels not seen in 60 years, causing beef prices to rise an incredible 60% from 2007 to 2012. Over this five-year period, the IMF food price index rose 42%.

The stress on the economy was intense. The mandate became untenable until the Environmental Protection Agency announced in August

2013 that it was weighing freezing the annual ethanol blend mandate at 14 billion gallons (it ultimately followed through). This caused the bubble to burst in a spectacular fashion. The new blend level was

**T**here's bipartisan support for relaxing the 2005-07 mandate. It'll have to get past Iowa's GOP senators.

rightly viewed as a cut in future demand, and corn prices collapsed in subsequent months.

The country has endured a startling amount of economic disruption for what is clearly an inferior source of energy. Ethanol produces 34% less energy per volume than conventional gasoline, reducing cars' fuel economy. As for its effect on the environment, a 2010 Congressional Budget Office study found that corn-based ethanol subsidies are terribly inefficient, with the government spending an estimated \$754 per metric ton of avoided emissions—an astronomically high price tag compared with other policies. (The economics of climate change literature estimates the "social cost of carbon" at far lower levels, meaning the program is inefficient even on its own terms.)

Moreover, ethanol is too corrosive to be transported through pipelines, so trucks must transport it. Growing corn also requires more water than other crops—and the policy gave farmers an incentive to plant only

corn, which depleted the soil of nutrients. A 2008 study in *Science* found that converting natural environments for biofuel production can produce hundreds of times more carbon emissions than the biofuels themselves would save. No wonder ethanol mandates are losing support among environmentalists.

One of the professed goals of the ethanol mandate was to wean the U.S. from its reliance on foreign oil—but the U.S. is already approaching energy independence because of offshore drilling programs unleashed by the Trump administration's deregulatory blitz. And if the ethanol mandate were really about encouraging biofuel consumption, why has Congress imposed tariffs that keep out cheap Brazilian sugar-cane ethanol? The truth is that the program is motivated more by the demands of domestic corn-growers than by concern over oil dependence or climate change.

Revising the mandate will take significant courage and political will, but it's clearly the right thing to do. The ethanol lobby is extraordinarily powerful, recycling profits gained from this self-dealing policy right back into efforts to protect it. Iowa's Republican senators, Chuck Grassley and Joni Ernst—otherwise solid conservatives—are in thrall to this corporate welfare program and will fight to the death to keep it. But the time has come to modify the ethanol mandate before the costs to the economy and the environment grow steeper.

*Mr. Landstreet is founding partner of N3L Capital Management and founder of Standard Research.*

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### Notable & Quotable

*From the abstract of a new study published by the National Bureau of Economic Research:*

Uncertainty about foreign income, trade protection and their interaction dampens export investment. This can be mitigated by trade agreements, which are particularly valuable in periods of increased demand volatility. . . . We find a significant role for uncertainty in explaining the trade collapse in the 2008 financial crisis. . . . U.S. exports to non-preferential markets would have been 6.5% higher under an agreement—equivalent to an 8% foreign GDP increase. These findings highlight and quantify the value of international policy commitments through agreements that mitigate uncertainty, particularly during downturns.

## WORLD NEWS

# French Far-Right Party Seeks a Reboot

With Bannon in tow, Le Pen calls for softer image, name change to rally National Front

BY WILLIAM HOROBIN  
AND STACY MEICHTRY

PARIS—After months of soul-searching over the National Front's decline, Marine Le Pen has proposed a solution: identity politics packaged in a new inclusive brand.

This weekend, Ms. Le Pen hosted Steve Bannon, former chief strategist to President Donald Trump, along with hundreds of party rank-and-file at a National Front congress in northern France at which she railed against immigrants and the global elite. At the same time, she said the party needed to soften its image to strike alliances.

Co-founded by her father Jean-Marie Le Pen—a bête noire of European politics who has described Nazi gas chambers as a “detail of history”—the National Front should change its name to “Rassemblement National,” or National Rally, Ms. Le Pen said.

The current moniker is loaded with historical baggage that creates a “psychological barrier” for voters, she said, adding: “There must no longer be any doubt in anyone’s eyes that from now on we are a party of government.”

The gathering was an attempt by Ms. Le Pen, 49 years old, to shore up her party leadership and reclaim her status as one of Europe’s most prominent populists after suffering a bruising defeat to President Emmanuel Macron in last year’s election. That means turning the page on the tug of war between the far-right, anti-immigrant core of her party and the more socially moderate wing of economic nationalists who had pushed Ms. Le Pen to focus her presidential bid on pulling France from the European Union and the euro.

Against the backdrop of internal tensions, Mr. Bannon took the stage on Saturday and delivered a barnstorming speech in English that laced his perennial critique of globalism with a nod to the National Front’s extremist roots.

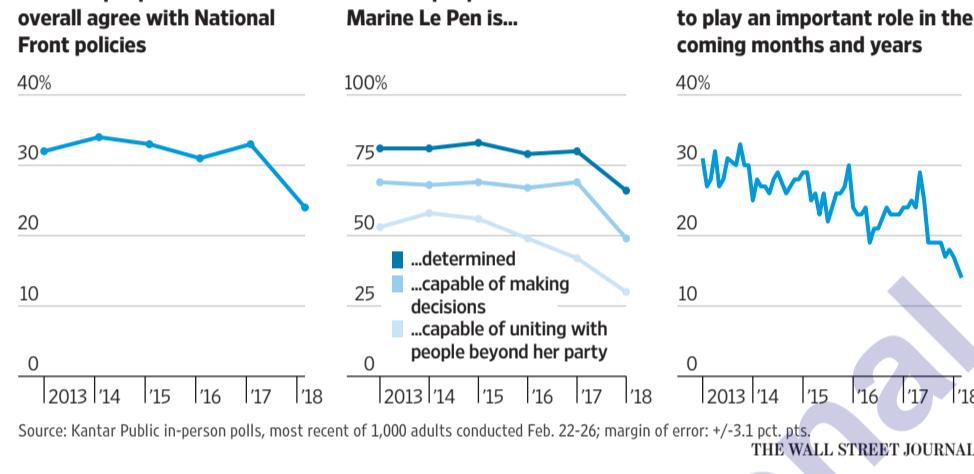


SYLVAIN LEFEVRE/GETTY IMAGES

National Front leader Marine Le Pen was joined by former Trump strategist Steve Bannon at the party congress in northern France.

## Fading Front

The popularity of Marine Le Pen and the policies of her National Front party have declined in France since she was defeated by Emmanuel Macron in the May 2017 presidential election.



## Other Nationalists Notch Bigger Gains

In recent months, Marine Le Pen has been eclipsed on the European stage by nationalists in other countries.

In September, Alternative for Germany won parliamentary seats, making it the first far-right party to sit in the Bundestag since the 1950s. In Italy, the League finished third in the election by campaigning across the country on an “Italians first” message grounded in anti-immigrant sentiment. Its leader, Matteo Salvini, is a contender to become premier.

—William Horobin

darling of the party’s far-right wing, Ms. Marechal Le Pen, 28, is widely regarded as a future rival to her aunt’s leadership.

“She is not simply a rising star on the right in France. She is one of the most impres-

sive people in the entire world. And I can only see great things in her future,” Mr. Bannon told reporters.

Weeks after Ms. Le Pen’s presidential defeat, her niece resigned from Parliament and left politics, upsetting many in the party. In February, Ms. Marechal was a guest speaker at the American Conservative Union’s CPAC conference—a speech Mr. Bannon described on Saturday as “absolutely electrifying.”

Ms. Le Pen, on the other hand, has struggled to find her voice while grappling with falling poll numbers, party defections and criminal investigations. French prosecutors are investigating whether Ms. Le Pen made improper use of funds granted to her as a member of the European Parliament based in Strasbourg, France, and Brussels. Prosecutors are also investigating whether posts she made on Twitter in 2015 of Islamic State executions violated French laws against the dissemination of violent images.

Ms. Le Pen has dismissed the funding probe as an attempt to thwart her party, and she has described the Twitter postings as a badge of honor that she wears “on the lapel of my jacket, like a medal of resistance.”

On Sunday, Ms. Le Pen played down the criticism of the EU and instead centered her speech on issues that have long resonated with party faithful. She decried legal and illegal immigration, bringing the audience to its feet with chants of “We’re on home turf!”

The congress voted to reinstate her as leader of the party. Before she spoke, however, only 52% of National Front members had approved of her plans to change the name of the party. A final vote will be held in the coming weeks.

Ms. Le Pen’s father didn’t attend the congress in Lille. Speaking at a book signing in Paris on Saturday, he said the congress and the name change were “pitiful and ridiculous.”

“I wouldn’t want to be in her place,” Mr. Le Pen said.

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## Threat Drives Intel's Potential Bid

Qualcomm-Broadcom tie-up imperils chip titan's competitive position in key areas

BY TED GREENWALD

The revelation that **Intel** Corp. is considering buying **Broadcom** Ltd., a company valued at more than \$100 billion, shows the depth to which the chip giant feels threatened by a potential tie-up between Broadcom and its rival **Qualcomm** Inc.

Since late last year, Intel has been exploring a bid for Broadcom to forestall that company's \$117 billion offer for Qualcomm in what would be the biggest-ever tech deal, people familiar with the matter told The Wall Street Journal in an article published Friday. Intel's interest in derailing that deal reflects its worry that a combined Broadcom-Qualcomm, which would create the third-largest chip company by revenue after Intel and **Samsung Electronics** Co., would endanger its competitive position, the people said.

A merged Broadcom and

Qualcomm would combine market-leading smartphone chips with a strong presence in data centers, two areas Intel has targeted for growth. And Qualcomm's own proposed purchase of Dutch automotive chip specialist **NXP Semiconductors** NV would turbocharge such a merger in the automotive market, where Intel has placed one of its biggest bets.

"You'd have this powerhouse going up against you," said analyst Stacy Rasgon of Bernstein Research, noting the combined revenue of Broadcom and Qualcomm—nearly \$40 billion in fis-

cal 2017—would be formidable even relative to Intel's \$63 billion in the same year. Nonetheless, he finds an Intel-Broadcom merger unlikely.

There are several reasons why such a combination may not happen. Intel is weighing a range of alternative acquisitions, the Journal reported Friday, and a hostile Broadcom offer would present enormous challenges of financing, complexity and regulatory scrutiny.

Intel has made relatively few big deals in its 49-year history—the largest was in 2015 when it

*Please see INTEL page B2*

### Phone Numbers

Mobile chip revenue, 2016\*

Qualcomm	\$12.45 billion
Broadcom	\$2.32 billion
Intel	\$327 million
Rest of market	\$24.09 billion

\*Most recent data available

Source: Gartner

THE WALL STREET JOURNAL.

## Dow Chemical's Liveris To Depart

BY DAVID BENOIT

Longtime Dow Chemical Co. leader Andrew Liveris plans to step down next month, ending a nearly 14-year tenure that culminated with the chemical giant's combination last year with rival DuPont Co.

Mr. Liveris will relinquish the role of executive chairman of the combined company April 1, it will announce Monday. Co-lead director Jeff Fettig will assume that role at the company, now known as **DowDuPont** Inc. and soon to be broken apart.

Liveris lieutenant Jim Fitterling will be chief executive of the materials-science company, to be known as Dow, that is expected to be created when the breakup takes place next year.

Mr. Liveris, 63 years old, had announced he would likely depart this year, but he had already delayed the move once and the advisory board of the materials-science company hadn't yet named a successor.

Dow's board and Mr. Liveris had gone through a search process that involved Mr. Fitterling, who is chief operating officer for the materials business, and Howard Ungerleider, DowDuPont's chief financial officer, according to people familiar with the matter. The candidates, both of whom have spent their entire careers at Dow and held several roles, met with directors and made presentations

*Please see DOW page B5*

## INSIDE



WHITEY CURTIS FOR THE WALL STREET JOURNAL

**U.S. Drone Deliveries Ready for Takeoff**

BY ANDY PASZTOR

After lagging behind other countries for years, commercial drones in the U.S. are expected to begin limited package deliveries within months, according to federal regulators and industry officials.

The momentum partly stems from stepped-up White House pressure, prompting closer cooperation between the government and companies such as **Amazon.com** Inc. seeking authorizations for such fledgling businesses. The upshot, according to these officials, is newfound confidence by both sides that domestic package-delivery services finally appear on the verge of taking off.

Earlier promises of progress turned out to be premature. The green light could be delayed again if proponents can't overcome nagging security concerns on the part of local or national law-enforcement agencies. Proposed projects also may end up stymied if Federal Aviation Administration managers don't find creative ways around legislative and regulatory restrictions such as those mandating pilot training for manned aircraft.

But some proponents of delivery and other drone applications "think they might be ready to operate this summer," Jay Merkle, a senior FAA air-traffic control official, said during a break at an unmanned-aircraft conference in Baltimore last week that highlighted the agency's pro-business approach.

At least 10 FAA-approved pilot programs for various drone initiatives—some likely including package delivery—are slated to start by May. Separately, industry and government officials have indicated that Amazon, widely considered

*Please see DRONES page B4*

## Town Is Eager for Furnaces to Fire Up

New life for steel mill perks up depressed Illinois industrial area and its workforce

BY ANDREW TANGEL

GRANITE CITY, Ill.—Ever since the layoffs a few years ago, many residents here had wondered when the local steel plant would again fire up its furnaces—or close forever.

Not only were hundreds of steelworkers left jobless when **United States Steel** Corp. scaled down its operations in Granite City, Ill., in 2015, but lunch deliveries to the plant vanished for a local diner while a shoe store's work-boot sales plummeted.

At least 26 businesses closed within a year, according to an area chamber of commerce.

"We were in a deep state of depression here, and not sure if it would ever open again," said Mayor Ed Hagnauer, who was first elected in 2005.



THE WALL STREET JOURNAL.

U.S. Steel last week said it would fire up one of two dormant furnaces at its Granite City mill and start filling 500 jobs, calling back to work many of the roughly 1,500 employees it had laid off just over two years ago. Some expect to return to work as soon as this week, fueling optimism amid a backdrop of anxiety in U.S. manufacturing over tariffs on imported steel and aluminum that President Donald Trump imposed Thursday.

The enthusiasm in Granite City stands in contrast to pessimism elsewhere about the tariffs and warnings of a global trade war.

Manufacturers including heavy-machinery giant **Caterpillar** Inc. and motorcycle maker **Harley-Davidson** Inc.

have expressed concern over higher material costs that could eat into profits and the potential for retaliatory trade barriers that put American exports at a disadvantage. Such fears, if they come to fruition, could bring hard times to other cities.

Granite City's fortunes have long risen and fallen with its local mill. The town, after all, owes its name to enamel-covered steel dishes known as graniteware, which were key to its early development. Nowadays, in addition to the steel plant, the town's largest employers include a railcar manufacturer, hospital and school district.

Christin Bragg, who once worked on the plant's furnace crew, is among those

*Please see STEEL page B2*



## RIGHT PRICE FOR OIL SPLITS OPEC

ENERGY, B2



## 'WRINKLE' FAILS TO OUTPACE 'PANTHER'

BOX OFFICE, B5

## Midcap companies know how to carpe diem.

## And carpe decade.

MDY invests in growth-hungry, midcap powerhouses that offer immediate potential but are grown-up enough not to be a flash in the pan. And it's beaten 84% of the Morningstar U.S. Mid-Cap Blend Category over the last 3, 5 and 10 years. [spdrs.com/MDY](http://spdrs.com/MDY)

MDY is one of the many first-to-market ETFs from State Street Global Advisors.

Source: Morningstar as of 12/31/17. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Universe: 110 funds for 10 years, 134 funds for 5 years, and 148 funds for 3 years. MDY's 1-year peer group percentile is 37% (64 of 175 funds). Past performance is no guarantee of future results.

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*Please see STATE STREET page B2*

MDY

THE MIGHTY MIDCAP

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Adobe Systems.....R4	Honeywell.....A1	Procure.....R4
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## INTEL

*Continued from the prior page*  
acquired Altera Corp. for \$16.7 billion—and it has previously had a spotty track record of folding them in.

Intel in a statement said its focus is on integrating its recent purchases and "making them successful for our customers and shareholders." The company declined to comment further.

An Intel-Broadcom tie-up may not even make sense in terms of strengthening Intel, according to some analysts. "I don't think there's any benefit to Intel," said Handel Jones, a consultant at International Business Strategies. In particular, he said, Broadcom's products wouldn't mesh well with Intel's manufacturing operations, where the chip giant could use additional volume to reduce costs.

But the prospect that Intel could bid for Broadcom reflects tectonic forces reshaping the semiconductor industry as chips make their way into all manner of consumer and industrial products, from smart speakers to urban infrastructure.

**Broadcom-Qualcomm could wreak havoc on Intel's ambitions in self-driving cars.**

Intel, with a market capitalization of about \$243 billion, holds over a 90% share in its core markets of processor chips in personal computers and data-center servers, according to Mercury Research, leaving it scant room to grow in those areas as PC shipments continue their persistent decline.

Intel has responded, in part, by moving aggressively into cellular communications chips, where it has replaced Qualcomm units in a portion of Apple Inc.'s iPhones and made inroads with the next-generation 5G cellular specification.

It has advanced into the automotive industry with its \$15.3 billion purchase of Mobileye NV, a leader in sensors for automated driving features like automated lane keeping and collision avoidance.

And it has doubled down on its data-center business, supplying companies like Amazon.com Inc. and Microsoft Corp. that are spending tens of billions annually on hyperscale cloud-computing facilities.

Hitching Broadcom, whose management style has driven a sevenfold increase in its share

price over five years, to Qualcomm, whose products form the bedrock of the mobile market, could threaten Intel's progress in all three areas.

Broadcom declined to comment. Qualcomm didn't immediately respond to requests for comment.

Qualcomm has focused on developing key cellular technology, playing a leadership role in 5G. That research keeps its chips ahead of the competition, and it has resulted in a patent portfolio that yields a royalty on nearly every smartphone sold, whether or not they contain Qualcomm chips—a revenue stream that typically provides most of Qualcomm's pretax profit.

Since early 2017, though, Qualcomm has been in a bitter legal war with Apple over its royalty rates, which the iPhone maker alleges are unfair. Qualcomm hasn't been able to resolve the conflict quickly, and Apple is considering replacing Qualcomm chips entirely with products from rivals including Intel.

Broadcom also sells chips to Apple, and its chief executive, Hock Tan, claims to have a strong relationship with the iPhone maker. If Broadcom takes over Qualcomm, he believes he could resolve the Apple dispute. In that case, Apple could boost Qualcomm's presence in iPhones at Intel's expense, especially as 5G ramps up in coming years.

A combined Broadcom-Qualcomm also could wreak havoc on Intel's ambitions in self-driving cars. Qualcomm's acquisition of NXP awaits antitrust approval in China, its final regulatory hurdle, which Qualcomm has said it expects soon. Completing the purchase would pave the way for Qualcomm's 5G chips and self-driving tech. The extra heft that Broadcom would give that combination could create a counterweight to Intel and Mobileye.

Broadcom also sells switches to makers of data-center equipment, while Qualcomm is pushing into data centers with server processors that compete directly with Intel's. The prospect of selling Qualcomm's server chips through Broadcom's data-center channels may give Intel pause.

And Mr. Tan likely wouldn't stop there. He built Broadcom on a string of ever bolder acquisitions. Having rolled up Qualcomm—if his takeover effort gets that far—he could continue to enlarge his portfolio of market-leading franchises, potentially blocking Intel's efforts at every turn.

*Dana Mattioli and Dana Cimilluca contributed to this article.*

## BUSINESS & FINANCE

# Right Price for Oil Divides OPEC

BY BENOIT FAUCON AND SUMMER SAID

OPEC is breaking down into two camps after more than a year of unity. On one side is Saudi Arabia, which wants oil prices at \$70 a barrel or higher, and on the other is Iran, which wants them around \$60.

The split is driven by differing views over whether \$70 a barrel sends U.S. shale companies into a production frenzy that could cause prices to crash. At stake is the Organization of the Petroleum Exporting Countries' production limits, which are among factors helping the oil market's monthslong recovery.

Iran wants OPEC to work to keep oil prices around \$60 a barrel to contain shale producers. Oil Minister Bijan Zanganeh told The Wall Street Journal in an interview. That is a little below Friday's prices of \$65.49 a barrel for Brent crude, the international benchmark, and \$62.04 in the U.S.

"If the price jumps [to] around \$70...it will motivate more production in shale oil in the United States," Mr. Zanganeh said. Shale producers are more nimble than big OPEC producers, using techniques that allow them to increase or decrease production depending on the oil price.

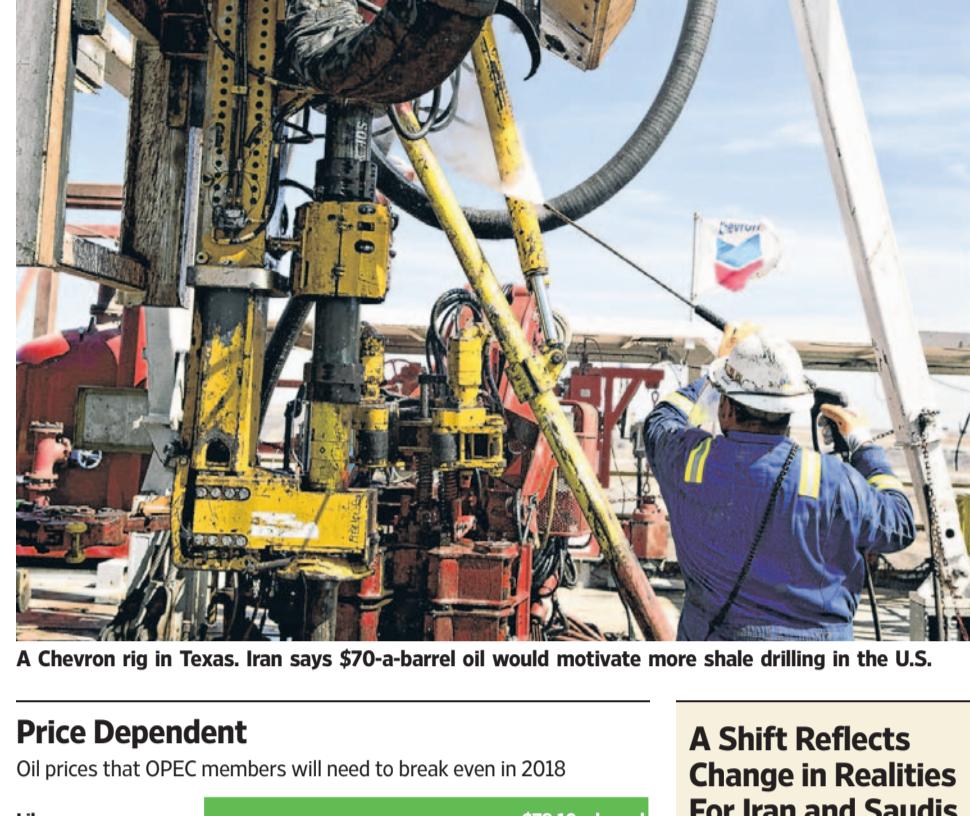
Saudi Arabia has played down shale's ability to upset the market and has touted OPEC's alliance with the world's largest crude producer, Russia, as a bulwark against U.S. output.

Russia and nine other producers have joined OPEC's production limits, cumulatively withholding about 2% of the world's crude output.

"I don't lose sleep that shale is going to come and overwhelm us," Saudi Energy Minister Khalid al-Falih said in January at the World Economic Forum in Davos, Switzerland. The following month, Mr. Falih said OPEC would stick with its production limits this year, even if it meant oil supplies fell below demand—remarks that caused oil prices to rise.

Mr. Falih has never publicly called for \$70 a barrel. Privately, Saudi officials say they want that level to provide revenue for Crown Prince Mohammed bin Salman's ambitious economic and military-spending plans and to support the initial public offering of

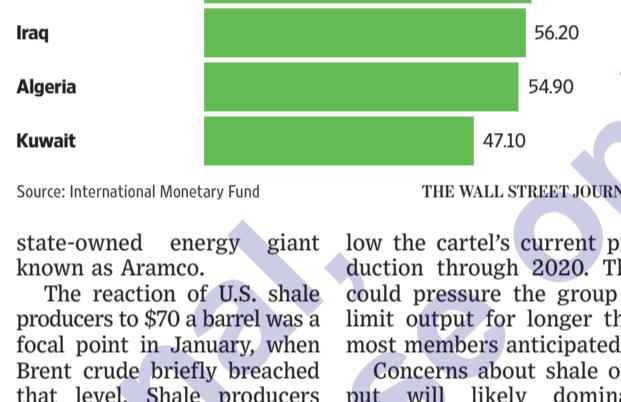
Saudi Arabian Oil Co., the



A Chevron rig in Texas. Iran says \$70-a-barrel oil would motivate more shale drilling in the U.S.

## Price Dependent

Oil prices that OPEC members will need to break even in 2018



Source: International Monetary Fund

THE WALL STREET JOURNAL.

## A Shift Reflects Change in Realities For Iran and Saudis

The debate over prices reflects a shift in OPEC's internal dynamics. Previously, Iran had long advocated for higher prices, while Saudi Arabia had been a voice of restraint.

The change partly reflects new dynamics in both countries' politics and economics. No longer crippled by Western sanctions, Iran needs an oil price of only \$57.20 a barrel to balance its national budget, according to the International Monetary Fund. Saudi Arabia needs about \$70 a barrel to cover record national spending this year.

Saudi Arabia and Iran are also at odds politically. They have backed different sides in the Syrian civil war, the Saudis have lobbied for tighter sanctions on Tehran, and Riyadh accuses Iran of funding and arming Yemeni rebels.

Russia is likely to be an important factor in any OPEC oil-price debate. Though it isn't a member of the group, Russia's production cuts have given it special influence with the cartel.

Russian Energy Minister Alexander Novak told state television last month that prices around \$64 a barrel were "satisfactory." A ministry spokeswoman couldn't be reached for comment.



Michael DeBruce would like to hire back a cook and deliveryman at his Park Grill in Granite City, Ill., if business returns to earlier levels.

## STEEL

*Continued from the prior page*  
eager to return.

"I'm excited. This is what I've been waiting for," said 46-year-old Mr. Bragg, who added he already had undergone a physical and a mandated drug test as of Thursday. He lost his approximately \$60,000-a-year job in December 2015. "I want to retire from here. This is my future—this town's future."

Mr. Bragg, who once worked with the steel plant's furnaces, described difficulties post-layoff as he took on other work for less pay: borrowing money from a relative, accepting food given away as charity and disappointing his family with a tight Christmas budget.

Other steelworkers were similarly elated to hear their plant was again hiring. Union officials said many took on jobs at other manufacturers or distribution centers, positions they said could be more physically taxing and less safe for half the

pay, and were ready to get back to work making steel.

Some steelworkers said they had faced a Catch-22: Firms were reluctant to hire laid-off steelworkers because they knew U.S. Steel could one day summon them back.

Others who didn't find work struggled to make ends meet, relying on food pantries, charity, and unemployment and union benefits, steelworkers and union officials say.

Union officials predicted many laid-off steelworkers and even some retirees would answer the call, given the benefits and pay.

Store owners share the optimism.

At Holt Shoe Shop, where business dropped about 25% after the layoffs sapped demand for work boots, steelmakers are required to wear, owners Laura and Brian Smith are hoping a revenue boost will help them invest in their business. They may expand their reach with a "boot truck" to sell directly at worksites, boost their online presence and introduce new brands.

"Having grown up in Granite City, we knew that the mill is cyclical—we've seen that through the ages," Mr. Smith said. Now, he figures: "Better times are around the corner."

Michael DeBruce, owner of the Park Grill, would like to hire back a cook and delivery-

man he had to let go, if the diner's business returns to earlier levels. "Hopefully things will just keep going like they were," Mr. DeBruce said.

The Granite City steel plant didn't entirely close. Before the layoffs started, the plant employed 2,200, making it the town's biggest employer, according to a securities filing.

After layoffs of approximately 1,500 employees,

some were eventually brought back, but the furnaces remained off.

The new hiring-related to making steel again—has significantly lifted the town's spirits, said Keith Burton, chief executive of GCS Credit Union, which was founded in 1941 as a lender for plant employees. "People had just gotten used to the mill not being 100% active," Mr. Burton said. "Now with this news here, it's inspired a new level of hope."

Steelworkers blamed the recent turmoil in town on cheap imports that have flooded into the U.S. "We're not against trade," said Jim Patton, 58, a third-generation steelworker who was laid off a few years ago but rehired last fall. "It's just unfair trade that's killed us."

Mr. Patton and other locals cheered Mr. Trump's new tariffs.

"He has gotten stuff done that I didn't think was possible," added laid-off steelworker Mike Buckingham, 58, who had been expecting to return to work on Sunday, referring to the president.

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"He has gotten stuff done that I didn

## BUSINESS NEWS

# German Energy Titans In Deal

BY WILLIAM WILKES

FRANKFURT—German energy giant E.ON SE on Sunday said it had in principle agreed to swap a range of assets with rival RWE AG, the latest in a yearslong series of deals unleashed by Chancellor Angela Merkel's 2011 renewable-energy revolution.

E.ON said that it would acquire RWE's 76.8% stake in Innogy SE, with RWE receiving 16.67% of E.ON's equity in return. E.ON said it would make a €40 (\$49.22) per share offer to Innogy's minority shareholders, valuing the target company at roughly €22 billion.

The complex deal, involving swaps of assets and shares between Germany's two largest energy companies, would leave E.ON focused on energy networks and consumer-facing operations, with RWE receiving Innogy's renewables business, the Innogy gas-storage business and the firm's stake in Austrian supplier Kelag and a large stake in E.ON.

RWE said that the deal would help it create a leading European utilities business with diversified power-generation methods, including both renewables and conventional methods such as coal.

E.ON invests heavily in new renewable-energy sources such as solar and wind in both Germany and overseas. RWE is the country's largest power producer, with a heavy emphasis on conventional power-generation sources such as coal and gas.

Germany's once-staid utilities market was shaken in 2011 by Ms. Merkel's Energiewende, or energy revolution. Under the plan, Germany will close its nuclear-power plants by 2022 and replace them with rapidly expanding wind and solar power.

# Private Equity Finds New Venues

Silver Lake offers \$100 million for stake in live-events business Oak View Group

BY ANNE STEELE

Entertainment and sports-facilities company **Oak View Group** is getting a large cash infusion from private-equity firm **Silver Lake**.

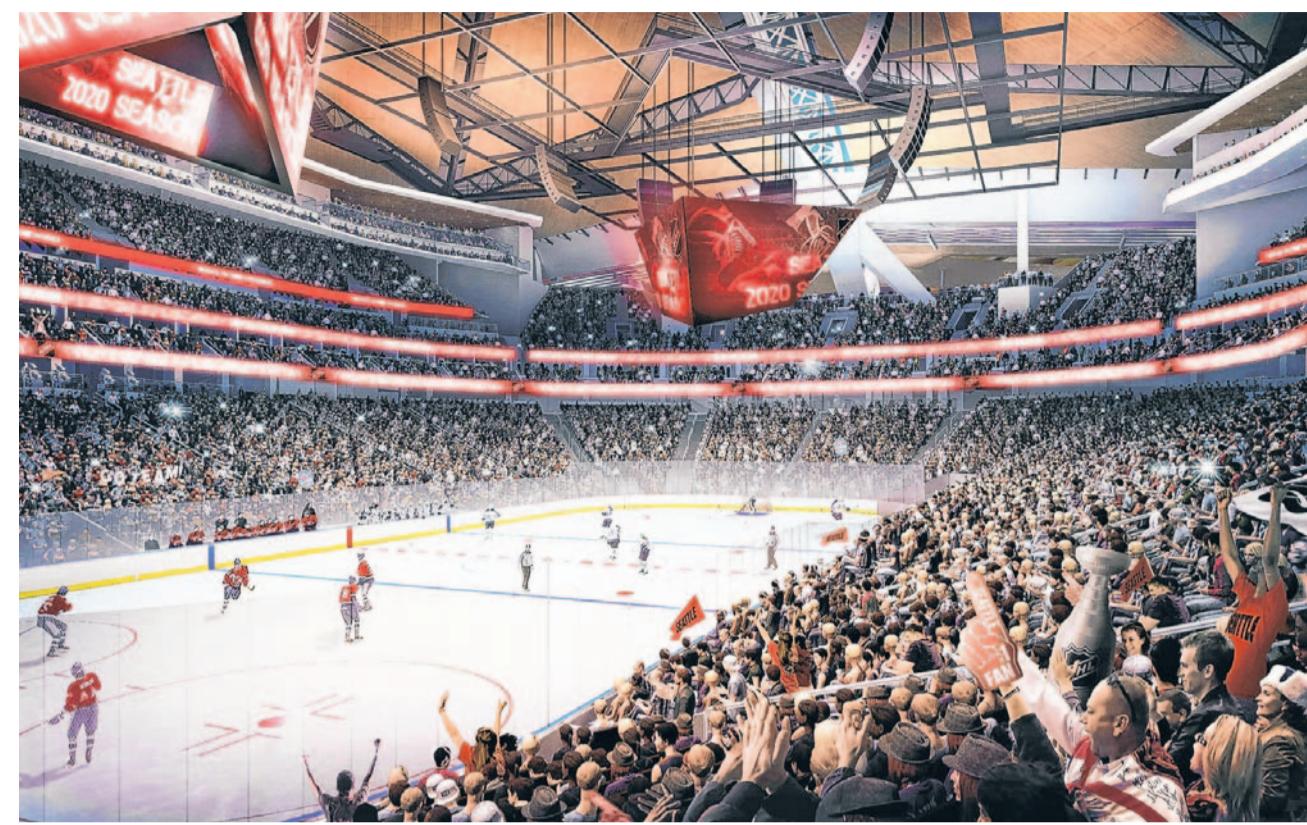
Oak View, headed by music-industry veteran Irving Azoff and sports executive Tim Leiweke, is developing arenas across the U.S. and manages or advises existing venues on matters such as sponsorship, security and concert booking.

Silver Lake is offering more than \$100 million in exchange for an undisclosed equity stake in the two-year-old company, according to a person familiar with the matter, who said additional investment could follow.

That a tech-focused private-equity firm with \$39 billion in assets is taking a stake in a venue company signals how valuable the live-events business has become as well as the growing role technology plays in how venues, teams, artists and fans interact at those events.

Oak View Group was founded in late 2015 by the pair of onetime rivals. Mr. Azoff—manager for the Eagles, Jon Bon Jovi and Steely Dan, and chief executive of Azoff MSG Management—was previously at the top of No. 1 concert promoter Live Nation Entertainment Inc. Mr. Leiweke led Anschutz Entertainment Group, Live Nation's largest competitor.

An initial focus of the super group venture was to help teams, artists and venues battle ticket scalpers, with New York's Madison Square Garden, Los Angeles's Forum and arenas in New Jersey, Atlanta and Tampa Bay, Fla., as early clients. Oak View Group has since gathered some 27 North American arenas and stadiums



A computer drawing of the planned remodeling of Seattle's KeyArena, which OVG has won the rights to redevelop.

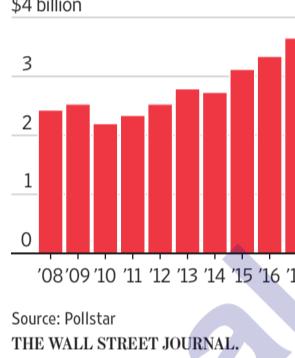
in an alliance that it advises on entertainment booking and other matters. Members pay an annual fee for a range of services, from talent booking to consultation on renovations and naming-rights deals. OVG also takes a cut of revenue it helps those members generate.

The company also has added a security-advisory arm—which has tripled in size since the mass shooting last fall at a Las Vegas country-music festival—and a media and conferences division after snapping up trade publications Pollstar and Venues Today.

Last summer, OVG won the rights to redevelop KeyArena at Seattle Center with private-equity billionaire David Bonderman and film producer Jerry Bruckheimer, and submitted a National Hockey League expansion application last month to add a new team there. Earlier this month the venue sold 33,000 deposits for season

## High Note

Revenue for top 100 North American concert tours



Source: Pollstar  
THE WALL STREET JOURNAL

tickets.

Mr. Leiweke, the company's chief executive, expects to announce a franchise by the summer and begin construction by October. The company also is developing a new arena for the New York Islanders in partnership with New York Mets operating chief Jeff Wilpon next to the Belmont Park racetrack just outside the city on Long Island.

"What is going to drive the future of the company is the huge bets we're making," Mr. Leiweke said.

OGV sees opportunities outside major league sports; it is bidding to develop University

## Entertainment In the Digital Age

Silver Lake, though a relative newcomer to the venues business, has viewed entertainment as an important investment area in the digital age.

It backs Endeavor, parent of talent agency **WME-IMG**, a major power in sporting events and athlete representation that also owns the UFC mixed martial-arts organization. Last

month it disclosed a 4.9% stake in **Madison Square Garden Co.**

Silver Lake sees opportunities to bring more social and mobile elements to the live business and rethink how venues are designed and constructed to change how consumers interact at events, according to a person familiar with the matter.

It sees a growing market for live experiences and could leverage relationships with its other portfolio companies.

of Texas at Austin's new arena.

The Los Angeles-based company has an office in Seattle and will open another in New York next month. Mr. Leiweke said OVG remains "laser focused" on North America but will expand into Europe and Asia this year.

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KEYWORDS | By Christopher Mims

## TECHNOLOGY &amp; HEALTH

**Blockchain Has Power to Transform**

We're now awash in "crypto" hype—cryptocurrencies like bitcoin

and fundraising efforts like initial coin offerings. For every venture capitalist or technical expert, there are a half-dozen hype men and fly-by-night startups making the entire space look like a 21st-century version of the Amsterdam tulip mania.

All that noise has obscured the bona fide efforts involving the underlying technology, blockchain. Of all the manifestations of crypto, it's the most seemingly mundane applications of blockchain that could lead to the biggest and most concrete changes in all of our lives.

These applications can't be found on a coin exchange, and they aren't going to turn anyone into an overnight billionaire. But they could bring much-needed change to some of the world's most critical industries. This means new ways of transferring real-estate titles, managing cargo on shipping vessels, guaranteeing the safety of the food we eat and more. Using blockchain, you could prove that a particular diamond on sale in a Milan boutique came from a particular mine in Russia.

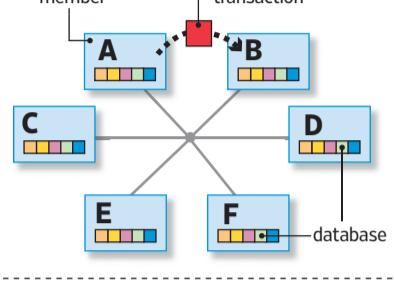
**W**hat is blockchain? It's essentially a secure database, or ledger, spread across multiple computers. Everybody has the same record of all transactions, so tampering with one instance of it is pointless. "Crypto" describes the cryptography that underlies it, which allows agents to securely interact—transfer assets, for example—while also guaranteeing that once a transaction has been made, the blockchain remains an immutable record of it.

Blockchain has the power to transform industries for

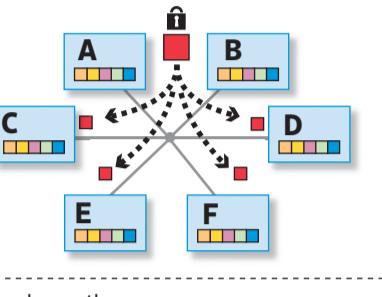
**Safe-Deposit Blockchain**

Businesses hope blockchain-based databases will eliminate paperwork and speed up transactions. The technology can be used to store and transfer ownership of goods and track them through a supply chain.

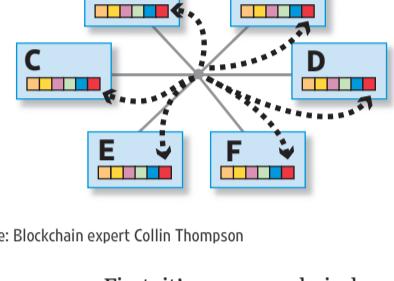
1. All members have a copy of the shared database. When a member wants to send an asset to another member, a data "block" is created to represent the transaction.



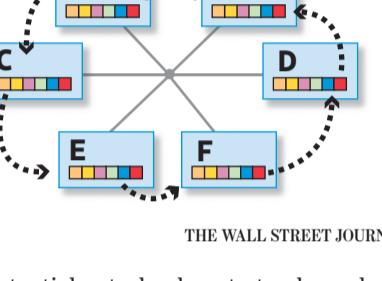
2. The block is shared with the group yet remains cryptographically private. The network recognizes the block because its secret digital signature is linked to a public signature.



3. Once a block is confirmed, all members add the block to their copies of the database.



4. Complex math ensures a consensus among database copies, which prevents tampering.



Source: Blockchain expert Collin Thompson

three reasons. First, it's genuinely well-suited to transactions that require trust and a permanent record. Second, blockchain typically requires the cooperation of many different parties. The third reason is that hype I mentioned. The excitement around cryptocurrency gives blockchain the visibility to attract developers and encourage adoption.

In this way, blockchain resembles "the cloud." While detractors argued that the cloud was just "someone else's computer," it gave many industries new business processes, disruptive startups and new divisions within existing companies, an ecosystem of supporting technologies, and new ways to charge for services. Block-

chain has the same potential. Take logistics. Already, 1.1 million items sold or on sale at Walmart are on a blockchain—including chicken and almond milk—helping the company trace their journey from manufacturer to store shelf. Global shipping company Maersk uses the same technology from **International Business Machines** to track shipping containers, making it faster and easier to transfer them and get them through customs.

While these projects are still a fraction of the overall tracking that goes on at these companies, they are expanding rapidly both within the organizations and across their industries. Other companies using blockchain

technology to track goods include Kroger, Nestlé, Tyson Foods and Unilever, says Bridget van Kralingen, senior vice president of platforms and blockchain at IBM.

**E**verledger, a company started in April 2014 with the intention of creating a blockchain-based registry of every certified diamond in the world, already has 2.2 million diamonds in its registry. It's adding about 100,000 diamonds a month, says Leanne Kemp, chief executive and founder.

By recording 40 different measures of each stone, Everledger is able to trace the journey of a stone from when it's pulled from the earth to the day it's pur-

chased by a consumer. Every participant in that chain, from the miner to the cutter to the retailer, maintains a node—with a copy of the database—in the Everledger blockchain network.

**CartaSense** is an eight-year-old Tel Aviv company that puts internet-connected sensors on freight pallets and uses analytics to determine when goods might be delayed or damaged. CartaSense customers use a blockchain database on which freight companies can record every stage of the journey of a package, pallet or shipping container.

Blockchain is being implemented first within companies and centralized governments that can move quickly on new technologies.

Dubai, for example, has declared its intent to make itself the "first blockchain-powered government in the world by 2020." That could streamline things in real estate, says Stephen McKeon, an associate professor of finance at the University of Oregon who studies blockchain. By moving the central record of all real-estate transactions onto a blockchain, Dubai could make it faster and easier to transfer property titles.

It's too early to say whether blockchain, as both a technology and a movement, has the power to overcome issues that thwarted generations of software engineers. The most justifiable skepticism is that blockchain is incremental, rather than revolutionary.

But if it works, it has the potential to be a fundamental enabling technology, the way new standards for transmitting data across networks led to the internet.

More concretely, it could someday underlie everything from how we vote to whom we connect with online to what we buy.

**Cholesterol Drug Price Cut to Sway Insurers**

By JOSEPH WALKER

The makers of an expensive cholesterol drug plan to offer discounts of as much as 69% in exchange for insurers and pharmacy-benefit managers expanding their coverage of the medicine to more patients.

**Regeneron Pharmaceuticals** Inc. and **Sanofi** SA said they would seek to renegotiate contracts with insurers by offering rebates and discounts for the drug, called Praluent, that would bring its U.S. net price within a range of \$4,500 to \$8,000 annually per patient, down from its list price of \$14,600.

The net price range is based on a cost-effectiveness analysis by an independent nonprofit group called the Institute for Clinical and Economic Review.

The group's analysis incorporated new clinical trial data released on Saturday showing that Praluent reduced a patient's risk of dying by 15% compared with a placebo in a large trial of patients whose cholesterol exceeded medical guidelines despite taking the standard treatment of statin drugs.

The offer of a steep price cut by Regeneron and Sanofi reflects the pricing pressures that some drugmakers face. Insurers have placed restrictions on paying for Praluent because of its price, such as requiring patients to have tried alternative treatments and having doctors submit voluminous paperwork proving patients need the drug. The result is that the vast majority of patients prescribed the drug don't actually fill their prescription, said Regeneron Chief Executive Leonard Schleifer.

ICER's analysis "represents a good-faith assessment of [Praluent's] value to patients," Dr. Schleifer said in an interview. "Enough is enough. We're willing to work in their [price] range, providing that payers agree to reduce their burdensome barriers for patients."

When Praluent was launched in 2015, it was the first of a new type of cholesterol-lowering drug that blocks a protein called PCSK9. Analysts expected drugs in the class, which also includes **Amgen** Inc.'s Repatha, to quickly become blockbuster products with \$1 billion or greater in annual sales.

Instead, the drugs turned out to be a commercial disappointment after pharmacy-benefit managers, which negotiate discounts from drugmakers and decide which medicines to cover, clamped down on who could receive the drugs. According to an Amgen study, just 35% of patients prescribed a PCSK9 drug had the prescription approved by their insurers.

Praluent had U.S. sales of \$131.4 million last year, according to Regeneron and Sanofi. Amgen's Repatha had U.S. sales of \$225 million.

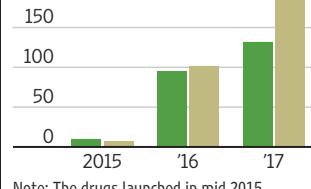
The exact discount that insurers receive will depend on how much they relax restrictions on who gets the drug, Dr. Schleifer said. The companies are specifically asking that insurers loosen restrictions only for patients at the highest risk of death—those who have had a heart attack or other serious coronary event in the past year, and whose cholesterol levels exceed the threshold recommended by doctors despite taking statins.

The risk of death to those high-risk patients was cut by 29% in the clinical trial presented on Saturday at the annual scientific meeting of the American College of Cardiology.

The trial is the first to show a statistically significant reduction in deaths by a PCSK9 drug, compared with a placebo.

**Slow Launch**

Annual U.S. sales for each drug



Note: The drugs launched in mid 2015. Sources: Regeneron Pharmaceuticals (Praluent); Amgen (Repatha)

THE WALL STREET JOURNAL.

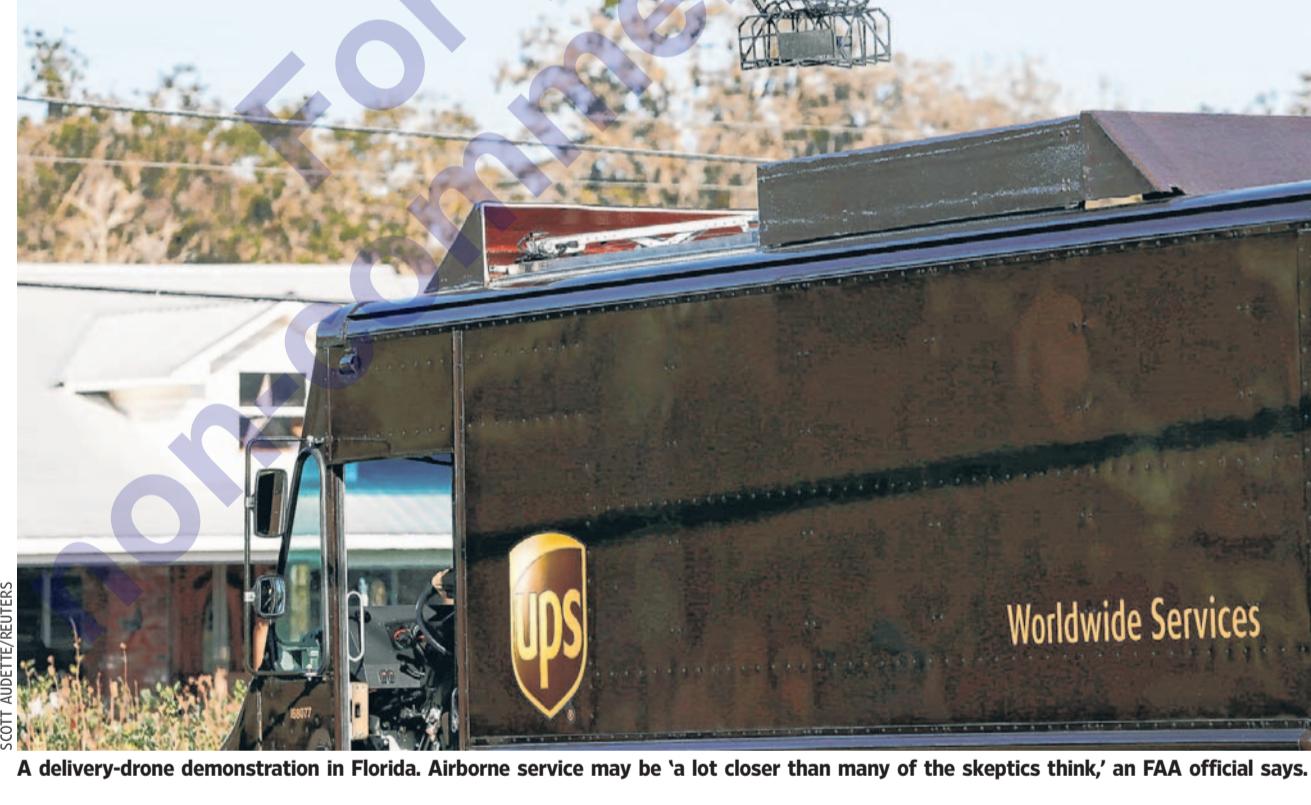
**DRONES**

*Continued from page B1*  
one the most aggressive and furthest advanced applicants, is pushing for safety approval of detailed drone designs, as well as precise operating rules.

Amazon officials declined to provide details. But Gur Kimchi, vice president of the company's package-delivery organization called Prime Air was hopeful that necessary approvals would be secured by 2019. Responding to questions on the sidelines of the conference about probable locations and timelines to initiate delivery flights, he said "ask me next year."

Earl Lawrence, who runs the FAA's drone-integration office, had a similar upbeat message. Airborne deliveries may be "a lot closer than many of the skeptics think," he told last week's gathering. Some experimental efforts already are under way and "they're getting ready for full-blown operations," he said in an interview.

At this point, public comments by both the FAA and prospective delivery companies have focused exclusively on methods to track and control drones to ensure they won't endanger property or people on the ground. Largely due to competitive concerns, Amazon, **Alphabet** Inc.'s Google unit and other would-be operators haven't divulged exactly how customers would order a package



A delivery-drone demonstration in Florida. Airborne service may be 'a lot closer than many of the skeptics think,' an FAA official says.

or be notified of its arrival.

So far, regulators in Australia, Singapore and Britain are among those leading the way on drone deliveries. In the U.S., there have been numerous studies, advisory panels and years of debate about the topic, but relatively little movement to usher in real-world services. Other governments have

moved more quickly to permit commercial drones in segregated areas, while the FAA is looking to integrate them into the nation's airspace.

In recent months, however, there has been a marked shift in tone from Washington. Lawmakers increasingly are prodding the FAA and urging swift action. Senior officials at the Transportation Department, which is the FAA's parent agency, "get calls from the White House fairly regularly" demanding faster decisions, according to Derek Kan, DOT's undersecretary for policy.

During last week's conference, FAA officials urged start-ups and established industry

players alike to submit a variety of proposals. As long as essential safety standards are met, Mr. Lawrence and his colleagues promised to tailor exemptions and waivers to modify

basic rules written decades ago.

The FAA's Mr. Merkle, who has helped implement automated traffic-management changes around airports for less-ambitious drone uses, was even more blunt about the agency's stance. In general, applicants "need to understand what you need [and] when you need it" from the FAA, he said during a conference panel. Encouraging companies to move quickly to try various operational concepts, he said "we'll help you get there."

Amazon, for instance, has said its long-term goal is to pick up packages weighing a maximum of 5 pounds from distribu-

tion centers and whisk them to customers within a 20-mile radius. Navigating safely over populated areas and landing in pinpoint locations remain two of the most difficult challenges.

Along with **General Electric** Co., Google and a handful of other aerospace and Silicon Valley companies, Amazon has sketched out principles for a separate, low-altitude traffic-control network intended to be funded and run by a fast-growing industry encompassing more than 10,000 drone-related companies and 70,000 registered commercial aerial vehicles.

Before any of that becomes reality, FAA and industry leaders face a battle convincing local governments that noise, privacy and security fears can be alleviated.

Last year, an industry-government task force failed to reach consensus on the notion that state and local governments, through their police powers, are the exclusive regulators of land use, zoning, privacy and trespass" protections for their citizens.

In some cases, those principles mean neighborhood controls could pre-empt federal approvals.

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Date: March 15, 2018

Time: 9:00 a.m. (E.T.)

Place: Cozen O'Connor

1201 North Market Street

Suite 1001

Wilmington, DE 19801

For more information relating to the sale or the Collateral please contact:

Peter Schaefer

New Direction Partners

Phone 610-935-1000

Email PSchaefer@NewDirectionPartners.com

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## BANKING &amp; FINANCE

# Deutsche Details Offering

BY JENNY STRASBURG

**Deutsche Bank AG** on Sunday said the share pricing for the coming partial float of its asset-management unit values the business at €6 billion to €7.2 billion (\$7.4 billion to \$8.9 billion), and announced a "cornerstone" investor in the offering, Japan's **Nippon Life Insurance Co.**

Deutsche Bank said it would sell 20% of the unit, **DWS Group**, in an offering range of €30 to €36 a share. The first day of trading will be March 23 on the Frankfurt Stock Exchange, the German lender said in a statement.

At the upper end of that price range, the business would be valued at roughly the midpoint of recent consensus expectations. The offering is expected to raise €1.2 billion to €1.44 billion.

Additionally, Deutsche Bank said it has the option of selling another 5% to outside investors through the share offering, for as much as €188 million in additional proceeds.

**Nippon Life** will acquire a 5% stake in DWS and has agreed to allocate an unspecified amount of assets to the business, distribute Deutsche Bank products, and otherwise help DWS increase its profile.

In total, Dow stock has returned more than 150% since he took over, which underperforms the S&P 500, though it far outpaces the index since the market lows and the DuPont famous.

The financial crisis nearly sank the company before Warren Buffett threw it a \$3 billion lifeline. An activist investor twice tried to oust Mr. Liveris.

In total, Dow stock has returned more than 150% since he took over, which underperforms the S&P 500, though it far outpaces the index since the market lows and the DuPont famous.

Mr. Liveris has faced and survived his share of critics on everything from his sometimes-lavish lifestyle to Dow's performance. Most notably, activist Daniel Loeb called for a breakup and was set to attack Mr. Liveris's tenure in 2014 before the two reached a détente with a board shakeup. Mr. Loeb had threatened a second fight in 2015 but backed off when Mr. Liveris said he would step down in 2017. Mr. Liveris later delayed that.

—Jacob Bunge and Christopher M. Matthews contributed to this article.

in Asia, according to the Deutsche Bank statement.

The lender's executives last month said they wanted the asset-management offering to happen as soon as possible, pending market conditions. Resilient stock markets have encouraged companies to move quickly to get ahead of any significant market downturn, bankers say.

For Deutsche Bank, the asset-management partial IPO is a central item on a to-do list investors are watching to gauge the lender's progress in

a difficult multiyear turnaround under Chief Executive John Cryan. He and his executive team have settled major litigation matters but fallen short of cost-cutting goals and have lost revenue in core businesses.

Deutsche Bank will still own 75% to 80% of DWS's shares, depending on the ultimate offering size.

Separately, Mr. Cryan said over the weekend that the bank's top executives will forgo a bonus this year for the third consecutive year, follow-

ing three consecutive full-year losses. In comments at an event in Austin, Texas, Mr. Cryan said overall employee bonuses for 2017 will be significantly higher than last year. But he said top executives again need to take responsibility for a full-year loss. Deutsche Bank had a roughly €500 million loss in 2017, including a €1.4 billion charge related to the U.S. tax overhaul in December. Without that charge, Deutsche Bank would have reported around €900 million in net income for 2017.



Andrew Liveris will be a director on the combined board until July 1.

## DOW

Continued from page B1  
in recent months, the people said.

Mr. Fitterling, 56, won the job in recent weeks, they said. Mr. Ungerleider, 50, will be named president on top of his CFO role.

In an interview, Mr. Liveris said he decided the timing was right with the stock hitting all-time highs this year and the company completing two projects he left his legacy on: the combination with DuPont and a gigantic petrochemical plant in Saudi Arabia. He said he made up his mind while on Christmas holidays with his family in his native Australia, feeling the transformation he had wanted was done.

A 40-year veteran of the company, Mr. Liveris will remain a director on the combined board until July 1.

"This is a very very good time; the Andrew Liveris era should end and the Jim Fitterling and Howard Ungerleider era should begin," Mr. Liveris said. "I've achieved my goals."

The handoff marks the retirement of one of the most recognizable figures in American industry. The chemical and materials giant has a household name and Mr. Liveris became a common sight in Washington and at global gatherings, like Davos, Switzerland, discussing everything from science to economic policy.

Mr. Liveris had a relationship with President Donald Trump, but publicly disagreed

with him on issues including climate change and tariffs. He had led the White House's advisory council of CEOs in the manufacturing industry before it disbanded. He had also served on a council advising Barack Obama.

He took over Dow in November 2004, and his 13½-year tenure in Midland, Mich., was both transformational and turbulent.

He struck two major deals and many smaller ones as he restructured the business into what is expected to be a leaner and more stable company after the breakup, shedding many legacy products that made Dow famous.

The financial crisis nearly sank the company before Warren Buffett threw it a \$3 billion lifeline. An activist investor twice tried to oust Mr. Liveris.

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—Jacob Bunge and Christopher M. Matthews contributed to this article.

## MEDIA



Disney's 'A Wrinkle in Time' opened to an underwhelming \$33.3 million in the U.S. and Canada.

## 'Panther' Outpaces 'Wrinkle'

BY BEN FRITZ

It was a box-office wrinkle Walt Disney Co. didn't see coming.

Rather than its new, heavily marketed adaptation of a classic children's book topping the weekend box office, a superhero movie it released nearly a month ago continued to dominate ticket sales.

Disney's "A Wrinkle in Time" opened to a so-so \$33.3 million in the U.S. and Canada, according to studio estimates, putting it in second place behind the company's own "Black Panther," which grossed \$41.1 million and was No. 1 at the box office for the fourth weekend in a row.

"Black Panther" has now grossed a total of \$562 million domestically, No. 7 of all time.

Overseas, the African superhero film made its debut to a solid, if not spectacular, \$66.5 million in China, its final major market launch, and its global total reached \$1.08 billion. "Black Panther" is now ranked No. 21 of all time at the worldwide box office. The first Marvel movie featuring a nonwhite star still appears to still have plenty of juice left before fin-

### Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Black Panther	Disney	\$41.1	\$562	-38
2. A Wrinkle in Time	Disney	\$33.3	\$33.3	--
3. Strangers: Prey at Night	Aviron Pictures	\$10.5	\$10.5	--
4. Red Sparrow	Twentieth Century Fox	\$8.2	\$31.1	-52
5. Game Night	Warner Bros.	\$7.9	\$45	-24

\*Friday, Saturday and Sunday Source: comScore

ishing its box-office run.

Based on the 56-year-old children's book by Madeline L'Engle, directed by Ava DuVernay and starring Oprah Winfrey, Reese Witherspoon and Chris Pine, "A Wrinkle in Time"

received mixed reviews. Audiences seemed neither overwhelmingly excited nor disappointed, giving it an average grade of B, according to market-research firm CinemaScore.

Its debut was underwhelming for a movie that cost more than \$100 million to produce and demonstrates the challenges Disney faces when it makes movies that don't fit

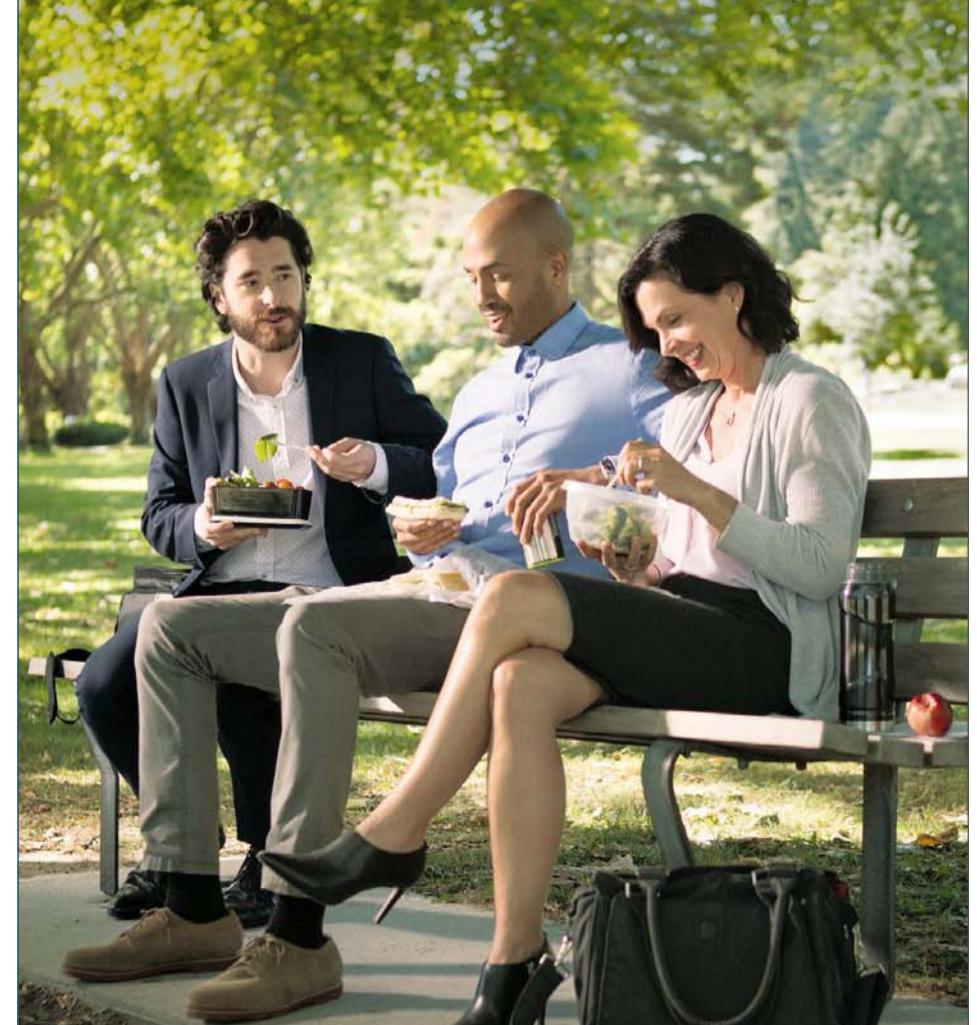
into its core brands such as animation, Marvel superheroes, Star Wars, and live-action remakes of animated classics, which account for most of its output.

Disney distribution chief Dave Hollis said he hoped the PG-rated "A Wrinkle in Time" would perform well, noting that most American children have their spring breaks in the next few weeks.

"There's plenty of time to see where we end up," he said.

It has yet to open in most of the world, grossing \$6.3 million in six foreign markets this weekend.

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## MARKETS DIGEST

## Dow Jones Industrial Average

**25335.74** ▲ 797.68, or 3.25% last week  
 High, low, open and close for each of the past 52 weeks



Current divisor 0.14523396877348  
 Week's high: **25900**, Monday's open: **24700**, Friday's close: **25000**, Monday's open: **24700**, Week's low: **21100**, 65-day moving average: **22300**, 200-day moving average: **18700**

Bars measure the point change from Monday's open

M A M J J A S O N D J F M 17500 21000



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2786.57** ▲ 95.32, or 3.54% last week  
 High, low, open and close for each of the past 52 weeks



65-day moving average: **2600**, 200-day moving average: **2300**

M A M J J A S O N D J F M 21000 28000

## New to the Market

## Public Offerings of Stock

## IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
3/12	2/16	Bridgewater Bancshares Commercial bank.	BWB Nq	6.7	10.50/ 12.50	Sandler O'Neill & Prtnrs, DA Davidson & Co
3/14	2/16	Arcus Biosciences Biotechnology company developing new cancer therapeutics.	RCUS N	7.1	13.00/ 15.00	Citi GS, Leerink Prtnrs
3/15	2/16	Zscaler Software company engaged with security solutions.	ZS Nq	10.0	10.00/ 12.00	MS, GS

## Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
March 13	Sept. 14, '17	Tremont Mortgage Trust	TRMT	20.00	50.0	-33.5	180 days
March 18	Sept. 19, '17	BEST Inc	BSTI	10.00	517.5	6.7	180 days
	Sept. 19, '17	Celciuty	CELC	9.50	26.2	69.9	180 days
	Sept. 19, '17	Despegar.com	DESP	26.00	381.8	28.8	180 days
	Sept. 19, '17	Krystal Biotech	KRYS	10.00	45.5	-3.1	180 days

Sources: Dealogic; WSJ Market Data Group

## IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	IPO date/Offer price	Friday's close (\$)	Offer price (\$)	1st-day close	% Chg From Offer	Friday's close (\$)	Offer price (\$)	1st-day close	% Chg From Offer	
BioKcel Therapeutics BTAI	March 8/\$11.00	11.00	...	-0.3	-0.3	Motus GL MOTS	Feb. 14/\$5.00	4.98	-0.4	-0.4
Union Acquisition LTNU	Feb. 28/\$10.00	10.06	0.6	0.5	0.5	Cardlytics CDLY	Feb. 9/\$13.00	17.68	36.0	32.2
Farmmri FAMI	Feb. 16/\$4.00	6.58	64.5	6.5	6.5	Quintana Energy Svcs QES	Feb. 9/\$10.00	9.71	-2.9	7.9
DFB Healthcare Acquisitions DFBH	Feb. 16/\$10.00	10.15	1.5	1.5	1.5	Cactus WHD	Feb. 8/\$19.00	26.33	38.6	30.0
Biofrontiera BFRA	Feb. 14/\$9.98	15.88	59.1	30.4	30.4	Evolus EOLS	Feb. 8/\$12.00	12.07	0.6	5.0

Sources: WSJ Market Data Group; FactSet Research Systems

## Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

None expected this week

## Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Guidewire Software Technology	March 9 March 7/18	\$360.0	...	GS, JPM, Citi
Guidewire Software Technology	March 9 March 7/18	\$200.0	...	GS, JPM, Citi
VolitionRX Healthcare	March 9 Sept. 4/15	\$8.4	\$50.0	Oppenheimer Inc
Arch Capital Group Insurance	March 8 Nov. 3/17	\$50.5	...	Barclays, DB
Global Blood Therapeutics Healthcare	March 8 Aug. 23/17	\$216.0	\$125.0	WFS
Corvus Pharmaceuticals Healthcare	March 8 April 3/17	\$69.0	\$250.0	Credit Suisse, Jefferies
Ares Management Finance	March 7 Feb. 27/17	\$330.0	...	WFS, MS, Credit Suisse, BofA ML, UBS, RBC Cptl Mkts
Clearside Biomedical Healthcare	March 7 July 3/17	\$85.0	\$250.0	JPM, Cowen & Co
Duke Energy Utility & Energy	March 6 Sept. 23/16	\$1,595.6	...	Credit Suisse, JPM, Barclays, GS, BofA ML, Citi, MS, WFS
Park Hotels & Resorts Real Estate/Property	March 6 March 5/18	\$1,021.0	...	Barclays, JPM, UBS, GS, MS, DB, Credit Suisse
Athene Holding Insurance	March 6 Jan. 3/18	\$512.9	...	Barclays
Talend Technology	March 6 Sept. 29/17	\$190.3	\$513.7	GS
SCYNEXIS Healthcare	March 6 Oct. 30/15	\$30.0	\$150.0	Guggenheim Prtnrs
TransUnion Professional Services	March 5 Sept. 8/16	\$1,149.6	...	JPM, MS

Sources: WSJ Market Data Group; FactSet Research Systems

## International Stock Indexes

Region/Country Index Latest Week Close % chg 52-Week Range Low Close High % chg YTD

World The Global Dow 3143.16 2.57 2647.00 3323.74 1.8

The DJ Global Index 406.43 2.69 343.54 425.41 2.3

The DJ Global ex U.S. 267.90 1.77 225.17 285.34 0.4

Americas DJ Americas 666.35 3.44 562.20 687.75 3.7

Brazil Sao Paulo Bovespa 86371.41 0.71 60761.74 87652.64 13.0

Canada S&P/TSX Comp 15577.81 1.26 14951.88 16412.94 -3.9

Mexico S&P/BMV IPC 48556.45 2.12 46973.30 51713.38 -1.6

Chile Santiago IPSA 4258.65 1.65 3463.41 4442.56 1.1

EMEA Stoxx Europe 600 378.24 3.05 367.04 402.81 -2.8

Stoxx Europe 50 3016.37 2.57 2940.84 3276.11 -5.1

Eurozone Euro Stoxx 381.50 3.20 363.10 404.86 -1.0

Austria ATX 3485.51 2.86 2799.12 3688.78 1.9

Belgium Bel-20 3987.04 3.05 3730.01 4176.88 0.2

France CAC 40 5274.40 2.68 4974.26 5541.99 -0.7

Germany DAX 12346.68 3.63 11904.12 13559.60 -4.4

Greece Athex Composite 821.57 1.04 632.97 886.54 2.4

Israel Tel Aviv 1481.35 -1.28 1363.50 1549.87 -1.9

Italy FTSE MIB 22745.60 3.80 19443 23890 4.1

Netherlands AEX 537.14 3.55 507.15 570.82 -1.4

Portugal PSI 20 5423.80 1.06 4572.64 5791.88 0.7

Russia RTS Index 1285.53 1.89 973.33 1324.62 11.4

South Africa FTSE/JSE All-Share 59169.23 2.47 5083.89 61684.77 -0.6

Spain IBEX 35 9686.10 1.63 9531.1 11135.4 -3.6

Sweden SX All Share 576.61 3.97 545.83 600.20 1.4

Switzerland Swiss Market 8931.85 3.52 8529.28 9611.61 -4.8

U.K. FTSE 100 7224.51 2.19 7069.90 7778.64 -6.0

Source: SIX Financial Information; WSJ Market Data Group

## Commodities and Currencies

Last Week Close Net chg % Chg % chg

DJ Commodity 631.96 0.77 0.12 1.05

TR/CC CRB Index 195.15 1.03 0.53 0.66

Crude oil, \$ per barrel 62.04 0.79 1.29 2.68

Natural gas, \$/MMBtu 2.732 0.037 1.37 -7.

# CLOSED-END FUNDS

[wsj.com/funds](http://wsj.com/funds)

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available. **N/A** signifies that the information does not exist. **YTD** denotes the existence of entire period. **12 month** is computed by dividing income dividends paid during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, March 9, 2018

52 wk  
Fund (SYM) NAV Close/Disc Ret

**General Equity Funds**

Adams Divers Equity Fd **AIX** 18.30 15.60 -14.8 24.6

Boulder Growth & Income **BIF** 13.37 11.31 -15.4 24.3

Central Securities **CET** 33.55 27.90 -16.8 23.1

CohSteer Opprity Fd **FOF** 10.77 12.77 -7.3 13.6

Cornerstone Strategic **CLM** 13.74 15.84 +15.3 20.0

Cornerstone TR Fd **CRF** 13.37 15.77 +18.0 19.5

EtrVn TaxAdv Div **EV** 22.87 NA 16.2

Gabelli Dividend & Incm **GDV** 23.33 NA 18.7

Gabelli Equity Trust **GAB** 6.49 NA 19.8

Gil American Investors **GEO** 18.35 35.44 -15.4 16.6

Guggenheim Enh Fd **GPM** 9.12 8.98 -15.6 16.3

Hnck John TxAdv **HTD** 23.39 21.70 -7.2 1.9

Liberty All-Star Equity **USA** 7.02 6.43 -8.4 29.5

Royce Micro-Cap **RMT** 10.69 6.93 -9.9 26.9

Royce Value Trust **RV** 17.73 16.01 -9.7 24.6

Source Capital **SOR** 46.54 41.92 -9.9 15.2

Tri-Continental **TY** 30.85 27.52 -10.8 24.2

**Specialized Equity Funds**

Adams Natural Rsrcs Fd **PEO** 22.10 18.58 -15.9 3.1

AllInzG NfD DivIntrest **NIJ** 14.95 13.21 -11.6 10.9

AlpnGblPprProp **AWP** 7.07 6.37 -9.9 28.7

BlkrK Enh Can Incm **CHI** 17.14 16.47 -3.9 21.8

BlkrK Enh Res Tr **BGR** 14.45 13.59 -6.0 7.4

LMP Cap & Incm Fd **SCD** 13.40 NA 3.8

Nuveen Pfd & Incm Opps Fd **IPC** 10.55 9.91 -6.1 10.2

Nuveen Pfd & Incm Secs Fd **JPS** 10.20 9.57 -6.2 10.0

NextPoint Credit Strat Fd **NHF** 26.23 24.24 -7.6 10.0

ProFund Muni Fund **RA** 24.44 22.05 -9.8 10.8

Rockford Real Assets **RR** 17.38 16.52 -9.7 9.1

## MARKETS

# Debt Load And ETF Popularity Are Linked

By JON SINDREU

The increasing popularity of passive funds may be leading companies to take up more debt, the Bank for International Settlements says.

New research published Sunday by the Basel, Switzerland-based consortium of central banks found a significant statistical relationship between firms' weight in bond indexes and how indebted they are. Indexes are closely tracked by passive investors—such as exchange-traded funds, or ETFs—that want to replicate the returns of the market at a low cost.

"The largest issuers tend to [be] more heavily represented in bond indices," the BIS said in its quarterly report. "As passive bond funds mechanically replicate the index weights in their portfolios, their growth will generate demand for the debt of the larger, and potentially more leveraged, issuers."

Big companies are by nature likely to issue more debt, which explains their large presence in bond indexes. Yet BIS research found that their weight in the Bank of America Merrill Lynch

# Stock Signals Sought in Bitcoin

Some investors think cryptocurrency swings can portend similar movement in shares

By BEN EISEN

Investors are latching onto bitcoin as a new indicator for determining whether the stock market is headed for another downturn.

A number of traders said they started paying closer attention to the highly volatile digital currency after it suffered a sharp fall about a month before the global stock-market decline. The price of a bitcoin roughly halved from its late-December high of near \$20,000, reversing a powerful speculative rally. That was followed by the first 10% decline in the S&P 500 in two years, beginning in late January.

Some investors say the moves suggest bitcoin may be a barometer of investor sentiment that ultimately feeds into the stock market and other risky investments. If stocks are headed for another pullback, the thinking goes, bitcoin may fall first—and harder.

"We've begun to watch bitcoin more closely as a sign of speculative enthusiasm," said Doug Ramsey, chief investment officer of the Minneapolis money manager Leuthold Group. The top in bitcoin in December and in stocks in January marked a peak in in-

## Crypto Cue

Investors have increasingly turned to bitcoin as an indicator as the digital currency and stocks move in closer alignment.

### Bitcoin price



Sources: Coindesk (bitcoin); SIX Financial (index); DataTrek Research (correlation)

### S&P 500



### The 90-day correlation between bitcoin and S&P 500 returns



THE WALL STREET JOURNAL.

**The largest issuers tend to be more heavily represented in bond indexes.**

Global Broad Market Corporate Index had a much closer relationship with their leverage than their size—whether counting all of their debt or just bonds.

ETFs and other passive investment vehicles have become extremely popular over the past decade. Growing demand for these types of investments came as central bankers took interest rates to record lows, carefully steering markets and stifling returns for active investors who try to outperform the market and charge higher fees.

Passive mutual funds managed about \$8 trillion, or 20%, of all investment-fund assets as of June 2017, up from 8% a decade earlier, the BIS said.

Some analysts worry that increasingly large flows of money that merely follow market trends could exacerbate moves, especially if too many investors try to exit from these highly liquid instruments at once. This is especially true for bond ETFs, because debt markets are less traded and more diverse than stocks.

Some economists are also trying to gauge what impact inclusion in passive indexes has for issuers of equity and debt.

The BIS isn't completely down on passive investments.

While including a company in an index can encourage leverage by creating extra demand for its debt, reducing issuance costs and improving the liquidity of those bonds can also have beneficial effects, BIS said.

vestor optimism, Mr. Ramsey said.

Tom Forester, chief investment officer at Forester Capital Management, said he pays particular attention to the big moves in the cryptocurrency when looking for signals. "We do view bitcoin as a sentiment indicator," he said.

In recent days, stocks and bitcoin have both been volatile, but for different reasons. Equities fell as the U.S. discussed and signed tariffs on steel and aluminum, then rebounded after a strong jobs report on Friday. Bitcoin prices dropped below \$10,000 recently as regulators globally scrutinized cryptocurrencies.

Still, the relationship has

been most closely aligned when investor sentiment is driving financial markets. Last month as the stock market sold off, the correlation between the cryptocurrency and the S&P 500 jumped to its highest level in records going back to the beginning of 2016, according to DataTrek Research, which looked at that link on a 90-day basis. Shorter-term correlations spiked as well, the firm found.

Few rallies have approached bitcoin's, where prices ran up from less than \$1,000 at the beginning of 2017 to about 20 times that level in under 12 months. That drew in mainstream investor interest.

The S&P 500's forward

**Crypto's New Role Has Dot-Com Echo**

For some investors, bitcoin is fulfilling a role that other highly volatile investments have played during previous market run-ups when frothy levels had become a concern: The highest-returning asset is often among the first to fall when investor appetite for risk starts to change.

During the 1990s dot-com boom, for example, some of the most speculative companies with little or no profit history, from e-commerce retailer Pets.com Inc. to online grocery business Webvan Group Inc., shot to prominence the fastest. They were also among the hardest to fall, signaling a broader market retreat when the S&P 500 dropped 49% from its peak in 2000 to its trough in the fall of 2002.

With the U.S. stock market

bull run reaching its nine-year anniversary on Friday, investors are worried that the Federal Reserve is starting to pull back its extraordinary easing measure when valuations are becoming stretched and the long U.S. economic expansion appears to be in its later stages.

The proposed steel and aluminum tariffs have ignited concerns of a trade war. All this has traders looking for fresh signs that investor sentiment is turning again.

## Gold Inches Higher After U.S. Jobs Report

By AMRITH RAMKUMAR

AND DAVID HODARI

Gold prices swung between small gains and losses before closing higher Friday after the February jobs report showed U.S. employers hired workers at the

**COMMODITIES** strongest pace in a year and a half, but the pace of wage growth eased.

Front-month gold for March delivery inched up 0.2% to \$1,322.40 a troy ounce on the Comex division of the New York Mercantile Exchange. Prices finished the week up 0.1%, swinging based on moves in the dollar and investor expectations for higher interest rates.

Friday's report showed



A worker produces gold ingots in Turkey. A weaker U.S. dollar helped support gold prices on Friday.

slower-than-expected wage growth last month, easing some analyst concerns about the Federal Reserve raising interest rates more quickly than expected. However, the strength of the headline jobs number likely spooked some traders, said Bill Baruch, president of brokerage Blue Line Futures.

Gold struggles to compete with yield-bearing assets like Treasuries as borrowing costs rise, so a quicker pace of rate increases tends to hurt gold prices.

Still, Mr. Baruch said the weak wage growth could weigh on the dollar and support gold if the Fed has to continue being cautious with its pace of rate increases. The

central bank had penciled in three increases for 2018 and is widely expected to raise rates again this month, but some investors had projected four increases after January's jobs report showed a pickup in wage growth.

"I'm still very, very upbeat on gold and I think April is going to be a very strong month," Mr. Baruch said. "This

is a reminder that inflation is a headwind for hiking rates."

A weaker dollar was making gold and other dollar-denominated commodities cheaper for overseas buyers Friday. The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, was down 0.1%. The dollar rebounding from multiyear lows hit last month has hurt com-

modities in recent weeks.

Among base metals, front-month copper for March delivery rose 1.9% to \$3,116 a pound to eke out a weekly gain. Prices have fallen 5% this year after hitting a roughly four-year high in late December, with some investors and analysts worried about an economic slowdown in China, the world's largest consumer.

Others outright reject bitcoin's value as a stock market indicator. "I think that's absurd," said Jason Ware, chief investment officer at Albion Financial Group. "Ultimately, stock returns are grounded in the economy, corporate earnings, interest rates and inflation," which he said that bitcoin investors don't seem to care much about.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	YTD chg per US\$ (%)	US vs. Fri	Country/currency	Fri in US\$	YTD chg per US\$ (%)	US vs. Fri
<b>Americas</b>				<b>Europe</b>			
Argentina peso	.0494	20.2376	<b>8.8</b>	Czech Rep. koruna	.04833	20.692	<b>-2.8</b>
Brazil real	.3072	3.2550	<b>-1.7</b>	Denmark krone	.1652	6.0538	<b>-2.4</b>
Canada dollar	.7806	1.2811	<b>1.9</b>	Euro area euro	.12307	.8126	<b>-2.5</b>
Chile peso	.001660	60.230	<b>-2.1</b>	Hungary forint	.003948	253.31	<b>-2.2</b>
Ecuador US dollar	1	1 unch		Iceland krona	.009996	100.04	<b>-3.4</b>
Mexico peso	.0537	18.6138	<b>-5.4</b>	Norway krone	.1286	7.7769	<b>-5.2</b>
Uruguay peso	.03530	28.330	<b>-1.6</b>	Poland zloty	.2934	3.4084	<b>-2.0</b>
Venezuela b. fuerte	.00002539950.0001	386.1945		Russia ruble	.01765	56.661	<b>-1.8</b>
<b>Asia-Pacific</b>				Sweden krona	.1213	8.2456	<b>0.7</b>
Australian dollar	.7847	1.2744	<b>-0.5</b>	Switzerland franc	.10513	.9512	<b>-2.4</b>
China yuan	.1579	6.3346	<b>-2.6</b>	Turkey lira	.2624	3.8111	<b>0.4</b>
Hong Kong dollar	.1276	7.8368	<b>0.3</b>	Ukraine hryvnia	.0383	26.1090	<b>-7.2</b>
India rupee	.01540	64.945	<b>1.7</b>	UK pound	.13848	.7221	<b>-2.4</b>
Indonesia rupiah	.0000726	13771	<b>2.1</b>	<b>Middle East/Africa</b>			
Japan yen	.009362	106.81	<b>-5.2</b>	Bahrain dinar	.26527	.3770	<b>-0.03</b>
Kazakhstan tenge	.003116	320.92	<b>-3.5</b>	Egypt pound	.0567	17.6230	<b>-0.8</b>
Macau pataca	.1239	8.0735	<b>0.3</b>	Israel shekel	.2907	3.4403	<b>-1.1</b>
Malaysia ringgit	.2556	3.9125	<b>-3.7</b>	Kuwait dinar	.3288	.3004	<b>-0.3</b>
New Zealand dollar	.7286	1.3725	<b>-2.6</b>	Oman rial	.25974	.3850	<b>0.01</b>
Pakistan rupee	.00903	110.760	<b>0.1</b>	Qatar rial	.2744	3.644	<b>-0.1</b>
Philippines peso	.0192	51.997	<b>4.1</b>	Saudi Arabia riyal	.2666	3.7503	<b>...</b>
Singapore dollar	.7594	1.3168	<b>-1.5</b>	South Africa rand	.0846	11.8163	<b>-4.4</b>
South Korea won	.0009386	1065.38	<b>-0.2</b>	<b>Close</b>	83.82	-0.03	<b>-0.04</b>
Sri Lanka rupee	.0064313	155.49	<b>1.3</b>	<b>Net Chg</b>	-.003	-0.04	<b>-2.51</b>
Taiwan dollar	.03418	29.254	<b>-1.4</b>	<b>YTD %Chg</b>			
Thailand baht	.03193	31.320	<b>-3.9</b>	<b>WSJ Dollar Index</b>	83.82	-0.03	<b>-0.04</b>
Vietnam dong	.00004393	22763	<b>0.2</b>	<b>Source:</b> Tullett Prebon, WSJ Market Data Group			

## Looking for a Spark

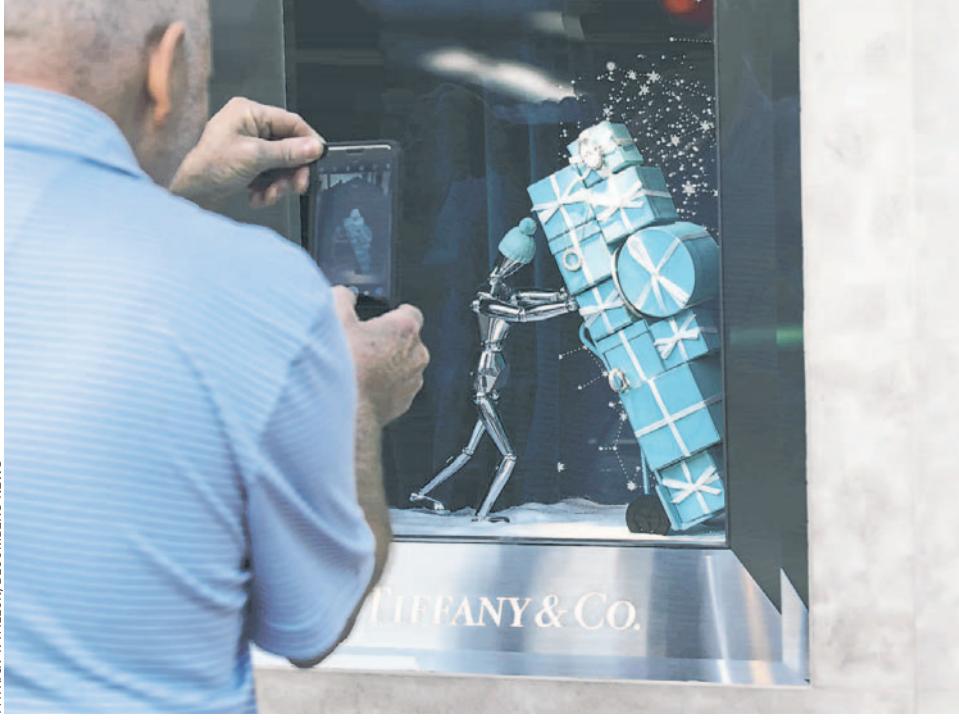
Gold and copper have fallen in recent weeks as the dollar has recovered from multiyear lows.



Note: Front-month contracts

Source: WSJ Market Data Group

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PATRICK T. FALLON/BLOOMBERG NEWS

A Tiffany &amp; Co. window display in Beverly Hills, Calif. The luxury retailer reports results Friday.

## MARKETS

# Debt Load Doesn't Worry Bond Buyers

Corporate borrowings are at levels similar to before past crises, but investors aren't scared

By DANIEL KRUGER

U.S. corporate debt has climbed to levels that have coincided with recent recessions. Many analysts and investors are unconcerned.

Even before last week's blockbuster \$40 billion bond sale by CVS Health Corp., corporate debt stood at 45% of GDP, a level it last reached in 2008 as the economy was entering a recession, according to Moody's Investors Service.

Some companies with weaker credit quality are finding it easier to access the bond market, and others are skimping on covenants protecting investors. Yet analysts say the differences between the current period and 2008 and 2001—when corporate debt rose to similar levels as the U.S. tipped toward contraction—are more important than any similarities.

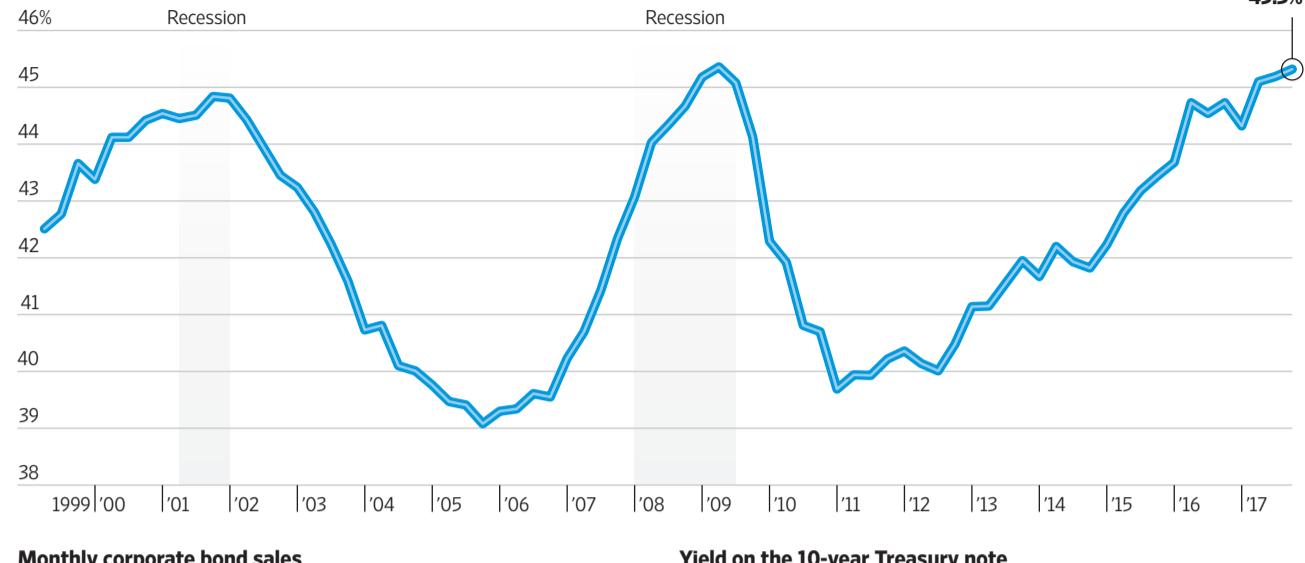
Today, signs of economic growth persist, supported by corporate tax cuts and a stimulative budget deal, as well as borrowing costs that remain relatively low by historical standards. That means companies can continue to borrow without creating significant economic risks, according to analysts.

Moody's predicts the economy will grow by 2.7% this year and expects the default rate on corporate bonds to drop to 2.2% by year-end from 3.2% in January.

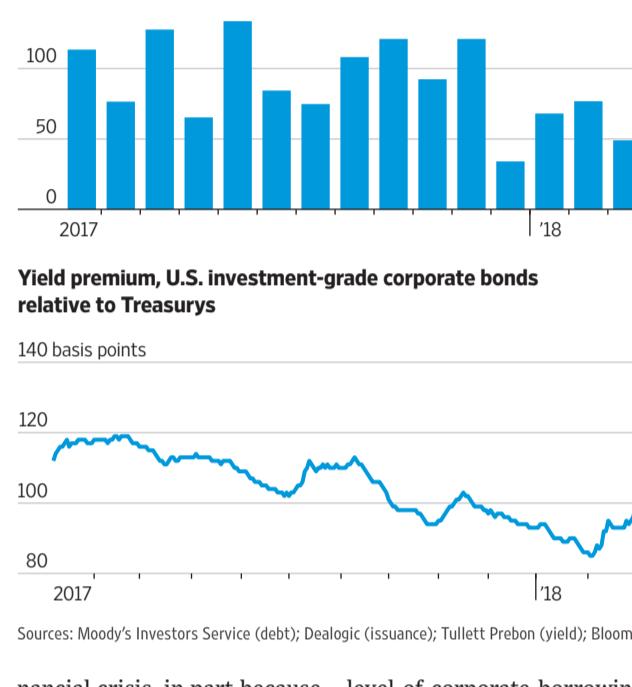
Today's credit conditions are also stronger than in the past because of larger capital buffers held by U.S. banks as part of more stringent regulatory standards, Moody's analysts said.

Banks' bondholdings have shrunk drastically since the fi-

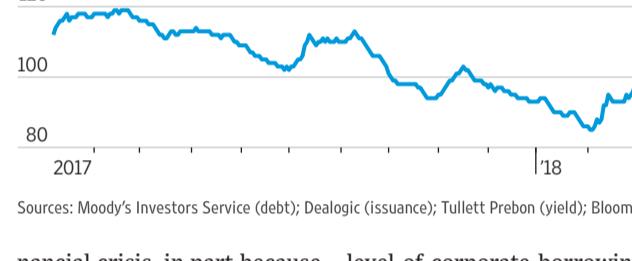
**U.S. corporate debt as a percentage of GDP, quarterly**



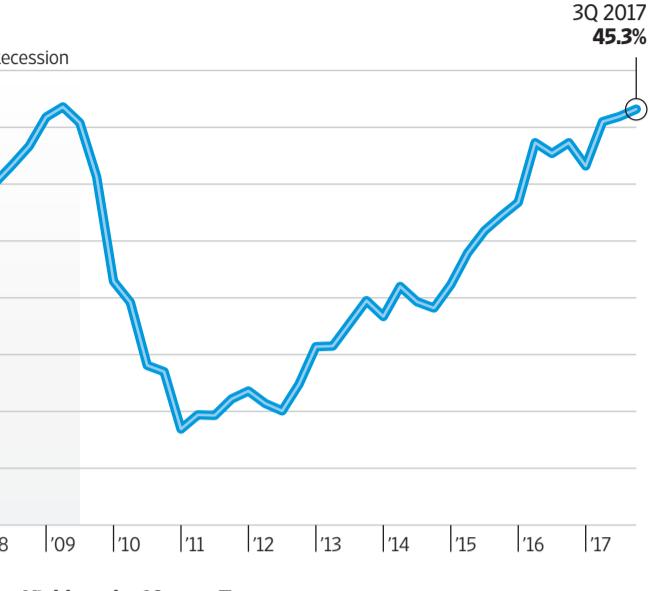
**Monthly corporate bond sales**



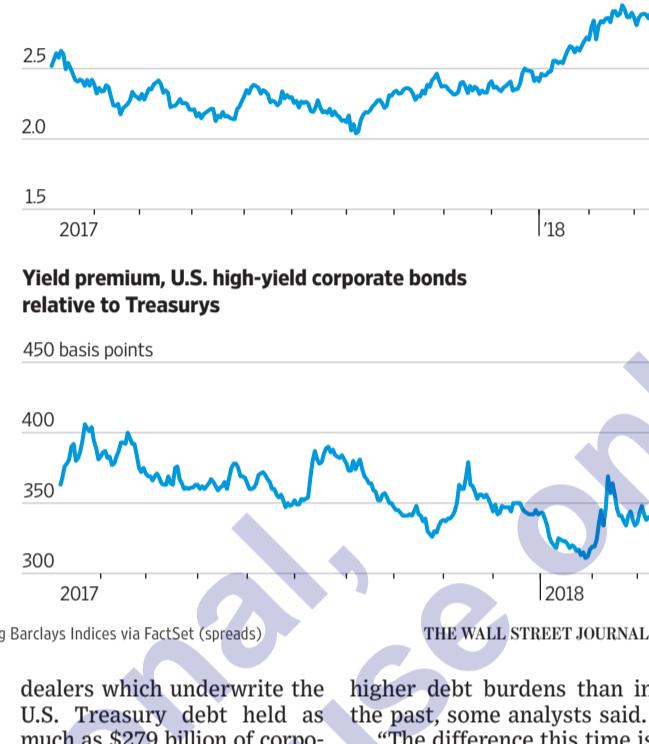
**Yield premium, U.S. investment-grade corporate bonds relative to Treasuries**



Sources: Moody's Investors Service (debt); Dealogic (issuance); Tullett Prebon (yield); Bloomberg Barclays Indices via FactSet (spreads)



**Yield on the 10-year Treasury note**



The yield on the 10-year Treasury note, which serves as a benchmark lending rate for companies, has climbed this year, recently hitting a multi-year high of 2.943%, compared with an average rate of 4.63% in 2007. And with credit spreads—the difference in yield between corporate bonds and Treasury debt—hanging near multiyear lows, investor demand continues to hold down borrowing costs for most companies.

The lower rates mean that interest payments represent a smaller share of a given company's cash flow, said Peter Strzalkowski, a bond portfolio manager at OppenheimerFunds Inc. Many companies have taken advantage of low longer-term interest rates to extend the maturities of their debt and don't face an imminent need to repay their loans, he said.

Not every observer is so sanguine about the rise in company debt levels. Such a climb in the late stages of an expansion tends to happen as companies become increasingly likely to pursue strategies intended to boost their stock prices, such as share buybacks, or growth that is no longer happening organically, such as through mergers or acquisitions, said David Ader, chief macro strategist for Informa Financial Intelligence.

Both buybacks and M&A activity are heating up. CVS sold bonds Tuesday to help pay for its acquisition of health insurer Aetna Inc. Qualcomm Inc. has also offered to buy NXP Semiconductors for \$44 billion in a deal which could be financed in part by bonds. Other pending deals include United Technologies Corp.'s \$23 billion planned purchase of Rockwell Collins.

Yet companies appear to be dodging the most obvious pitfalls, by doing things like extending their repayment dates, some analysts said.

nancial crisis, in part because of Dodd-Frank banking changes but also because investors are more willing to buy the securities they underwrite. This signals an improved capacity within the economy to handle the present

level of corporate borrowing.

Banks formerly held significant amounts of bonds either as unsold inventory from or with their proprietary trading units. In January 2008, the bond dealers in the Federal Reserve's network of primary

dealers which underwrite the U.S. Treasury debt held as much as \$279 billion of corporate debt on their balance sheets compared with \$24 billion as of last month.

Corporations are in a better position to function with

higher debt burdens than in the past, some analysts said.

"The difference this time is really in the debt affordability," said Anne van Praagh, head of credit strategy & research at Moody's Investors Service.

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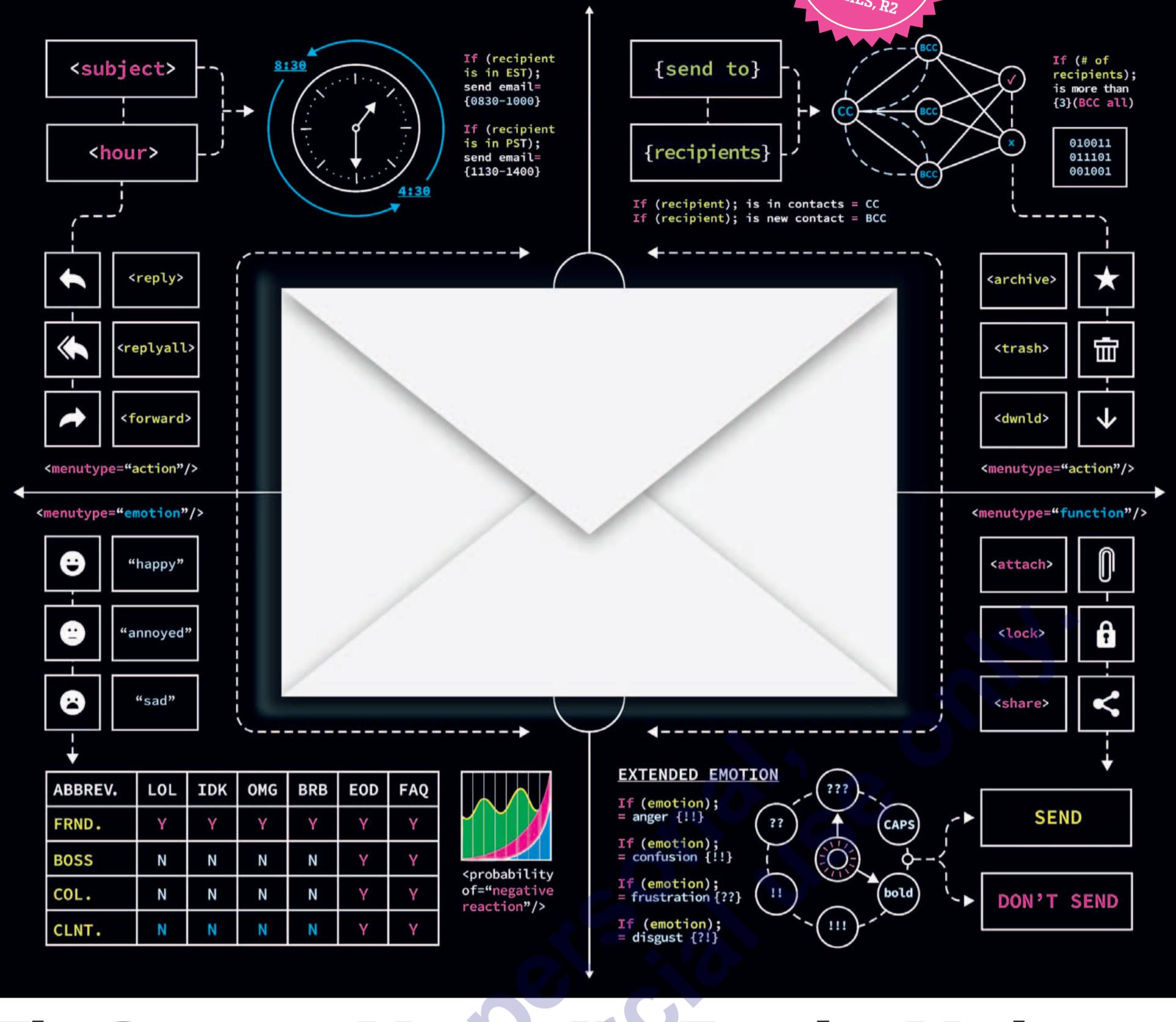
# WORKPLACE TECHNOLOGY

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SELMAN DESIGN

## The Smartest Ways to Use Email at Work

What research tells us about effectively taming your inbox, when to use all caps, whether to use emoticons, how quickly to respond to messages—and much more

BY ANDREW BLACKMAN

**EMAIL HAS BECOME SO INGRAINED** in our workday life that we rarely give it a second thought. Perhaps we should.

Researchers have been putting a laser focus on how we can be smarter about using email at work, and they have come up with surprising insights—from the best way to tame an overflowing inbox to the unintended consequences of punctuation choices.

In some cases, these findings completely overturn what we think we know about how to write messages. For instance, responding to email right away can be a terrible idea. And using emojis can be a great one.

Here's a roundup of what experts in the fields of psychology, management, linguistics and more have discovered.

### Don't answer too quickly—or after hours.

Replying to email promptly is a good thing, right? Not always. In fact, in companies whose cultures emphasize speed of response, workers are more stressed, less productive, more reactive and less likely to think strategically.

Those are some of the conclusions reached by Emma Russell, senior lecturer in occupational psychology at Kingston University in the U.K., from a recent review of academic literature.

"People think that if they respond quickly to their colleague, that's going to support a strong social relationship, but in terms of actual well-being and productivity, there was no evidence that that kind of culture is effective," says Dr. Russell.

Handling email after hours is also detrimental. People who receive an email during off hours may feel more pressure to respond, Dr. Russell discovered, and those who do aren't more efficient—they simply generate a higher volume of mail without actually getting more work done.

A company culture where employees are encouraged to answer emails quickly may be especially difficult for highly conscientious people. Her research on such workers showed that email notifications caused them higher stress

league to allow them to work uninterrupted.

### The best times to send an email.

How do you get people to pay attention to your emails amid all the competing demands on their attention? Kristina Lerman, project leader at the University of Southern California's Information Sciences Institute, has done extensive research on cognitive overload—how our brains respond when faced with too much information.

One key finding: When faced with a screen packed with information, people tend to focus on what's at the top. So, it follows that you want to time your email to correspond with when people are checking.

In a 2015 study in collaboration with Yahoo Labs, Dr. Lerman and her colleague Farshad Kooti analyzed a huge data set of 16 billion emails—personal and business—to look for patterns. They found that people replied more quickly early in the week, and those replies were also longer. The same applied to time of day—between 8 a.m. and noon was best. "I use these findings myself," says Dr. Lerman. "If I want to send an important email, I don't do it on a Friday. I wait until Monday morning, so it's much more likely to be at the top."

For most workers, a strategy of switching off email alerts but still checking email every 45 minutes or so and taking action on every message can help reduce stress and allow people to feel more in control. Dr. Russell also recommends using the "delay send" feature when replying to email during off hours, so that your inbox is cleared, but you aren't putting pressure on anybody else to respond. (If other people follow that rule, of course, they aren't putting pressure on you, either.)

What's more, she says, companies should remove policies requiring or encouraging certain response times, and consider using shared email inboxes for teams, so that the load is shared among several people. And if workers need to focus on a particular task such as writing a report, they could be encouraged to have their email automatically forwarded to a col-

league to allow them to work uninterrupted. Not necessarily, says Jennifer Parlami, associate professor of organization development at the University of San Francisco's School of Management.

In one study, she asked participants to engage in simulated business negotiations over email. The successful pairs of negotiators tended to take advantage of the strengths of email, such as the ability to rehearse what to say and convey a lot of information in a clear, specific form that people can refer back to later on. They were also better at dealing with its limitations, such as the potential for misunderstandings, missed emails and time-zone mix-ups.

"Some research says that because email is missing all of this nonverbal richness, it's not a good tool for communication," Dr. Parlami says. "But our research points to the fact that if you understand how to use email effectively, it can be very helpful for your negotiations."

### Don't worry about SOME all caps.

It's one of the longest-standing pieces of conventional wisdom about email, dating back to the days of dial-up modems: Don't exaggerate LIKE THIS! All caps means you're shouting. And other kinds of loose spelling just look goofy.

But new research suggests it's not always right.

"What I find is that good leaders often use a wide array of techniques and strategies when writing to their teams," says Erika Daries, a lecturer in applied linguistics at Aston University in the U.K. When used judiciously, she says, a word or two in capital letters can provide

**Inbox Impact**  
Some measures of the use of email in the workplace

- 11** Average times per hour that users check their email
- 84%** Share of users who keep their email up in the background at all times
- 87** Average number of emails received daily
- 70%** Share of all emails opened within 6 seconds of their receipt
- 64** Average time, in seconds, that users took to resume tasks interrupted by email

Source: Compiled by Gloria Mark et al., "Email Duration, Batching and Self-interruption," Proceedings of the 2016 CHI Conference on Human Factors in Computing

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## JOURNAL REPORT | WORKPLACE TECHNOLOGY

# Robots' Hands Are Given the Human Touch

Creating fingers that can pick up fragile products makes the machines more useful

BY DANIELA HERNANDEZ

**EVERY YEAR, JUST BORN QUALITY CONFECTIONS** makes about two billion brightly colored marshmallow treats known as Peeps. That's a lot of Peeps. But the company hopes that a new line of Peeps-friendly "soft robots" will send that number even higher this year.

In August, the Bethlehem, Pa., candy maker will begin installing at its factory 16 robots with squishy blue "fingers" that can pick up and hold the pillow Peeps without bruising them.

The company hopes that its new robots' grippers, made by **Soft Robotics Inc.**, of Cambridge, Mass., and part of a soft-robotics movement, will help it speed up production without damaging the treats.

"We needed something like the human hand," says Brent Edsoren, senior project engineer at Just Born.

Robots with pliant, dexterous—and fast—appendages are gaining popularity as companies in retail, food handling and agriculture move toward more automation. Fragile, malleable products that vary in shape and size, such as fruits and vegetables, suffer at the hands of conventional robots, in part because machines lack the highly tuned sensory feedback that humans have at their fingertips. Robotic dexterity is a difficult and not yet fully solved problem, analysts say. But the arrival of soft grippers—and a combination of better sensors—could help them fine-tune that.

## Annual contest

Some companies are already implementing soft-robotic grips, while others, such as **Toshiba Corp.** in Japan, are just beginning to test the technology. To make better grippers, they're experimenting with inflated rubbers, fabrics, plastics and resins, among other materials. Retail giant **Amazon.com Inc.** sponsors an annual robotic-picking contest to kindle innovation in hard-



A Soft Robotics machine's fingers can grasp bagels and other delicate objects without damage.

## Handle With Care

Venture-capital investment in robotics companies focused on warehouses, where robots that can better grip and grasp could be especially useful



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ware and software that will make grasping and moving objects more efficient. Some entrants incorporated soft materials into their creations in the latest competition.

Most innovation in robotics is happening at the level of software and robot grippers—or end effectors, as they're known in the industry—says David Pakman, an investor focused on automation and AI at venture-capital firm Venrock. For soft robotics, "commercial adoption is still in an early phase," Mr. Pakman says. "It's just hard to pick who the outcome winner will be."

John Santagata, research director for service robotics at International Data Corp., estimates the market for service-robot end effectors (a different segment from robots used in, say, auto manufacturing) will reach \$9.2 billion by 2021, representing 28% annual growth from current levels. IDC doesn't have projections specific to soft grippers, but there is "high demand" for robots that can handle and pack items as varied as hand soap, plush toys, razors, clothing, fruit and candy, Mr. Santagata says.

Traditionally, engineers have had to program robots' move-

ments very precisely to ensure efficiency, reliability and safety, which required them to know exactly where the robot was in space relative to the object it was picking up. That works well when robots need to move the same item thousands of times in exactly the same way, like in a car factory.

The approach quickly becomes onerous and expensive if machines have to handle an ever-changing array of objects, as often happens in warehouses and fulfillment centers—or if companies develop new products, like a new line of Peeps. Novel items require reprogramming. For fruits and

vegetables, which are rarely uniform, it's an almost impossible task, roboticists say.

Soft robotics is a "game-changer" for such applications because engineers don't need to know with the same level of certainty where objects are to get machines to pick them successfully, says Alex Harvey, head of robotics for the technology division of **Ocado**, a U.K.-based online grocer.

To some extent, going soft allows machines to do more with less information. Soft grippers, which are typically controlled by changes in air pressure, can cram and wiggle into hard-to-reach places that

would otherwise be inaccessible to hard pincers.

Ocado plans to deploy robots with suction-cup grippers in some warehouses this year. The company developed software to help its robots visually identify objects and grasp them by suction. (The system could eventually be licensed to commercial partners.) Mr. Harvey thinks the grippers can help quicken the pickup rate for about 6,000 of the roughly 50,000 different products handled in Ocado fulfillment centers—basically those products that are light and rigid.

The stakes increased recently for companies like Ocado following Amazon's purchase of Whole Foods Market Inc. last year for \$13.7 billion. The tech company has more advanced research and development, and deeper pockets, than most companies in the food sector, and has its own robotics division dubbed Amazon Robotics. Amazon declines to comment for this article.

## Flexibility and speed

The robots Just Born currently uses can handle only certain kinds of Peeps, such as bunnies and Christmas trees, because they are flat and easier to grip than the chick-shaped variety. For now, individual chick Peeps must still be picked by hand. But switching between modes of production reduces productivity, raises costs and limits the types of new products the company is able to develop, says Randall Copeland, Just Born's senior vice president of operations and supply chain.

"We need something that has applicability for basically all the marshmallow products we might want to make," and the advantage of soft grippers is "flexibility as well as speed," he says.

The big challenge for soft robotics, meanwhile, will be the wear and tear of the soft grippers, says Pieter Abbeel, director of the Robot Learning Lab at the University of California, Berkeley, and co-founder of robotics startup

**Embodied Intelligence Inc.** "But maybe that's fine because they're cheap," he adds.

Other companies developing soft grippers include **Right-Hand Robotics Inc.**, in Somerville, Mass., and **IAM Robotics LLC**, in Sewickley, Pa. Both have developed suction-cup grippers that latch onto objects. This type of gripper tends to work best for items with smooth, flat surfaces. For additional dexterity, Right-Hand's hybrid gripper has a suction cup and three foamy fingers. Thanks to sensors and computer-vision software, the robot can figure out whether it makes most sense to pick up an item by suction alone or through a combination of suction and finger-flexing.

"At the end of the day, we don't care how it does it," says Yaro Tenzer, a co-founder of RightHand. "What we really care about is the performance of the robot."

One company taking a different kind of approach is Toshiba, which has created a partnership with startup **S-muscle Co.** to develop a robotic hand actuated by artificial muscles made of rubber and fabric. The hands are lighter and softer than robotic hands made from metals, which could save energy and enhance safety. In an experiment, a prototype clasped a mug and an egg without breaking either, according to Junichiro Ooga, a Toshiba engineer working on the project. The team is considering using artificial intelligence to allow the hand to adjust its grip automatically, Mr. Ooga says.

The hope is to incorporate soft-robotic hands in machines that work alongside humans. Currently, robots are confined in cages because their hard appendages can hurt people, Mr. Ooga says. "We're trying to remove such barriers."

*Ms. Hernandez is a reporter for The Wall Street Journal in New York. Email her at [daniela.hernandez@wsj.com](mailto:daniela.hernandez@wsj.com). Miho Inada in Tokyo contributed to this article.*

# The Smartest Ways to Use Email at Work

*Continued from the prior page*  
emphasis, communicate urgency or inject humor. Adding a capitalized "AND" or "BUT" can also act as a cue that the writer is going to add more.

So although typing a whole email in capitals is a no-no, there's nothing wrong with using all caps in smaller doses.

Context matters, of course, and there are formal situations in which these techniques would be inappropriate. But the broad lesson is that within teams, a little playfulness and stylistic fluidity can go a long way.

That lesson goes beyond all caps. For example, Dr. Darics recently analyzed a conversation in which the boss joked about her subordinate working late and wrote, "Go hooome, E.T." The elongation of the word "home" and the reference to the movie "E.T. the Extra-Terrestrial" made it clear that this was a joke (to which the employee responded with a "LOL"). A more traditional sentence like "Go home," on the other hand, could have seemed abrupt or even been interpreted as a command.

## Use emoticons (with people you know).

Another way to get across emotion is with emoticons—small pictures of faces—or their cousins, emojis, which depict tiny objects.

Monica Riordan, a psychology professor at Chatham University in Pittsburgh, showed volunteers messages in plain text and others with emojis for objects such as flowers and keys. She found that even though these emojis depicted emotion-free objects rather than faces, people reported that they made neutral messages more positive and shaved some of the negativity off downbeat ones. In another study looking at how the pictures helped comprehension, the people reading the messages understood the meaning better with the emojis added.

For instance, the researchers showed people a deliberately ambiguous message, "Got a

ticket," which could refer to a movie ticket, a speeding ticket or a range of other things. Adding a "plane" emoji helped people to understand the message better, and they also viewed that version of the message as being more positive in tone.

One caveat, though: Other studies have found that in business communication, emoticons and emojis can be useful mostly for internal communication within teams. When you're using emoticons with strangers, on the other hand, they can have unintended consequences.

Ella Glikson, a postdoctoral fellow at Carnegie Mellon Tepper School of Business, conducted an experiment with fellow researchers Arik Cheshin of the University of Haifa in Israel and Gerben van Kleef of the University of Amsterdam to examine the effect of using a smiley face on first impressions in a business context.

They conducted three experiments in which they showed the participants various business emails, some written in plain text and others with emoticons added. They discovered that people viewed the writers who used smileys as less competent, and were less likely to share information with them.

## The unintentional little stuff counts.

It's not only all caps and emoticons that can be misinterpreted. In her analysis of business emails, Dr. Darics has found that people assign meaning to even smaller details.

For example, in one email exchange, the writer accidentally included a double question mark at the end of a question. It conveyed an impression of rudeness or aggression, and the recipient was offended.

Similarly, if you always sign your emails "Best" but suddenly switch to the more formal "Best regards," your colleagues might think you're trying to distance yourself from them, even if that wasn't your intent. People even read significance into time stamps. Replying within seconds might make you seem efficient—or too eager, depending on the context.

"In digital writing, you don't see the other person, so you can't gauge anything from their facial expressions or gestures or tone of voice," Dr. Darics explains. "Because these things are so important, when we read an email, we instinctively assign meaning to anything that we can possibly assign meaning to."

Even the humble period can be significant. Research by Celia Klin, psychology professor at New York's Binghamton University, showed that single-word text messages came across as less sincere and more abrupt when the period was included. "My hunch is that it's because we are really limited when we are sending each other text messages," says Dr. Klin. "So we use what we do have available on the keyboard. Punctuation can be used grammatically, but also rhetorically."

So it's important to pay attention to the smallest things, Dr. Darics says. Try removing components, rereading the message and seeing if the meaning changes. "I always say our main aim shouldn't be to become better communicators," she says. "It should be to become better analysts."

If all of that sounds like too much work to put into composing an email, consider a series of experiments by Dr. Riordan, which show that people are consistently overconfident in their ability both to understand emotion in email and to convey it. The lesson from her research, she says, is that instead of skimming emails and firing off quick responses, you should take extra time to view those exchanges from the other person's perspective.

Dr. Darics adds that good email communication is not about our intentions, but about the meaning that other people assign to what we write. "Whatever your intentions are, the way people read your email might be different," she says. "Good communicators will challenge themselves and ask, 'This is what I meant, but is this what the other person will get?'"

Email Mr. Blackman at [reports@wsj.com](mailto:reports@wsj.com).

## You've Got Issues

How some groups of employees are affected differently by email use

GROUP	EFFECT
<b>Younger workers</b>	<ul style="list-style-type: none"> <li>◆ More likely to develop addictive email behaviors</li> <li>◆ Have relaxed work-home boundaries for work email</li> </ul>
<b>Older workers</b>	<ul style="list-style-type: none"> <li>◆ Experience greater work-family conflict</li> </ul>
<b>Managers</b>	<ul style="list-style-type: none"> <li>◆ See out-of-hours email as necessary to do their job</li> </ul>
<b>Tech workers</b>	<ul style="list-style-type: none"> <li>◆ Consider themselves in control and competent with email</li> <li>◆ Embrace the norm that email is work-critical</li> </ul>
<b>Part-time workers</b>	<ul style="list-style-type: none"> <li>◆ Say they are overloaded</li> </ul>
<b>High-self-worth/low-anxiety personalities</b>	<ul style="list-style-type: none"> <li>◆ Experience less email-related stress</li> </ul>

Email strategies associated with negative outcomes for employees

OUTCOME	STRATEGY
<b>Low levels of work performance</b>	<ul style="list-style-type: none"> <li>◆ Sending reactive email (responding quickly)</li> <li>◆ Making decisions with email backlogged</li> </ul>
<b>Ineffective work relationships</b>	<ul style="list-style-type: none"> <li>◆ Using cc and bcc functions</li> <li>◆ Chasing unread email, pressuring others to respond</li> <li>◆ Broadcasting work actions (e.g., in reply all)</li> <li>◆ Using email to deal with sensitive and complicated issues</li> </ul>

Source: Acas, "Strategies for Effectively Managing Email at Work," Emma Russell

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◆ "How Virtual Reality Can Transform PTSD Treatment," by C. L. Max Nikias, (@uscpres on Instagram), president of the University of Southern California. He is a member of the National Academy of Engineering, a fellow of the American Academy of Arts and Sciences and a charter fellow of the National Academy of Inventors.

◆ "Five Essential Apps I Recommend to My Management Team," by Tom Gimbel, founder and chief executive of LaSalle Network, a national staffing and recruiting firm headquartered in Chicago.



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## JOURNAL REPORT | WORKPLACE TECHNOLOGY

# The Office Takes a Selfie

**Companies are now designing their workspaces specifically to look good on social media**

BY MARIA LAMAGNA

HERE'S A NEW question for office designers: Is it Instagrammable?

In pursuit of younger workers, companies have spent the past decade adding perks like craft beer on tap or a pool table that employees can lounge around. Now they want to make sure people outside the office know about all the fun.

So, more companies—particularly image-conscious digital brands—are designing their offices with playful art that employees and clients can photograph and post on social media. The idea: to make their brand look hip to job seekers and generally liven up their image, as well as try to spark enthusiasm and creativity among employees.

## Flipping the image

In a redesign of its San Jose, Calif., headquarters about a year ago, **Adobe Systems** Inc. added a number of interactive art spaces, including a room built to look like an upside-down office where employees and visitors can pose, in an effort to show off the company's culture.

It also has an artwork with an image of a pig jumping out of a frame—created with the company's Photoshop software—and some of its rooms are decorated as “time capsules” to represent milestone years for the program. For example, the 1990 room has a working 1990 version of Photoshop on a computer and “1990” written with cassette tape on the wall.

Eric Kline, director of global workplace experience at Adobe, ends tours of the company in the upside-down room. “Some people will do handstands, some will do a meditation pose,” he says. “And we say, ‘Hey, if you had a really

great time, hashtag ‘adobelife.’” When people see those kinds of photos on social media, they’re “talking about Adobe as a company, but also about Adobe internally and our culture and what it’s about.”

He adds, “We believe that employees do their best work when they feel inspired, creative and comfortable. This environment encourages innovation and collaboration, which leads to better business results.”

**BuzzFeed**, meanwhile, includes “selfie spots” in its offices that have a sticker on the floor, showing people where to take a photo. In the New York office, the backdrop might be a wall covered in yellow bubbles that say things like “LOL.” In the London office, there is an illustration of the London Bridge and London Eye. Each office also has its own hashtag, like #BuzzFeedUK, and the company has an Instagram account dedicated to its new offices called BuzzFeed Builds.

“Nothing is private anymore. Everybody knows about everybody. So let us utilize that passion for people to share what they’re doing, to be excited they’re coming to BuzzFeed and let everybody know they got here and saw cool stuff,” says Julia Goldberg, VP of facilities, office services, real estate, security and studio operations.

She says that BuzzFeed isn’t courting young workers specifically with its office design, but many people say that photos and visits have influenced their desire to work at the company or to partner with it.

## Picture perfect

Designers at WeWork, a co-working company with 230 office spaces world-wide, think about what will be “shareable” when designing its offices, says Jeremiah Britton, the firm’s creative director of art

and graphics.

The designs make each WeWork location look different and reflect its city and neighborhood, Mr. Britton says. That attention to detail leads to a lot of Instagrams, he says.

He adds, “We believe that employees do their best work when they feel inspired, creative and comfortable. This environment encourages innovation and collaboration, which leads to better business results.”

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Do those flourishes increase business? Mr. Britton says he can’t comment on that. But, he says, “what we do know is that our members respond to our design and art-driven spaces and view it as an essential part of the WeWork experience.”

Another reason for adding interactive art is that companies want to persuade employees to come into the office instead of telecommuting, by making the experience fun and exciting, says Kurt Vander Schuur, global brand director for the design firm Haworth.

“Putting in a conference table and eight chairs, as much as I would like to say it works, that is not going to motivate me to go to an office,” he says.

When **LinkedIn** was designing its Sunnyvale, Calif., headquarters, which opened in mid-2017, the company wanted to showcase its values with more than slogans or the company’s logos, says Cherish Rosas, an environmental graphic design project manager. “We want our employees to have fun and engage,” she says.

In came the interactive wall art. There is a “Wheel of Dream Jobs” on one wall, where employees can spin a “Wheel of Fortune”-like wheel until they land on a career and a dream location to do it in. (It can be fictional as well as real, such as a travel writer in outer space.)

There’s also a lively mural decorated with images that represent countries all over the world; it comes with a jacket employees can throw on to blend in with the wall.



At LinkedIn’s headquarters, art that generates social-media posts includes the ‘Wheel of Dream Jobs.’ Adobe’s pig jumping out of frame is a nod to the company’s Photoshop software.

**BuzzFeed** has ‘selfie spots’ that show people where to take a photo.

people excited,” she says.

Influenster, a website and app that connect social-media influencers with products they review, installed Instagram-friendly elements before opening its current New York office in 2017.

In went a specially lighted “selfie mirror,” for influencers in the beauty world when they visited the office. The office also features a mural by artist James Goldcrown.

“We knew if we created a space that was Instagrammable and beautiful, that we would also get more clients coming to our office,” says Elizabeth Scherle, co-founder of Influenster. But even non-influencers appreciate it, she says. “If you want to attract a younger workforce, people are attracted to those things.”

*Ms. LaMagna is a reporter for MarketWatch in New York. Email [mlamagna@marketwatch.com](mailto:mlamagna@marketwatch.com).*

Neon signs in particular have become popular social-media posts, such as one that says, “It’s Colombia, not Columbia,” in a Bogotá space. Other signs reflecting entrepreneurial spirit, such as “You got this,” are also popular.

Do those flourishes increase business? Mr. Britton says he can’t comment on that. But, he says, “what we do know is that our members respond to our design and art-driven spaces and view it as an essential part of the WeWork experience.”

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## Camera at the ready

Some of the art—like phoenix wings painted on a wall that employees can stand in front of—comes with a Polaroid camera that employees can use to take photos for sharing.

Several new hires at LinkedIn have mentioned that they looked through Google Images and Instagram to learn more about the company’s culture before accepting an offer, and the art the company has installed helps, says Ms. Rosas. “That’s a major help as far as talent retention and getting

new programs for mobile devices help plumbers, contractors and others work more efficiently

# Software for the Blue-Collar Workforce

New programs for mobile devices help plumbers, contractors and others work more efficiently

BY DEBORAH GAGE

**BUSINESS SOFTWARE** companies are turning their attention to the blue-collar workforce.

For years, the software industry focused on what it calls knowledge workers, cranking out spreadsheets, word processors, presentation software and communications tools for those who work in offices. Now, software developers and entrepreneurs are paying closer attention to those who don’t work at desks (there are

113 million such workers, according to an estimate from investment firm Battery Ventures)—specifically plumbers, contractors, garage-door specialists and other field-service workers, who in some cases are still relying on desktop programs or paper and pencil to get their jobs done.

Sophisticated, intuitive software for tablets and phones promises to radically change the customer experience by enabling field-service workers to view and share data on the spot. These programs also promise to help business owners better manage everything from scheduling to inventory to customer information.

## Helping their fathers

Bob Minkert, the owner of a plumbing business called Mr. Rooter and an electrical-services company called Mr. Electric in Roswell, Ga., now sends out his technicians with tablets so they can pull up a cus-

tomer’s repair history, with photos, before arriving on a service call. Customers get a photo of the technician via email or text, along with his route and arrival time, so they aren’t opening their doors to strangers, Mr. Minkert says.

Once a problem has been diagnosed, the technician can show the customer an image of an appliance to explain what needs to be done. “Tell somebody, ‘Your dip tube in your water heater has corroded...and they’ll say, ‘What the heck is a dip tube?’” he says. The software also keeps track of parts on his trucks, and allows technicians to offer financing on the spot to customers who may not have budgeted for, say, a \$1,200 water heater.

Many of these new programs and apps were created by people who are intimately familiar with the challenges of running a blue-collar business.

The software Mr. Minkert uses, ServiceTitan, was developed in California by Ara Mahdessian and Vahe Kuzoyan,

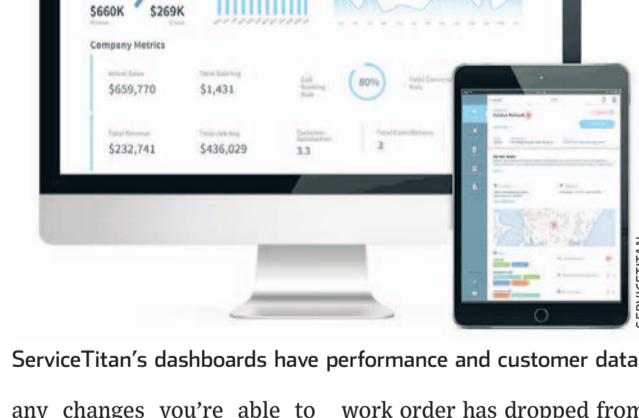
college friends whose fathers worked as a contractor and a plumber after arriving in the U.S. as refugees. They built the software with the idea of helping their fathers, and when other business owners discovered the program by word-of-mouth, they eventually turned it into a business.

Mr. Minkert says the ServiceTitan technology has allowed him to eliminate paper invoices, so he needs fewer people in accounting. He also can use the software to track advertising, demand, customer calls, the dispatch center and his technicians, meaning he can adjust business based on what is happening at any given moment. If he sees he is getting more calls than he can handle, for example, he may cut back on advertising, which could save him \$5,000 a week in marketing costs.

“The sales cycle is so short in the service industry that



Bob Minkert says ServiceTitan software lets his workers show customers exactly what they need.



ServiceTitan’s dashboards have performance and customer data.

any changes you’re able to make this week, you can feel the impact of it next week,” Mr. Minkert says.

At the Cincinnati Marriott Northeast in Ohio, the hotel’s maintenance team also has gone digital. They’ve traded radios for smartphones and now use a mobile tool from UpKeep Technologies Inc. to report, prioritize and track work orders for everything from burned-out lights and broken furniture to malfunctioning rooftop air-conditioning units, says Ron Pembleton, director of engineering.

UpKeep Technologies was founded by Ryan Chan, who used to work as a process-de-

velopment engineer at a manufacturing plant where he says breakdowns occurred almost daily. The plant’s cumbersome maintenance process, which required technicians to jot down information on paper and enter it into a desktop computer program, inspired Mr. Chan to eventually build a mobile tool for managing work orders.

Mr. Chan says the company now has more than 1,000 paying customers. One of them is the Oklahoma Department of Corrections, which operates 24 aging facilities, some of which have infrastructure dating back to 1907. The department is rolling out UpKeep on mobile devices, so workers can report maintenance issues and receive work orders via their phones.

## The next step

Other mobile-based software startups that are targeting companies in the construction and engineering industry, among others, include FourKites Inc., which lets companies track and manage their supply chains; SmartSheet Inc., a spreadsheet-like project-management software; Procore Inc., which lets groups involved in construction projects collaborate; PlanGrid Inc., which lets

workers collaborate on digitized blueprints; and eSUB Inc., which helps subcontractors manage change orders.

Clint Elliott is the owner of Action Mechanical, a mechanical-contracting firm in Little Rock, Ark., that handles plumbing, heating and air conditioning for large commercial projects. He says the eSUB program has allowed him to cut both costs and the potential for legal liability.

Keeping track of subcontractors’ work can get complicated, says Wendy Rogers, the chief executive of eSUB. Any communication problems between designers and subcontractors can cause “rework and delays and finger pointing,” she says.

Now, at Action Mechanical, everything associated with a job, from requests for information to blueprints to computer-aided drawings of prefabricated pipes, is tracked through the software and can be called up on a tablet, establishing a digital trail.

“Fifteen years ago, I never thought my plumbers out in the field would be carrying an iPad around,” Mr. Elliott says. “Most of them didn’t know how to turn on a computer. But now anything we do in the office, they have access to it in real time. There’s no lag between the two.”

Whether mobile technology is making deskless workers more productive overall is hard to measure because the industries they work in are fragmented, says Jaana Remes, an economist at the McKinsey Global Institute in San Francisco. But she says she sees anecdotal evidence of productivity everywhere, from faster problem solving to elimination of paper work to improved logistics.

The next step, she says: automation and predictive maintenance—getting software to become smart enough that it knows when a machine is about to go wrong, she says. At UpKeep, Mr. Chan says he’s working on that.

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# It's Time to Get Rid of the To-Do List

How I gave up my old way of getting my tasks done—so I could get my tasks done

BY ALEXANDRA SAMUEL

*Create deck for boardroom presentation*

*Submit May expense report*

*Schedule quarterly performance reviews*

LOOK FAMILIAR? It should. Lists like these are treated as the bedrock of any productivity system. The idea of recording all your tasks, reviewing them regularly and marking them off as you complete them is close to productivity gospel.

But adding an item to a to-do list is no guarantee that it will magically get marked as done. In fact, especially in the digital age, it's pretty much the opposite. The only thing that putting something on a to-do list does is to constantly remind you about what you haven't accomplished, as your ignored tasks languish forever at the bottom of your app or screen. It doesn't take long for your list of tasks to exceed what you can possibly get done—or even bear to look at.

That's what happened to me, time and again. Eventually, a list of 40 or 80 or 200 items would become so overwhelming that I avoided looking at my list at all. Then I'd miss something important, realize I needed a new system, move on to a new app—and start the whole process again.

Finally I realized the problem wasn't with me. It was with my to-do lists. They were failing because I was using them for too many different things. Happily, the ever-expanding tech tool kit has brought a new range of tools that have let me move beyond the simple to-do list and come

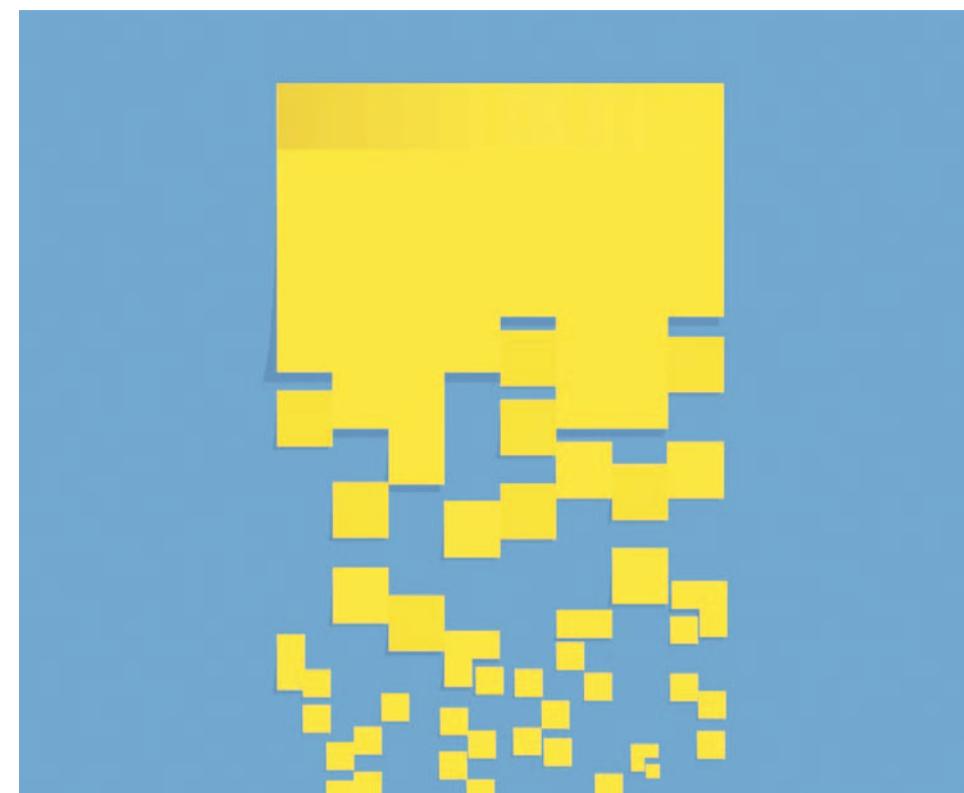
up with a system that really works.

So please put this at the top of your to-do list: Get rid of the old one-size-fits-all monster and replace it with a bunch of tools that will get the job done. Here's how I did just that, by using different tools to handle different tasks.

**For Key Priorities: A bi-weekly note.** Once every 10 or 14 days—or more often, if I'm coming up against a big deadline or business trip—I jot down a list of the big things I absolutely have to tackle in the coming week or two. Usually, it's a list of five to 10 items.

I have a folder for these "tasknotes" in the note-taking app I use for most of my work. Most of the items in my weekly notes are too big or too vague to put on a conventional task list: It's often just a list of the people or clients I can't forget to check in with. The note's primary role is in the writing of it, which helps me think about what I need to prioritize in the next week or two. After that, I rarely look at it. But if I get to Thursday and have the nagging feeling that I'm forgetting something, I can refer to my note and make sure nothing slipped off my radar.

**For Hard Deadlines: My calendar.** Putting deadline-driven work on a task list only makes sense if you're the kind of person who consistently reviews your list every day. Otherwise, it's too easy to miss something that needs to get done *today* because it's lost in the sea of stuff you need to get done this week or this month. I now maintain a spe-



cific "deadlines" calendar where I record all my hard deadlines for client work. If I'm worried about meeting a deadline, I also book a block or two of project-specific work time into my main calendar, a few days or a week before the deadline.

**For Purchases: My Amazon Echo shopping list.** I don't use my Echo a lot, but there's one way it has changed my life: by making it easy to maintain an up-to-date grocery list. If I see we're running low on milk, I say, "Alexa, add milk to our shopping list." Meanwhile, my husband, children, babysitter and extended family all add to the list. Since my husband and I can access that list from each of our phones, we always have an up-to-date shopping list when we're at the store.

**For My Great (and Not-So-Great) Ideas: A Google spreadsheet.**

A lot of the items that used to appear on my task list were aspirational: projects I wanted to think about tackling, for instance, or blog posts I might want to write. When I needed to find an idea for a post, however, I'd have to plow through my to-do app to find it. Now I maintain a Google spreadsheet for all my ideas, where I can sort, prioritize and find them when I actually need a project, presentation or story idea.

**For Quick Requests: Slack or text.**

There's no need to add "ask Lou about invoicing deadline" to your task list, if Lou is accessible via Slack, text or another instant-messaging system. When I have a quick question or simple request for someone, I avoid turning it into a task by using real-time messaging to reach out right away.

**For Everything Else: Reminders.**

There are things I need to get done that don't fall into any of the above categories, but I don't want to forget: items like "make a dinner reservation for our anniversary," "check in to my flight" or "renew my driver's license." For these, I use reminders: alerts that remind me to tackle something at the specific time or place when I'll be able to get it done.

Unlike a task list, which depends on me actually reviewing my list—and more or less guarantees I'll be overwhelmed when I do—reminders come to me one or two at a time (on both my phone and my computer), at a moment when I imagine I'll be able to address them.

If a reminder arrives at what turns out to be an inconvenient moment, I just snooze it (for an hour, a day or a week) using SnoozeMaster, a Mac utility that lets me snooze reminders for my preferred length of time. If I snooze something more than two or three times, I admit to myself that I'm just not ever going to tackle it, and I dismiss it permanently.

\* \* \*

A final concession about all these tips: No doubt there are people who would rather have a single place to track everything they need to do, and are happy to categorize them into "deadline," "purchases," "ideas" and so on to keep them straight. (I suspect these are the same people who love crossing off each task as it's completed.)

But if you're the kind of person who gets overwhelmed and defeated by seeing all your tasks in one place, or has never gotten into the rhythm of a daily task-list review, maybe it's time to reconsider the conventional wisdom on task lists. Because in my experience, quitting tasks lists can be the most productive thing you've ever done.

**Ms. Samuel, a frequent contributor to Journal Reports, is a writer in Vancouver, British Columbia. Email her at [reports@wsj.com](mailto:reports@wsj.com).**

## A Résumé You Can Trust

Blockchain makes background claims easily verified

BY HENRY WILLIAMS

EMPLOYERS HAVE struggled for years with the question: How do I know these job candidates are telling the truth about their background?

New assurance may come from a surprising place: blockchain technology.

A handful of educational institutions and technology companies are working on developing trustworthy, quickly verifiable digital diplomas and résumés using the same technology that helps verify transactions in the world of cryptocurrencies. Blockchain acts as a digital ledger, a record of online transactions that can't be changed.

The Massachusetts Institute of Technology just issued digital diplomas based on blockchain to all of its students who graduated in February. The diplomas can be shared on social media or directly with employers.

Companies including London-based startup Appii Ltd. see blockchain as the future of the résumé. Appii is working with employers and universities to develop a product that first verifies the claims individual make about their history, then issues them a digital résumé in which all of their data from multiple locations and institutions are listed. The digital document can be shared with employers and updated as the owner's career progresses.

### Meeting a need

Employers and universities spend a lot of time and resources checking the work and educational backgrounds of applicants—as well as verifying queries from other organizations as to whether an applicant of theirs was a past student or employee.

Risk Advisory Group, a risk-management firm based in London, says that of 5,500 résumés it reviewed over a six-month period, 80% contained "discrepancies," and 12% contained false information about an applicant's education.

A digital diploma could enable organizations to instantly check credentials without running background checks. Using a digital signature, for example,

people, students could provide a copy of the diploma to employers, who could then upload the file onto a verification page to get confirmation that the degree is legitimate. The university doesn't need to be involved.

"We see this as the ability to give the student stewardship over their own records," says Mary Callahan, senior associate dean and registrar at MIT, which expects all of its students graduating this year to receive digital copies of their diplomas, in addition to

**One review found 80% of standard résumés contained 'discrepancies.'**

the traditional certificates.

Natalie Smolenski, a vice president at Learning Machine, the company that worked with MIT on the code libraries behind its digital diplomas, says the technology, called Blockcerts, is an open standard. Once created, these digital diplomas can be published online and verified long into the future. Even if MIT goes away, anyone can use the code and verify that documents are legitimate.

Appii, which launched its digital-résumé product just three months ago, is working with the biggest provider of higher-education courses in the U.K., the Open University, among others.

"There's a fair bit of effort required at the moment to determine the credentials that someone puts forward on their [résumé]," says Gary McKay, co-founder of the digital-identity startup. "That friction diminishes the ability for employers to find talent quickly and to have them sitting in a chair or taking on a role as quickly as they need."

Such efforts are part of a larger move to use blockchain to verify other kinds of credentials as well. Appii, for example, is looking to apply the blockchain process to situations where people need proof of having completed continuing professional-development classes, or of having attended

conferences to take tests required by a professional license.

The Federation of State Medical Boards, which advocates for all of the medical licensing boards in the U.S., has issued sample verifications using the same Blockcerts system as MIT. Officials at the federation say they hope that its work will initiate a conversation at the state-boards level.

### Resistance to change

Still, regulatory hurdles could slow wider adoption of blockchain verification. Mike Dugan, chief information officer of the Federation of State Medical Boards, says regulation at the state-level hasn't caught up with the technology. Only a handful of states have passed legislation to enable broader usage of blockchain technology. For example, in 2017, Arizona added a law to recognize blockchain-based digital signatures.

"Digital signatures have been around a lot longer than blockchain, and...there's still not a lot of widespread adoption" of those, Mr. Dugan says. "Some of this is skepticism, and people unwilling to change their processes."

Members of the Blockchain in Transport Alliance, a global freight-industry trade organization focused on commercialization and education, are experimenting with using blockchain technology as a form of driver identification.

The managing director of the alliance, Craig Fuller, says digital identity for drivers could help to protect companies from unnecessary litigation because whole work histories and skill sets could be on blockchain, easily accessible to companies when they hire.

"These big enterprise companies just can't afford to hire a driver that has any amount of risk," Mr. Fuller says. "[After an accident] you end up in court, and the attorneys suing you can prove you're making all this money and you're hiring drivers that are unsafe."

**Mr. Williams is a deputy editor for The Wall Street Journal in New York. Email [henry.williams@wsj.com](mailto:henry.williams@wsj.com).**



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## JOURNAL REPORT | WORKPLACE TECHNOLOGY

# Common Business Travel Problems The Right Tech Can Solve

Dealing with lousy Wi-Fi and more

BY ALEXANDRA SAMUEL

SOME BUSINESS travelers prepare for potential travel disaster by packing an extra business outfit or printed presentation notes; I prepare by packing half of Best Buy in my suitcase.

Some may say it's overkill, but I've learned that it's foolish to trust hotels and airlines to have what I need if my technology lets me down—or if I let my tech down by forgetting something.

Instead, I've developed a set of tools and practices that address the biggest tech-related travel troubles—and keep my tech running smoothly when I'm on the road. Specifically:

**1. THE PROBLEM: Where's the power?** Crawling around a hotel floor in search of power outlets is a great way to find out how thoroughly your hotel room has been cleaned, but it shouldn't be a necessary part of charging all of your devices. And scattering my devices around a room's available outlets almost inevitably leads to me leaving at least one charger behind when I pack up.

The Solution: **A packable power bar.** Mine has three outlets and four USB ports, which is enough even for me. When I'm on a multicity trip, I just leave all my cords plugged into that one bar, so it only takes a minute to pack or unpack all my cables.

**2. THE PROBLEM: Connecting to Wi-Fi.** The spread of hotel Wi-Fi means you no longer have to pack an Ethernet cable to connect to the internet in most hotel rooms. But hotel Wi-Fi can still be slow and inconvenient, especially if you need to connect multiple devices, like a computer and a phone.

The Solution: **A compact travel router.** My 2-inch x 2-inch travel router lets me create my own personal Wi-Fi network by connecting to the hotel's Ethernet port. I may still pay for the connection, but once I've paid I can share it across as many devices as I want.

**3. THE PROBLEM: Presentation prep.** When I'm on the road, it's often to deliver a presentation or

workshop, which means I'll want to run a final rehearsal in my hotel room. But practicing on my laptop makes it hard to get a sense of how my presentation will look on a big screen.

The Solution: **USB keychain drive.** A USB keychain is in most business travelers' briefcases, but it's good for more than backup and file transfer. If you need to rehearse a presentation in your hotel room, you can save a PowerPoint presentation as a movie, and then transfer it to your USB drive. Plug that drive into the USB port you'll find on the back of most hotel smart TVs, and you'll be able to play it on the TV. (Note: Now that I'm on a Mac that only has USB-C ports, I have a dual-port USB drive that can plug into both my Mac and a standard USB port.) Use that to rehearse your presentation and preview your slides on a large screen.

**4. THE PROBLEM: Port peril.** Do you ever feel like you're a VGA port in an HDMI world? That's a real problem, not just a metaphor: With so many different cables and adapters out there (and more computer manufacturers stripping standard ports out of their laptops to make them thinner), you can't count on being able to connect your computer to the projector or printer on hand.

The Solution: **A dongle pouch.** I never know which device I'll want to connect to my hotel TV or to a presentation projector, so I carry an insane collection of cables and adapters known as dongles: a USB-C to VGA or HDMI adapter (for connecting my computer to projectors and TVs), a 30-pin to USB adapter (for connecting my iPad) and an HDMI cable (for connecting anything to a hotel TV.) I carry a USB-C to USB adapter in my purse at all times, because it's often the only way I can connect my MacBook to an available printer or other external device. Last but not least, I've learned to carry an extra cable for my phone, thanks to the time I unpacked my suitcase and found a cable with broken connector. I keep all of my travel dongles in a pouch in my carry-on, so they are there for the next trip.

**5. THE PROBLEM: Hotel TV.** Trying to watch TV in a hotel room is

like time traveling back to 1994. You can only watch what is on, the shows are full of ads and if you want to watch a movie on demand it costs a fortune. Another gripe: nearly every hotel sets its TV aspect ratios to fill the screen, leading to a distorted image. Gimme my Netflix and Amazon Video!

The Solution: **An Amazon Fire stick.** I discovered that an Amazon Fire stick is an easy and near-bulletproof way of watching the TV shows I want from whatever hotel I'm in: all it requires is an open HDMI port on the hotel TV. And if I pack my travel router, I don't even have to worry about connecting the Fire stick to Wi-Fi at each new hotel I visit.

**6. THE PROBLEM: Wi-Fi security.** As with any public Wi-Fi network, you have no idea of how safe it is to use hotel Wi-Fi; for all you know, your passwords, email or banking transactions could be intercepted by hackers.

The Solution: **A VPN (virtual private network) subscription.** I always use a privacy-oriented VPN to secure my internet connection when I'm on the road: By encrypting and anonymizing all my online activities it keeps me and my data private. You can find a list of options at [privacytools.io](http://privacytools.io).

**7. THE PROBLEM: A dead phone.** Even those of us who usually make it through the day on a single phone charge can easily run out of power on the road, since we may be using our phone more—and may not have a chance to stop and recharge.

The Solution: **A backup battery.** I carry a lightweight battery that holds enough of a charge to recharge my phone twice; I make sure to buy batteries that have the same ports as my computer, so I can use one charging cable to plug my phone into either the battery or my computer. Don't forget to pack a charging cable for the battery itself so that you can recharge it from your hotel room.

*Ms. Samuel, a frequent contributor to Journal Reports, is a writer in Vancouver, British Columbia. Email her at [reports@wsj.com](mailto:reports@wsj.com).*



JOHN KUCZALA



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