

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, MARCH 14, 2018 ~ VOL. CCLXXI NO. 60

WSJ.com

★★★★ \$4.00

DJIA 25007.03 ▼ 171.58 0.7% NASDAQ 7511.01 ▼ 1.0% STOXX 600 375.49 ▼ 1.0% 10-YR. TREAS. ▲ 6/32, yield 2.848% OIL \$60.71 ▼ \$0.65 GOLD \$1,325.90 ▲ \$6.50 EURO \$1.2392 YEN 106.58

What's News

Business & Finance

Several retail chains are using an outside service to score customers' shopping behavior and impose limits on returns of merchandise. A1

◆ **China sold its stake in Blackstone**, ending a long relationship with the private-equity firm at a time of growing U.S.-Chinese tensions. B1

◆ **Inflation cooled** slightly last month, keeping the Fed on track to raise rates next week but relieving it of pressure to take more dramatic action. A2

◆ **The administration's intervention against Broadcom's bid for Qualcomm was months in the making.** B1

◆ **Google said it is banning ads for cryptocurrencies and other "speculative financial products."** B1

◆ **Walmart plans to offer home delivery of groceries in 100 cities by the end of the year.** B3

◆ **U.S. stocks dropped** as tech and financial shares declined. The Dow fell 171.58 points to 25007.03. B1

◆ **Gun maker Remington**, crushed by its debt load, is planning to file for chapter 11 as soon as Sunday. B1

◆ **Dick's said** its decision to no longer sell guns to people under 21 has hurt store traffic and retail sales. B2

◆ **VW vowed** to overtake Tesla with an extensive rollout of battery and hybrid models. B3

◆ **Vice Media said** A+E Networks chief Nancy Dubuc would become CEO. B3

World-Wide

◆ **Trump fired Tillerson and picked CIA Director Pompeo to be secretary of state ahead of planned talks with North Korea and a decision on the Iran nuclear pact.** Gina Haspel, a longtime intelligence officer, was chosen to head the CIA. A1, A4

◆ **Democrat Lamb and Republican Saccone were in a virtual dead heat with nearly all of the votes counted in a Pennsylvania House race.** A2

◆ **Trump is considering replacing Shulkin as chief of the VA.** Candidates include Energy Secretary Perry. A6

◆ **The president is "very strongly" considering naming CNBC's Kudlow as his top economic adviser.** A6

◆ **Trump's personal assistant** was fired after being denied a security clearance, then joined the re-election campaign. A3

◆ **Democrats on the House Intelligence panel** said they are drafting their own report on Russian election meddling. A6

◆ **Chinese leader Xi is expanding Communist Party policing to virtually all government workers.** A7

◆ **Moscow appeared defiant** as it faced a looming British deadline to explain the poisoning of a former spy. A9

◆ **The Palestinian Authority premier survived an attack on his motorcade during a Gaza visit.** Abbas blamed Hamas.

◆ **People over 65 are projected to outnumber children in the U.S. by 2035.** A2

◆ **Died: Stephen Hawking,** 76, celebrated physicist. A8

Journal Report

The Rising Risks Of Cyberattacks

CIO Network, R1-6

CONTENTS Opinion A15-17
Business News B3-57 Property Report B6
Crossword A14 Sports A14
Journal Report R1-6 Technology B4
Heard on Street B14 U.S. News A2-46
Life & Arts A11-13 Weather A14
Markets B13-14 World News A7-9

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U.S. NEWS

Elderly to Surpass Children by 2035

BY PAUL OVERBERG
AND JANET ADAMY

People over 65 years old would outnumber children by 2035, a first in U.S. history, according to updated projections released by the Census Bureau on Tuesday.

The milestone would be the latest marker of the nation's aging, which has accelerated with baby boomers' move into their senior years and recessionary effects on births and immigration over the past decade.

The shift deepens challenges for fiscal policy and economic growth.

Trends in birth and immigration have also slowed the rate at which the country is becoming more diverse. Whites who aren't Hispanic will begin shrinking as a group by 2024. They would drop below half of the population by 2045, two years later than the bureau estimated just a few years ago.

By 2020, less than half of those under 18 years old would be non-Hispanic white.

The Census Bureau projects

the country would grow to 355 million by 2030, five million fewer than it had estimated three years ago. That is an annual average growth rate of just 0.7%, in line with recent rates but well below historical levels.

Unlike many European nations, the U.S. would continue to grow, reaching 404 million by 2060. It would rival fast-growing Nigeria as third-most populous, after India and China, according to census and United Nations projections.

Lower population growth could drag on economic growth. The growing elderly population will also put pressure on lawmakers to shift funding toward programs such as Medicare and Social Security, particularly because elderly Americans vote at high rates, said Kenneth M. Johnson, a demographer at the University of New Hampshire.

The share of Americans who are foreign-born, now about 13%, is expected to reach a record 14.9% by 2028, topping a mark set in 1890. That share would rise to 17.2% by 2060.

Inflation Pace Slowed in February

BY HARRIET TORY

WASHINGTON—Inflation cooled slightly for American consumers last month, keeping the Federal Reserve on track to raise short-term interest rates next week but relieving it of pressure to take more dramatic action to prevent the economy from overheating.

A decline in gasoline and fuel-oil costs kept a lid on price pressures in February, along with a muted rise in the cost of rent. Car prices also declined.

The consumer-price index, which measures what Americans pay for everything from shampoo to hotel stays, increased 0.2% in February after rising a seasonally adjusted 0.5% in January, the Labor Department said Tuesday.

Unrounded, the CPI showed an even smaller increase: by 0.150% in February from 0.539% in January. Excluding the volatile food and energy categories, so-called core inflation slowed to a rate of 0.182% in February from January's 0.349%, the biggest increase since March 2005.

Tuesday's report tempered signals from last month of a pickup in inflation that had sent shock waves through financial markets. Nonetheless, economists cautioned that annual measures of price increases could snap back next month, when exceptionally low readings for a handful of items last year, such as cellphone services, wash out of the data.

Overall prices rose 2.2%, while core prices were up 1.8% in the year to February.

"Together, these figures should satisfy Fed policy makers that inflation is not too cold—as last spring's numbers

Inflation Gauges

Change in consumer price-index, excluding food and energy



*Annualized change

Source: Labor Department

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bility of a quarter-percentage-point rate increase by the Fed next week.

Fed policy makers held their benchmark short-term interest rate steady in January, in a range between 1.25% and 1.5%, and signaled greater confidence that inflation would rise to their 2% target.

Core inflation was only 1.5% in January, according to the Fed's preferred measure, the Commerce Department's personal-consumption-expenditures index.

Yet Tuesday's consumer-price index marked the third straight month in which core prices increased at an annual rate of 1.8%, suggesting inflation is rising at a moderate pace.

Swings in some goods prices drew attention from financial analysts. Prices of new and used vehicles declined in February for the second straight month, which economists attributed to a pullback in demand after consumers hit by late-summer hurricanes last year replaced damaged cars and trucks.

Apparel prices rose 1.5% after January's 1.7% gain, a surprise, since the category has experienced deflation for most of the past two decades.

Driver Dies as Bus Carrying Students Crashes Into Alabama Ravine



DEADLY PLUNGE: A bus carrying Texas high-school band members home from a trip to Disney World in Florida ran off a highway into a Loxley, Ala., ravine Tuesday. The driver died, while about three dozen others were hurt, six seriously, authorities said.

Special Election Goes Down to the Wire

BY REID J. EPSTEIN
AND JOSHUA JAMERSON

led the party's House campaign arm during the 2012 and 2014 election cycles, said Tuesday.

Mr. Lamb led throughout the night as precincts in the four southwestern Pennsylvania counties reported results, but his lead narrowed as the hour grew later. By the time most precincts reported, Mr. Lamb's margin was under 100 votes.

"It never should have been this close," said Charlie Gerow, a Pennsylvania GOP consultant. "Saccone still has a shot, but the Allegheny absentees make the margin tough to overcome."

Some county elections officials in Pennsylvania only began counting the more than 6,000 absentee ballots after the results of Election Day voting were reported. In Allegheny County, Mr. Lamb improved his margin by more than 750 votes once the ab-

sentee ballots were counted there.

Larry Spahr, director of elections in Washington County, a Republican stronghold, said on CNN that officials in his county wouldn't be finished counting the county's 1,190 absentee ballots until well after midnight.

While some states have parameters that trigger automatic recounts, Pennsylvania state law requires petitions to reconsider non-statewide results. The complicated effort requires electors from across the district to say they believe "fraud or error" occurred, according to state law.

While Mr. Lamb performed far better in the district than Hillary Clinton, the Democrats' 2016 presidential nominee, the close race buoyed Republicans optimistic that enough GOP voters who backed Mr. Trump would turn out to support a Trump-approved candidate.

Mr. Lamb, a former federal prosecutor and Marine, presented himself as independent from the national Democratic Party. Mr. Saccone, a state lawmaker, sought to tether himself to Mr. Trump and his policies.

The seat became vacant when GOP Rep. Tim Murphy resigned in October after it was revealed the antiabortion lawmaker asked a woman with whom he'd had an affair to consider terminating a pregnancy.

Both parties were using the race to road test tactics they want to deploy in November's midterm elections. But the peculiar politics of the state, whose congressional map will be different in the fall, make it difficult for either party to carry the spoils of Tuesday's election into the next vote.

◆ For the latest election results, go to WSJ.com



A polling site in Carnegie, Pa. Democrat Conor Lamb and Republican Rick Saccone faced off Tuesday.

U.S. WATCH

FLORIDA SCHOOL SHOOTING

Prosecutor Plans to Pursue Death Penalty

A Florida prosecutor said Tuesday he plans to seek the death penalty against Nikolas Cruz, the 19-year-old charged with killing 17 people at a Parkland, Fla., high school last month.

The state attorney in Broward County, Michael J. Satz, submitted a notice of intent to seek the death penalty. Mr. Cruz is charged with 17 counts of premeditated murder and 17 counts of attempted murder for the attack on Feb. 14, when authorities say the former student opened fire with an AR-15-style semiautomatic rifle.

Gordon Weekes, a public defender representing Mr. Cruz, said the accused shooter remains willing to plead guilty and accept a life behind bars with no possibility of parole if prosecutors take the death penalty off the table.

"Out of respect for the victims of this tragedy, we are still ready to enter a plea for consecutive life sentences," Mr. Weekes said in an interview.

—Jon Kamp

POLITICS

New Judge Sought In Suit Against Trump

Former adult-film star Stephanie Clifford is asking for a new judge in her lawsuit against President Donald Trump, according to a court filing.

Ms. Clifford last week filed suit in Los Angeles County Superior Court to have a nondisclosure agreement she reached with Trump attorney Michael Cohen in October 2016 declared null and void. Ms. Clifford, known professionally as Stormy Daniels, was paid \$130,000 in exchange for agreeing not to discuss an alleged sexual en-

counter with Mr. Trump in 2006.

Michael Avenatti, a lawyer for Ms. Clifford, filed a request to challenge the assignment of Judge Elizabeth Feffer of Los Angeles Superior Court.

Mr. Avenatti said Judge Feffer is "being vetted for an appointment to the federal bench by the administration" and "we do not believe it is appropriate for her to preside over this case."

"Judges are prohibited from commenting on pending cases," said Mary Hearn, a spokeswoman for the court.

Mr. Cohen and the White House didn't respond to requests to comment. Mr. Cohen and White House representatives deny any sexual encounter between Mr. Trump and Ms. Clifford.

—Michael Rothfeld and Joseph Palazzolo

PENTAGON

Trump Shows Support For New Space Force

President Donald Trump indicated he could support creating a new branch of the military to oversee all space activities, contradicting Pentagon brass and his own Air Force secretary, who have consistently opposed the idea.

In remarks Tuesday at Marine Corps Air Station Miramar in Southern California, Mr. Trump stressed the importance of enhancing U.S. efforts in space and said "we may even have a space force" to better manage military activities beyond the atmosphere.

In his remarks, Mr. Trump appeared to take at least part of the credit for devising a concept the House passed last year as part of its defense authorization bill. That proposal to set up a "space corps" failed to become law when the Senate subsequently stripped it from the legislation.

—Andy Pasztor

CORRECTIONS & AMPLIFICATIONS

A bipartisan group of 22

House members wrote to the Committee on Foreign Investment in the U.S. in December 2016 to express concern about Canyon Bridge Capital Partners' attempt to buy Lattice

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U.S. NEWS

A School Designed to Stop a Shooter

Video surveillance, wide hallways and other features made to improve student safety

BY TAWNELL D. HOBBS

ST. PAUL, Texas—Designers of the new \$19 million George W. Bush Elementary School had more in mind than education. The blueprint for this school in an upper-class Dallas suburban neighborhood was intended to stop a shooter.

Sparse landscaping and numerous windows in front provide a clear view of approaching visitors. Entry is a multistep process. Visitors enter a vestibule and must be buzzed inside the main office. From there, a government-issued ID must be scanned through a system called the "Raptor," which alerts for child molesters and anyone flagged to keep out.

Wide hallways devoid of nooks make it harder to hide or avoid video surveillance that is viewable by school administrators as well as police officers in patrol cars.

"Every time there's a school shooting, we try to learn something from them," said Ian Halperin, spokesman in the Wylie Independent School District, where Bush Elementary is located. The district has regular lockdown and emergency drills, full-time security officers trained in active school shooting situations, and strong ties with local police.

Such designs and procedures are becoming more common among the country's 98,000 public schools amid rising concerns about how to stop would-be shooters and improve student safety, particularly after the shooting last month that left 17 dead at a Parkland, Fla., high school.

Since 1990, there have been 32 shootings in schools where

at least three people were killed or injured, according to a Wall Street Journal review. Students in schools throughout the country are expected to participate in nationwide antigun violence protests on Wednesday.

School administrators are pairing law-enforcement personnel or safety experts with architectural firms to design new campuses and renovate older ones.

A school that opened last year in Quincy, Ill., allows a security officer to lock down building sections with the push of a button, said superintendent Roy Webb. "We can mitigate a lot of risks."

Last week, Florida Gov. Rick Scott signed a bill that includes \$400 million for improvements to school safety and mental-health services in the wake of the Parkland attack. Minnesota's governor is seeking \$20.9 million for the same purposes, while Maryland's governor is allocating \$175 million for improvements, including panic buttons, security cameras and funding for school resource officers and counselors. Federal efforts to ramp up school safety are also under way.

Security experts warn of the limits of safety measures. "When you have someone who's a committed shooter, they're going to find a way to get on the campus," said Ronald Stephens, executive director of the National School Safety Center in California. "I just tell schools to do everything you can."

Inside Bush Elementary, the hallways are typical of a grade school, with student artwork and inspirational messages lining the walls. On a recent day, students moved through the building in single file—all under the watchful eye of discreetly placed security cameras.

Principal Maricela Helm said the security measures don't take away from the in-



Safety Patrol

Some of the designs incorporated into the new George W. Bush Elementary School near Dallas:

Security Cameras: Video surveillance can be viewed by school administrators and officers in patrol cars.

Sparse Landscaping: Minimal obstructions around the school and numerous windows provide a clear view of the outside.

Windows in Doors: Classroom doors have windows, allowing teachers to observe hallway activity.

Secured Entry:

Getting in is a multistep process, requiring being buzzed in from the main office.

Wide Hallways: Open, expanded walkways make it harder to hide.

viting feel of the school, which opened in 2016 and has room for 900 children.

"We've developed a good

culture, while being more alert, more ready," she said.

The added security measures offer comfort to some



Bush Elementary parents.

Jennifer Edmondson, whose son attends first grade there, said the strict procedures

make her feel both that her child is safe and that the school is paying attention. "I love it," she said.

MISTY KEASLER FOR THE WALL STREET JOURNAL (3)

Trump Looks at Walls, Attacks Gov. Brown

BY LAURA MECKLER
AND ALICIA A. CALDWELL

SAN DIEGO—President Donald Trump Tuesday got a look at the border wall he has touted for nearly three years, inspecting prototypes that he hopes will be a model for hundreds of miles of barrier separating the U.S. from Mexico.

He also escalated his administration's battle with the state of California, which has repeatedly challenged his immigration policies in court and elsewhere. Mr. Trump said longtime Democratic Gov. Jerry Brown is doing "a terrible job." Noting that he owns property in the state, Mr. Trump said taxes were double or triple what they should be.

Mr. Brown responded to Mr. Trump on Twitter: "Thanks for the shout-out... But bridges are still better than walls. And California remains the 6th largest economy in the world and the most prosperous state in America. #Facts."

Examining various wall designs, Mr. Trump didn't pick a favorite, and Homeland Security officials say the winning bidder will be chosen through the normal government acquisition process. But the president did complain because six of the eight samples aren't see-through, which he said would be a problem for the Border Patrol.

It was Mr. Trump's first trip as president to California, one of the most Democratic states. Mr. Trump lost California by some four million votes in 2016, and just 30% of Californians approved of his job performance in a December poll by the Institute of Governmental Studies at the University of California, Berkeley.

On immigration, the divide between the Trump administration and California is particularly stark. This past weekend, Mr. Trump said California leaders "don't care

tivated." We urge you to stop your administration's wholesale targeting of our state's residents and public officials," they wrote.

No members of Congress accompanied him on his cross-country flight to California.

The visit served as a rallying moment for both supporters and opponents. Dueling chants were heard as Mr. Trump's motorcade pulled away from the border.

Later in the day, in a speech to members of the military, Mr. Trump promised the wall

would be "99.5% successful" at stopping drugs and gangs.

The 30-foot high slabs on display sit just north of an existing border fence, part of the existing network of 654 miles of barriers along the southwest border. Mr. Trump has yet to win funding to expand that, and last month he rejected a deal offered by Democrats that would have provided billions, because lawmakers didn't agree to make other changes he demanded in the immigration system.

Now, congressional aides are worried that Mr. Trump will insist on the border funding as part of a coming spending bill. Democrats are unlikely to agree without a permanent extension to the Deferred Action for Childhood Arrivals program, aides said, raising the possibility of a stand-off later this month.

For Mr. Trump, there was political value to the trip no matter what happens to his funding request, said Michael Steel, a Republican strategist.

"Whether or not 'the wall' ever gets built, footage of President Trump visiting these prototypes will play over and over again," he said, "particularly on Fox News and in campaign ads, as a visual argument that he has kept his promise to his base."

Democrats "do not do well with white men, and we don't do well with married, white women," she said. "And part of that is an identification with the Republican Party and a sort of ongoing pressure to vote the way that your husband, your boss, your son, whoever, believes you should."

She said white women who would otherwise have supported her changed their minds after the "ill advised" letter released by then-FBI Director James Comey 10 days before the election, in which he said he was reopening the investigation into her possible misuse of emails while secretary of state.

Fifty-two percent of white women and 62% of white men voted for Donald Trump, compared with 43% and 31% for Mrs. Clinton, respectively, according to exit polls.

Mrs. Clinton also said Mr. Trump ran his campaign by "looking backwards" and "attacking immigrants" while she won voters in "places that are optimistic, diverse, dynamic, moving forward."

"If you look at a map of the United States, there's all that red in the middle where Trump won," she said. "But what the map doesn't show you is that I won the places that represent two-thirds of America's gross domestic product."

Mrs. Clinton spoke on Saturday in Mumbai at an event sponsored by India Today. She promoted her book about the election, "What Happened," and a new political group she formed called Onward Together, which she said is primarily aimed at getting young people engaged in democracy.

"I thought I was going to win," she said.



DONALD TRUMP'S SUPPORTERS CHANTED ON TUESDAY IN SAN DIEGO. MANY CALIFORNIANS DISAPPROVE OF HIM.

EDUARDO CONTRERAS/SAN DIEGO UNION-TRIBUNE/ZUMA PRESS

President's Assistant Fired, Then Joins Campaign

BY MICHAEL C. BENDER
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump's personal assistant, John McEntee, was fired and escorted from the White House on Monday after being denied a security clearance over financial problems in his background, according to senior administration officials and people close to the former aide.

People close to Mr. McEntee said problems related to online gambling and mishandling of his taxes prevented him from gaining the clearance necessary for the role. The Secret Service is investigating Mr. McEntee for those issues, according to a law-enforcement official.



John McEntee

White House press secretary Sarah Huckabee Sanders said, "We don't comment on personnel issues." Mr. McEntee didn't return a call seeking comment.

On Tuesday morning, less than a day after Mr. McEntee's ouster from the White House, the Trump presidential campaign announced he would join the 2020 effort as a senior adviser for campaign operations.

Mr. McEntee, 27 years old,

was one of the longest-serving aides to Mr. Trump, dating back to the earliest days of the campaign, when some of the only aides around the then-candidate included Jared Kushner, the president's son-in-law and senior adviser; Stephen Miller, the president's policy director; White House

communications director Hope Hicks, who announced her resignation two weeks ago; and Dan Scavino, who is the White House director of social media.

Mr. McEntee had joined the campaign in 2015 a few years after graduating college.

Mr. McEntee wasn't as well known as the others, but had been a constant presence at Mr. Trump's side for the past three years. He made sure Mr. Trump had markers to sign autographs, delivered messages to him in the White House residence and, over the weekend, ensured that the clocks in the White House residence were adjusted for daylight-saving time.

"It's not going to be great

for morale," one White House official said about Mr. McEntee's departure.

Mr. McEntee was removed from the White House grounds on Monday afternoon without being allowed to collect his belongings, a White House official said. He left without his jacket, a second White House

official said.

Several White House officials have lost their jobs over the past month since White House chief of staff John Kelly imposed a stricter security-clearance policy.

Those changes were prompted by the departure of staff secretary Rob Porter, who quit after accusations of domestic violence were made public. Mr. Porter has denied the accusations, which had delayed final approval of his security clearance.

Mr. Kelly told reporters this month that when he joined the White House as chief of staff in July, he realized a large number of staffers still held interim clearances after more than seven months in the administration.

Clinton Recaps Election Defeat

BY JULIE BYKOWICZ

Hillary Clinton revisited her 2016 election loss at a recent conference in India, attributing it in part to married, white women who she said identify with the Republican politics of the men around them.

Democrats "do not do well with white men, and we don't do well with married, white women," she said. "And part of that is an identification with the Republican Party and a sort of ongoing pressure to vote the way that your husband, your boss, your son, whoever, believes you should."

She said white women who would otherwise have supported her changed their minds after the "ill advised" letter released by then-FBI Director James Comey 10 days before the election, in which he said he was reopening the investigation into her possible misuse of emails while secretary of state.

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"I thought I was going to win," she said.

U.S. NEWS

CIA Pick Out of the Cold and Into Hot Seat

Gina Haspel worked in clandestine service for three decades, had role at secret site

BY NANCY A. YOUSSEF
AND KRISTINA PETERSON

WASHINGTON—The career Central Intelligence Agency officer picked by President Donald Trump to run the CIA has spent three decades in the deepest shadows of the agency.

Gina Haspel, 61 years old, is the agency's current deputy

director, and she would become the first woman to serve as CIA director if she wins approval from the Senate.

Mr. Trump named her at the same time he picked current CIA director Mike Pompeo to be secretary of state, succeeding Rex Tillerson.

Ms. Haspel began at the CIA in 1985 and held senior assignments in the clandestine-operations division before being elevated last year to deputy director, which didn't require Senate confirmation.

She was in the clandestine service most of her career, meaning her public record was



Gina Haspel, tapped for CIA.

nonexistent until last year when she became deputy director. When Ms. Haspel was named to the deputy director job last year and emerged

with a face and name, she had no prior record of public appearances or writings and no social-media history.

She since has kept a low public profile. As a result, her positions and expected handling of her confirmation hearing are clouded in mystery, even among CIA agents.

But she has become increasingly known within the White House, sitting in for Mr. Pompeo during his frequent travels. Her regular appearances at the White House are believed to have contributed to Tuesday's move.

As she moves toward the

confirmation process, she is facing fresh questions from lawmakers over her role in the CIA's interrogation program following the Sept. 11, 2001, terrorist attacks.

She was part of a team that oversaw the CIA's detention and interrogation of suspected terrorists, using techniques that many experts and lawmakers since have described as torture, current and former officials have said.

Sen. John McCain (R., Ariz.) said in a statement Tuesday that senators should seek assurances from Ms. Haspel during the confirmation process

that the CIA would comply with guidelines prohibiting torture.

Senate Majority Leader Mitch McConnell (R., Ky.) didn't raise concerns about her nomination, or that of Mr. Pompeo for the State post.

Nominees need a majority vote to clear the Senate, where the GOP has a 51-49 advantage. Vice President Mike Pence would break any ties.

But it wasn't yet clear how much the Democrats would oppose her. In a statement, Sen. Ron Wyden (D., Ore.) said her background "makes her unsuitable" for the CIA job.

TRUMP

Continued from Page One
tor by a 66-32 vote. But there were immediate questions about Ms. Haspel, who was involved in a CIA program after the Sept. 11, 2001, terrorist attacks that relied on interrogation techniques that many experts described as torture.

Sen. John McCain (R., Ariz.) said in a statement that Congress should seek assurances from Ms. Haspel during the confirmation process that the CIA would comply with guidelines prohibiting torture. He said he wants her to "explain the nature and extent of her involvement in the CIA's interrogation program."

Mr. Trump said he appreciated Mr. Tillerson's service and wished him well. "Rex will be much happier now," he said.

Differences between Messrs. Trump and Tillerson seemed to ease somewhat in recent months. The president was satisfied with Mr. Tillerson's performance in Asia, when they visited the continent in November, people familiar with Mr. Trump's assessment said. And on North Korea, Mr. Trump has moved closer to Mr. Tillerson, who has long supported opening a dialogue with the regime.

Still, two senior administration officials said the president had lost trust in his secretary of state. After agreeing to talks last week with North Korea, Mr. Trump decided to make the move.

"The president wanted to make sure the transition happens before the conversation takes place with North Korea, and with the trade issues taking effect," a third senior administration official said, referring to Mr. Trump's move to impose duties on steel and aluminum.

Mr. Tillerson never won the trust of the State Department's career staff as he presided over Mr. Trump's vision of slashing the U.S.'s foreign-policy bureaucracy. Senior diplomats complained that Mr. Tillerson didn't turn to them for advice, and career experts have fled the department over



'The world needs selfless leaders,' Secretary of State Rex Tillerson said Tuesday in farewell remarks.

'Rex, Eat the Salad'

WASHINGTON—In a private room in China's Great Hall of the People in November, Secretary of State Rex Tillerson sat with President Donald Trump as their hosts delivered plates of wilted Caesar salad.

Mr. Trump, in the midst of a five-country tour of Asia, grew concerned the untouched greens would offend the Chinese, people familiar with the matter said. So he ordered Mr. Tillerson to start. "Rex," he said, "eat the salad."

Mr. Tillerson laughed off the remark, but the moment illustrated the at-times-awkward relationship between him and his boss that came to an abrupt end Tuesday when Mr. Trump

announced in a tweet that he had replaced him.

Initially, Mr. Trump brimmed with enthusiasm about the arrival in his cabinet of a seasoned executive, the chief executive of Exxon Mobil Corp.

But soon Mr. Tillerson found himself in an awkward place: roiling a diplomatic bureaucracy with a proposal to slash its \$55 billion budget by almost 40%, yet distant from the White House he reported to.

A spokesman for Mr. Tillerson declined to comment.

Inside the White House, the former CEO found himself crossing a trio of staffers who hadn't yet been born when he started his climb at Exxon in 1975.

Mr. Tillerson, 65 years old, clashed on immigration pol-

icy in front of the president with Stephen Miller, 32, Mr. Trump's policy adviser. After one correction from Mr. Miller, Mr. Tillerson barked so aggressively at the West Wing aide that Mr. Trump suggested his secretary of state might have crossed the line, a person familiar with the exchange said.

Johnny DeStefano, 38, who is in charge of White House personnel, helped scuttle several of Mr. Tillerson's appointments, according to officials. And control over major diplomatic priorities was always muddled, with Jared Kushner, 37, Mr.

Trump's son-in-law and senior adviser, taking the lead on Middle East peace talks.

A promise from Mr. Trump during the transition that Mr. Tillerson could pick his own

staff almost immediately fell through. Nor was Mr. Tillerson a central part of the decision-making process on the White House's original proposed travel ban, officials said.

It was all a sharp change for an executive who was used to calling the shots at Exxon.

Rumors that Mr. Tillerson wasn't long for the job have circulated since the summer and intensified over the fall when he was quoted as calling the president a "moron."

Mr. Tillerson also struggled to appeal to career officials at the State Department. Many senior staff have departed and several top positions that require Senate confirmation remain vacant.

—Michael C. Bender
and Felicia Schwartz

on Twitter and deliver biting criticisms in private. Mr. Trump repeatedly told aides that the diplomat was "totally establishment in his thinking," according to White House officials familiar with those conversations.

On Friday, White House officials awoke Mr. Tillerson with a phone call after 2 a.m. in Africa, where the secretary of state was on a diplomatic trip, and ordered him to come back to Washington a day early.

John Kelly, the president's chief of staff, repeatedly urged Mr. Tillerson to resign, but Mr. Tillerson refused, saying he wanted to hear it from the president, said senior administration official.

Mr. Tillerson returned to Washington at about 4 a.m. on Tuesday, and Mr. Trump announced the changes on Twitter three hours later. Mr. Tillerson, who doesn't use Twitter, learned about his ouster after an aide told him of the tweet.

"The secretary did not speak to the president this morning and is unaware of the reason," said Steve Goldstein, who was also ousted Tuesday from his job as undersecretary of state for public diplomacy. "But he is grateful for the opportunity to serve and still believes strongly that public service is a noble calling and not to be regretted."

—Nancy A. Youssef
and Kristina Peterson
contributed to this article.

POMPEO

Continued from Page One

"On the positive side, it is a good time to bring in a secretary of state that the president has more confidence in," he said. "If they are not careful, though, they could have two simultaneous diplomatic setbacks."

A skeptic of North Korea's intentions, Mr. Pompeo would oversee any nuclear negotiations with Pyongyang following a meeting between Mr. Trump and dictator Kim Jong Un, which U.S. officials said could happen as early as May.

An outspoken critic of the 2015 Iran nuclear accord, Central Intelligence Agency Director Pompeo, whose confirmation appears assured, also would be taking up his new post as Mr. Trump faces a self-imposed May 12 deadline on whether to leave the agreement. The Trump administration has been trying to persuade European nations to toughen the terms of the deal and has threatened to withdraw from the accord if they don't.

Each issue has implications for U.S. relations with its closest allies and for efforts to rein in the nuclear ambitions of longstanding adversaries. Together, they stand to shape the administration's security agenda.

While Mr. Pompeo's nomination appears to signal a more assertive approach to the Trump administration's foreign policy, some former

officials cautioned of the risks of groupthink on sensitive issues.

"There was never positive chemistry between Trump and Tillerson, but I did always view Tillerson as a counterbalance to the president," Ret. Gen. Michael Hayden, former head of the CIA and National Security Agency, said in a comment posted on the Cipher Brief site. "I think we lose that because Mike Pompeo I believe thinks and talks more like the president."

Born in Orange, Calif., in 1963, Mr. Pompeo comes from a family of Italian immigrants. A former Army officer who graduated first in his class at West Point, he served in the 1991 Persian Gulf War before attending Harvard Law School and going into politics. Mr. Pompeo's background contrasts with that of Mr. Tillerson: The departing chief diplomat is a civil engineer who rose through the ranks to become chairman and chief executive of Exxon Mobil Corp.

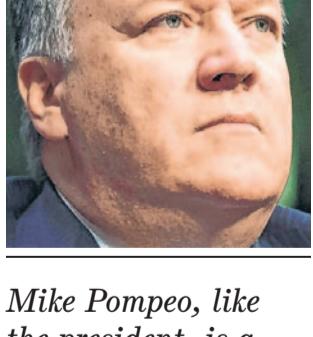
Mr. Pompeo joined the House of Representatives as part of the 2010 "tea party" wave. The Senate confirmed Mr. Pompeo as CIA director in a 66-32 vote three days after Mr. Trump's inauguration.

His nomination as secretary of state, however, likely will face more scrutiny over the Iran agreement, North Korea, the war in Syria and Russian interference in U.S. elections. Mr. Pompeo may also be asked how he plans to restore morale at a State Department that has been hobbled by va-

cancies and budget cuts.

By all accounts, the challenge Mr. Pompeo faces on North Korea is a daunting one. American intelligence analysts have assessed that Mr. Kim is unlikely to negotiate away his nuclear arsenal. Yet as Mr. Pompeo shifts to the State Department, he will find himself overseeing a diplomatic effort to persuade the North Korean leader to do precisely that.

Mr. Pompeo on Sunday said



Mike Pompeo, like the president, is a critic of Obama's Iran nuclear deal.

he had recently reread the intelligence agency's history of U.S. talks with North Korea, and criticized previous administrations for having "whistled past the graveyard" while Pyongyang developed its nuclear weapons program. He also pledged to keep up the pressure on North Korea even if negotiations get underway.

The problem, however, is

likely to be negotiating an agreement that goes beyond limited steps to restrain the North's nuclear program, which is all some former officials think can be achieved in the near term, and determining what the U.S. is prepared to give in return.

As with Mr. Trump, Mr. Pompeo appears to be banking on China to use its influence to persuade Mr. Kim to denuclearize the Korean Peninsula. Mr. Pompeo is widely believed to be more receptive to consideration of military options than Mr. Tillerson was.

As CIA director, Mr. Pompeo made an April visit to a South Korean island that had been shelled by North Korea in 2010 to "gain a firsthand appreciation of the North Korean threat to South Korea."

"If the Trump-Kim summit were to come to an actionable agreement, and if that agreement were to fail, or if a summit prior to that were to fail, Pompeo would be more inclined to take a more hawkish position, up to and including a kinetic action on North Korea," said Mason Richey, a professor of international politics at Seoul's Hankuk University of Foreign Studies.

On Iran, Mr. Pompeo is in tune with Mr. Trump, an unrelenting critic of the nuclear accord the Obama administration and other world powers negotiated to constrain Iran's nuclear efforts.

—Jonathan Cheng in Seoul
and Laurence Norman
in Brussels contributed
to this article.

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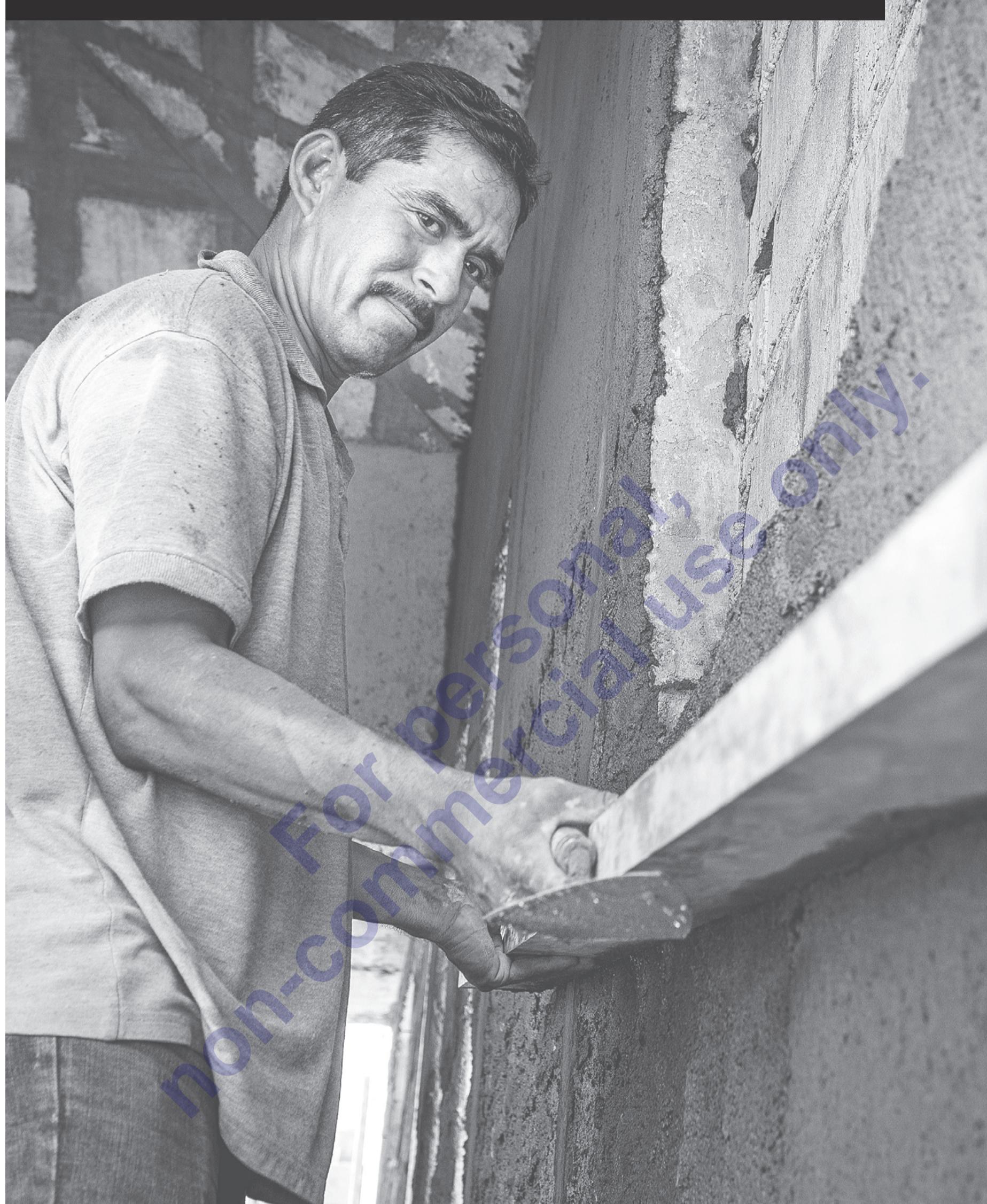
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1. Schink, Werner, and David Hayes-Bautista. *Latino Gross Domestic Product (GDP) Report*. Latino Donor Collaborative, July 2017. <http://latinodonorcollaborative.org/latino-gdp-report>, 5.

2. Schink and Hayes-Bautista. *Latino*, 11.

3. Ibid., 10.

U.S. NEWS

Shulkin's Future at VA in Doubt

By REBECCA BALLHAUS

President Donald Trump is considering replacing Veterans Affairs Secretary David Shulkin with candidates including Energy Secretary Rick Perry, according to an administration official, after an inspector general's report last month said Dr. Shulkin had misspent taxpayer money during an official trip to Europe last year.

The official said the discussions of replacing Dr. Shulkin were "not very far along," and another person familiar with the matter said other names were also in the mix. That person said Mr. Perry's wasn't the name that came up the most frequently in the discussions.

The president on Monday lunched with Mr. Perry, a former Texas governor, at the White House. At an event with the Houston Astros at the White House the same day, Mr. Trump singled out his energy secretary for praise.

"We love Rick, right? Did I do the right job with Rick?" Mr. Trump asked. "I think we did the right job."

For much of Mr. Trump's first year in office, Dr. Shulkin had been a bright spot in the



Veterans Affairs Secretary's use of taxpayer money is an issue.

cabinet. He worked with senior White House adviser Jared Kushner, the president's son-in-law, to streamline services by scrapping the agency's electronic-records system in favor of the system used by the Defense Department, and has earned bipartisan praise from lawmakers on Capitol Hill.

Last month, an inspector general's report concluded that Dr. Shulkin had improperly accepted a gift of Wimbleton tennis tickets, misspent taxpayer money and misused department resources while

traveling in Europe.

The report also said Dr. Shulkin's chief of staff, Vivieca Wright Simpson, had made false claims to a VA ethics official by altering an email to get official approval for Dr. Shulkin's wife to take part in the trip as an "invitational traveler," a status that meant the VA would cover her expenses. Her airfare cost taxpayers \$4,312.

The inspector general referred the matter involving Ms. Simpson to the Justice Department for possible criminal prosecution; that agency opted

not to prosecute the case, the report said.

In multiple interviews with The Wall Street Journal, Dr. Shulkin has said forces in the administration and the department are conspiring to oust him, using the pretext of the inspector-general report to urge his ouster. Concerned Veterans for America, a veterans organization aligned with the conservative network backed by billionaire industrialists Charles and David Koch, has been lobbying publicly against Dr. Shulkin.

The Koch-backed network supports what some call privatization of the VA's health-care system, while Mr. Shulkin has taken a more moderate approach.

In a meeting with Dr. Shulkin in the Oval Office last week to discuss legislation to overhaul the VA's health-care system, Mr. Trump interrupted the conversation to patch in Pete Hegseth, a Fox News host who previously ran Concerned Veterans for America, according to an administration official. The call with Mr. Hegseth, who had also been in the running to serve as VA secretary last year, surprised people in the room, the official said.

Trump Considers Kudlow After Cohn

By NICK TIMIRAO

WASHINGTON—President Donald Trump said Tuesday he is "very strongly" considering naming CNBC commentator Lawrence Kudlow to replace Gary Cohn as director of the National Economic Council.

Two senior administration officials said Tuesday they believed Mr. Kudlow was the president's likely choice for the job and that a decision could be finalized within days.

Mr. Kudlow's candidacy for the post is notable because the former Wall Street economist has repeatedly and publicly criticized Mr. Trump's position on trade. He has also voiced alarm at rising budget deficits, Mr. Trump's apparent preference for a weaker dollar, and the president's desire to use trade deficits as a report card on economic vitality.

"We don't agree on everything but in this case I think that's good," Mr. Trump told reporters on Tuesday. "I want to have a divergent opinion. We agree on most."

Mr. Cohn resigned last week as Mr. Trump's top economic adviser after being sidelined by a decision to impose broad steel and aluminum tariffs. Mr. Kudlow had backed Mr. Cohn's position against those measures, calling the White House's tariff policy misguided.

In recent days, however, the White House has discussed providing exemptions on the tariffs for Canada, Mexico and Australia, among others. Mr. Kudlow has privately said he could support tariffs with such modifications if they were used as a broader negotiating tool to improve trade relationships, according to a person who has spoken with him in recent days.

Mr. Trump said on Tuesday that Mr. Kudlow "has come around to believing in tariffs as also a negotiating point."

Mr. Kudlow served as an informal Trump campaign adviser, and the president has sought his advice intermittently on economic issues.

Mr. Kudlow declined to comment.

Democrats on House Panel Plan Their Own Report on Russia

By BYRON TAU

Democrats on the House Intelligence Committee said Tuesday they are drafting their own report on Russian interference in the 2016 election, ending any chance of a bipartisan conclusion with Republicans on the panel.

Democrats released a memo Tuesday evening arguing that the Republican-led investigation is being prematurely shut down. The document identifies nearly 30 additional witnesses who Democrats say should be called.

Rep. Adam Schiff of California, the top Democrat on the

panel, said he reviewed a draft of the GOP report and called it "terribly inadequate." The Republicans' 150-page draft report concludes they had found no evidence that Moscow colluded with Donald Trump's campaign or that the Kremlin favored Mr. Trump in the 2016 race.

"It cherry-picks some intelli-

gence facts and ignores a whole host of others," Mr. Schiff said.

The findings of the Republican report are at odds with parts of a January 2017 report by the U.S. intelligence community, which concluded Russian President Vladimir Putin ordered a campaign to influence the outcome of the 2016 U.S.

presidential election in Mr. Trump's favor.

Republicans note that the panel has interviewed more than 70 witnesses and reviewed more than 300,000 documents.

"I asked every witness I questioned for evidence of collusion, coordination, or conspiracy between Donald Trump, his

official campaign, or those who represented they had some connection with him and the Russian government," said Rep. Trey Gowdy, a South Carolina Republican on the panel.

"No witness provided evidence—direct or circumstantial—of collusion, coordination or conspiracy," he said.

RETURN

Continued from Page One

Stores have long used generous return guidelines to lure more customers, but such policies also invite abuse. Retailers estimate 11% of their sales are returned, and of those, 11% are likely fraudulent returns, according to a 2017 survey of 63 retailers by the National Retail Federation. Return fraud or abuse occurs when customers exploit the return process, such as requesting a refund for items they have used, stolen or bought somewhere else.

Some retailers monitor return fraud in-house, but Best Buy and others pay Retail Equation to track and score each customer's return behavior for both in-store and online purchases. The service also works with Home Depot Inc., J.C. Penney Co., Sephora and Victoria's Secret. Some retailers use the tracking system only to assess returns made without a receipt.

Best Buy uses Retail Equation to assess all returns, even those made with a receipt. Dozens of shoppers have complained on Twitter, Facebook, Yelp and other online forums that they were prevented from making returns despite following the store's policy.

Retail Equation said its services are used in 34,000 stores, but declined to provide a full list of its clients. The Wall Street Journal learned of the relationship between some retailers and the firm by reviewing return activity reports from customers.

"We are hired by the retailers to review the returns, look for suspicious situations and issue approvals, warnings or denials," said Tom Rittman, a marketing vice president at Apprise Inc., a Louisville, Ky., data analytics firm that acquired Retail Equation in 2015.

The company said its system is designed to identify 1% of shoppers whose behaviors mimic return fraud or abuse. Its statisticians and programmers have built a customized

algorithm for each retailer that scores customers based on their shopping behavior and then flags people who exceed a certain score. The company said it doesn't share a person's data from one retailer with another.

"You could do things that are inside the posted rules, but if you are violating the intent of the rules, like every item you're purchasing you're using

and then returning, then at a certain point in time you become not a profitable customer for that retailer," Mr. Rittman said.

At Best Buy, returning too many items within a short time can hurt a person's score, as can returning high-theft items such as digital cameras. After the Journal contacted Best Buy, the company said it created a dedicated hotline

(1-866-764-6979) to help customers who think they were wrongfully banned from making returns.

"On very rare occasions—less than one-tenth of one percent of returns—we stop what we believe is a fraudulent return," said Jeff Haydock, a spokesman for Best Buy. "Fraud is a real problem in retail, but if our systems aren't as good as they can be, we apologize to anyone inappropriately affected."

When a consumer makes a return, details about his or her identity and shopping visit are transmitted to Retail Equation, which then generates a "risk score." If the score exceeds the threshold specific to the retailer, a salesperson informs the consumer that future returns will be denied and then directs them to Retail Equation to request a return activity report or file a dispute.

It isn't easy for shoppers to learn their standing before receiving a warning. Retailers typically don't publicize their relationship with Retail Equa-

tion. And even if customers track down their return report, it doesn't include purchase history or other information used to generate a score. The report also doesn't disclose the actual score or the thresholds for getting barred.

Dave Payne, a 38-year-old public-relations professional, said he learned of the system for the first time when he received a warning at a Best Buy in Orlando, Fla. He was returning a digital scale and a router extender, with a receipt for both items.

He said neither Best Buy nor Retail Equation provided a clear explanation for what he did wrong: "Best Buy advertises a 15-day return policy, but they are not advertising that at some point when you've crossed an arbitrary line, that policy no longer applies."

The ban on his account was lifted after he complained to the company's public-relations department, but he remains upset that his information is being shared with a third party. "It creeps me out."

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WORLD NEWS

Chinese Party Broadens Worker Scrutiny

A new Communist agency will subject state employees to discipline leaders face

By CHUN HAN WONG

BELJING—Five years into his anticorruption campaign, Xi Jinping is expanding Communist Party policing to millions of public servants.

In a broadening of China's far-reaching police state, a new national agency will make virtually all government workers, from state-enterprise managers to schoolteachers, subject to the kind of murky detentions that have ensnared party officials high and low.

It will share offices, personnel and duties with the party's existing disciplinary agency, which has punished more than 1.5 million party members in the past five years. Under its gaze, a senior party official said, the number of people subject to party supervision will more than double.

Officials said the new commission plugs gaps in government oversight. "To turn today's crushing momentum against corruption into a crushing victory, we must further strengthen the party's leadership," Politburo member Yang Xiaoduo said last week at



National People's Congress delegates leave the Great Hall of the People in Beijing. Xi Jinping is extending his anticorruption push.

China's annual legislative session.

Entrenching the Communist Party's political dominance has been a priority for President Xi, who is steering a revamp of agencies designed to strengthen party control over all levers of public power.

Rights advocates and law experts fear the new commission will give legal cover to the

party's policing methods, in particular a practice known as *shuanggui*, the indefinite detention of corruption suspects without access to a lawyer.

Court documents from cases handled by pilot commissions, set up last year at provincial and lower levels, offer a peek at how the new regime will work.

From January to August 2017, pilot commissions in Bei-

jing, Shanxi and Zhejiang detained 183 people, some of them in party-run *shuanggui* facilities, according to the official Xinhua News Agency. Among those detained were a primary-school teacher and an urban-sanitation worker, both later convicted of embezzlement, court documents show.

"What is really being abolished may be the pretense of separation of party and state,"

Jeremy Daum, a senior research fellow at the Yale China Law Center, wrote in a commentary after plans for the agency were announced.

Party officials said the commission's powers are subject to legal and procedural checks that prevent abuses. Lawmakers endorsed the agency's creation as part of constitutional

amendments on Sunday that also cleared a path for President Xi's indefinite rule and are expected to rubber-stamp a "supervision law" laying out its powers next week.

In the city of Jincheng, in Shanxi province, the local supervisory commission detained the transportation-bureau chief, a party member, over corruption accusations at a "party-discipline education base" for about seven weeks, court documents show, before a local court in September sentenced him to 12 years in prison. He couldn't be reached.

A Beijing commission official told state media that after a detainee appeared unsettled by the investigation process, "we gave him psychological guidance" and tried rehabilitation by "reviewing the party oath and rousing his consciousness of the party charter."

The detainee, 36-year-old Li Hua, pleaded guilty in June to embezzling about \$1.2 million in public funds while working in the finance department of a township government, according to a document from a Beijing court, which gave him a suspended three-year jail sentence.

Mr. Li, who was expelled from the party in April, couldn't be reached.

—Xiao Xiao contributed to this article.

Beijing Targets Risk With Overhaul of Bureaucracy

By LINGLING WEI
AND CHAO DENG

BELJING—China's overhaul of its financial and business regulators will give the country's leadership more punch in its top-priority battle to fend off deep-seated risks in the banking system and overall economy.

Under a plan reviewed by the legislature on Tuesday, the separate agencies that oversee China's banks and insurance

companies will be combined into a new commission to "ensure the nation's financial safety."

The central bank will then set overall rules for the banking and insurance industries, leaving supervision of individual firms to the combined commission.

The restructuring is aimed at streamlining purview over financial firms and capital markets that at times has been

fragmented and has failed to control risks from rising debt and new financial products, officials involved in policy-making said.

A broader reorganization effort will place the newly combined banking-insurance regulator, the top securities watchdog and the central bank under a cabinet-level committee formed last year, these officials said.

Liu He, President Xi Jin-

ping's top economic adviser who is expected to be named vice premier, will head the committee, becoming China's financial super-regulator, the officials said.

The overhaul also gives more teeth to regulators charged with managing competition, commerce and other swaths of economic life. A new market regulatory agency subsumes the pricing authority and antimonopoly enforcement

held by other departments and takes over safety for products, food and drugs. A reconstituted health commission will more squarely focus on health care and policies for an aging society while a new natural resources ministry will manage mineral, ocean, forestry and other land resources.

The shake-up is "very necessary. This has broken through the previous balance, the previous vested interests

and the previous regulatory fragmentation," Ma Li, an adviser to the cabinet, the State Council, told reporters.

As the juggernaut Chinese economy began to lose steam in recent years, problems that emerged have pushed controlling financial risks to the top of Mr. Xi's economic agenda.

—Grace Zhu contributed to this article.

◆ China sells Blackstone stake. B1

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WORLD NEWS

Rome's Woes Haunt Party

5 Star Movement's troubled tenure in capital looms over its bid to govern country

BY GIOVANNI LEGORANO
AND PIETRO LOMBARDI

ROME—For the 5 Star Movement, the Eternal City has been an eternal headache.

Since the antiestablishment party swept to power in Rome nearly two years ago with the election of Virginia Raggi as mayor, uncollected trash, chaotic public transport, leaky water pipes and huge debt have compounded its reputation as a movement more suited to protest than to governing.

Now, after national elections this month made 5 Star Italy's biggest party with 32% of the popular vote, it has a shot at governing the entire country. That prospect has trained a spotlight on the movement's experience in local politics, and the view isn't always flattering.

Since 2013, 5 Star has come to power in 45 cities and towns. Most of them were small until 2016, when 5 Star candidates won mayoral races in Italy's No. 1 and No. 4 cities, Rome and Turin. Running Italy's capital city in particular has been trial by fire.

The city's long-suffering transport system has been racked by near-constant turmoil. During her campaign, Ms. Raggi—a politically untested 39-year-old lawyer—promised to revolutionize local transport with new buses color-coded by destination and a root-and-branch revamp of the notoriously inefficient city-owned company that runs Rome's buses, subway and trams.

Since then, Rome's transport system has gone from bad to worse, opposition figures and commuters say. Forty percent of its buses are broken, and 35 have caught fire in the past 3½ years. According



Rome is highly indebted, with a decrepit infrastructure that allows flooding and potholes to flourish.

to a city watchdog, buses and trams have hardly ever completely hewed to their timetables in the past two years. The transport agency, Atac, is €1.4 billion (\$1.7 billion) in debt, and the watchdog says transport employees drive on average 40% less than their peers in London's system.

Altroconsumo, a consumer organization, launched a class-action lawsuit in late January demanding reimbursement of half of the fares travelers paid in the past three years, arguing that in that time Atac has supplied only half of its scheduled services. A spokesman for Atac said the company has no comment on the initiative.

Ms. Raggi blames predecessors, saying that when she took over only half of the buses were running. In September, Ms. Raggi's government filed for bankruptcy protection for the transport company, with the goal of relaunching it. As part of that effort, she said, in January her administration approved the purchase of 600 new vehicles. She has also increased ticket controls to stop free-riders, and plans to extend

tramways and subways and to curb cars in the city center to speed buses.

Meanwhile, a solution to another chronic problem in Rome has also eluded Ms. Raggi: the city's mountains of trash.

After a previous government shut Rome's main rubbish dump due to contamination and pollution problems, the city's capacity to collect rubbish has operated on a knife's edge. If just one disposal plants breaks down, trucks stop collecting trash. Piles of uncollected trash in the city's periphery last year attracted wild boars, one of which caused a deadly motorcycle crash.

Rome has agreed to transfer rubbish to other regions' dumps to keep it from accumulating on Rome's streets. But other problems can't be shunted away: The ancient city's infrastructure is so decrepit that nearly half of its public water is either lost or illegally diverted, and the city's €13 billion debt makes addressing that problem difficult.

Flooding is common during

heavy rains, adding to the huge number of potholes on Rome's streets. Ms. Raggi recently launched a €17 million plan to fill in more than 1,500 holes every day, or 50,000 every month. Her head of public works has dubbed it a "March Plan" for public roads.

Ms. Raggi—who has switched out a dozen senior officials since taking office in June 2016—is now one of Italy's least popular mayors, according to polls.

Michela Di Biase, an opposition member of Rome's city council, brought a bag full of trash to a government meeting in January. Rome is "overwhelmed by trash," she said. "We are still waiting" for Ms. Raggi to fulfill her promises.

Whatever the Roman mayor's problems, Italians evidently didn't see fit to punish the 5 Star Movement at the polls in response to them.

"The rage of Italians against the old political class is still so high that support for the movement not only remained strong—it exploded," said Roberto D'Alimonte, professor at Rome's LUISS University.

Two Pontificates Bound by Regard

BY FRANCIS X. ROCCA

ROME—The reign of Pope Francis, which reached its five-year point on Tuesday, has been marked by contrasts in style and substance with that of his predecessor, Pope Benedict XVI—most controversially in the current pope's more lenient approach to divorce.

But in comments published Monday, retired Pope Benedict played down differences with his successor as a matter of "foolish prejudice," and insisted on an "interior continuity" between them.

Five years after Pope Benedict's historic decision to step down, the unprecedented presence of a retired pope in the Vatican has proved an unlikely asset to his more-liberal successor. In an institution that prizes tradition, their friendly coexistence is a potent, though mostly silent, assurance of stability for conservatives distressed by recent changes.

"Having Benedict around functions politically like a kind of Good Housekeeping seal of approval with a constituency that is skeptical of Francis," said John L. Allen Jr., a biographer of Pope Benedict and the president of Crux Catholic Media. "Every time Benedict wraps him in a warm embrace, whether it's in a picture or letter, it does Francis real good with conservatives."

Since the new pope first stepped out onto the loggia of St. Peter's on a rainy evening five years ago, the differences with his predecessor have been stark.

Pope Francis is more outgoing and accessible to crowds, and shuns the traditional vestments that Pope Benedict often wore. The Argentine pope's public statements, frequently off-the-cuff, are characterized by folk wisdom and earthy informality rather than his predecessors' carefully

composed reflections on theology, philosophy and history. The current pope is by all accounts a hands-on leader who delves into the details of the Vatican's workings, whereas Pope Benedict largely delegated management to others.

In excerpts released by the Vatican of a letter to Msgr. Dario Vigano, head of the Vatican's communications office, Pope Benedict rejected as caricature the view of "Pope Francis as merely a practical man lacking any special theological or philosophical education, whereas I am supposedly just a theorist of theology, with little understanding of the concrete life of a Christian today."

The most substantive area of difference between the men has been theology, specifically moral teaching. Pope Francis

Benedict XVI has been a kind of seal of approval for his successor, Pope Francis, pictured here.

has largely muted the Vatican's doctrinal office, which Pope Benedict himself ran for more than two decades under St. John Paul II, when it was the frequent source of definitive statements on weighty matters, including sexual and medical ethics.

Pope Francis has raised conservative concerns with statements on those topics, especially his comment on gay priests: "Who am I to judge?"

On Tuesday, Cardinal Pietro Parolin, the Vatican secretary of state, told reporters that the retired pope's comments were an opportune rebuttal to claims of a "rupture between the two pontificates."

For his part, Pope Francis, 81 years old, has been conspicuously respectful and attentive to his predecessor.

Physicist Who Brought Science To the Masses Dies at 76

BY DANIELA HERNANDEZ

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

A family spokesman on Wednesday confirmed Dr. Hawking's death to the Associated Press.

The University of Cambridge professor was an iconic figure in both the scientific community and in popular culture, known for his keen mind and humor, as well as his striking physical challenges. Dr. Hawking had long battled with amyotrophic lateral sclerosis, which left him wheelchair-bound for most of his life. Commonly known as Lou Gehrig's disease or motor neuron disease, the condition damages the nerves that control movement and results in paralysis.

Patients with ALS typically die within five years of diagnosis. Dr. Hawking, who was diagnosed in 1963 at the age of 21, is believed to be the longest-living survivor.

Nevertheless, he continued to work and produced widely influential theses and books about the nature of time and space even as his condition deteriorated. In 1985, he lost the ability to speak following a tracheotomy. Since then, he communicated through a computerized voice synthesizer. His robotic voice became a defining characteristic of his public persona.

"From his wheelchair, he's led us on a journey to the farthest and strangest reaches of the cosmos," former President Barack Obama said of Dr. Hawking in 2009 during a ceremony in which the cosmologist received the Medal of Freedom. "In so doing, he has stirred our imagination and shown us the power of the human spirit here on Earth."

During his long career, Dr.



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

Born in Oxford, England, on Jan. 8, 1942—the 300th anniversary of Galileo's death—Dr. Hawking loved playing with model trains, airplanes and boats as a youngster. He also enjoyed inventing games, including some dealing with manufacturing processes and feudal societies.

"I think these games, as well as the trains, boats, and airplanes, came from an urge to know how systems worked and how to control them," he wrote in his short autobiography, "My Brief History."

Dr. Hawking studied physics at University College, Oxford, and later earned his Ph.D. in cosmology from the University of Cambridge. There, he started developing the theories on the nature of black holes that would eventually earn him fame.

Among his most important scientific contributions are his singularity theorems, which help explain concepts like the beginning of time.

"They prove quite solidly that general relativity does predict the existence of black holes and of the Big Bang," said Carlo Rovelli, a theoretical physicist and author. "This was previously strongly suspected, but not truly proven mathematically. Today these

theorems are commonly recognized as an important piece of our knowledge of the theory of general relativity."

General relativity refers to a theory that an object's gravity can bend time and space.

In recent years, he also partnered with Silicon Valley entrepreneurs on high-risk science initiatives. At a conference in April 2016 for one such project, Dr. Hawking said he wanted to be remembered for his work on Hawking radiation, a theory on how information might escape a black hole's powerful grip.

Hawking radiation-leaking black holes offer an explanation to the information paradox: If black holes eventually disappear and the laws of physics state that the universe's amount of information is fixed, what happens to the information black holes contain? Dr. Hawking's answer: It's suspended at the event horizon, the border between space and a black hole's void.

Other experts agree it is his most notable work, although Hawking radiation has never been directly observed.

Outside academic circles, Dr. Hawking may be best known for his public outreach.

His 1988 book, "A Brief History of Time," which explains the history of the universe and space-time, became an international bestseller—and a motivating force for readers.

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WORLD NEWS

U.K.-Russia Ties Fray Over Ex-Spy

Moscow appeared defiant as it faced a looming British deadline to explain the nerve-agent poisoning of a former spy, demanding London provide a sample of the substance used in the attack and open up its probe to Russian officials.

U.K. Prime Minister Theresa

*By Wiktor Szary
in London and James
Marson in Moscow*

May has said it is highly likely Russia was behind the poisoning of former double agent Sergei Skripal and his daughter, and threatened retaliation in the case, marking a new low point in already strained post-Cold War relations.

Foreign Secretary Boris Johnson said London would lay out its response on Wednesday if Moscow failed to adequately explain the poisoning by the end of Tuesday. His comments came amid calls to impose new sanctions.

Russia has come out swinging over suspicions that it is behind the poisoning, with officials, lawmakers and Kremlin-friendly analysts flooding the airwaves to accuse the U.K. of manufacturing the incident to discredit Russia.

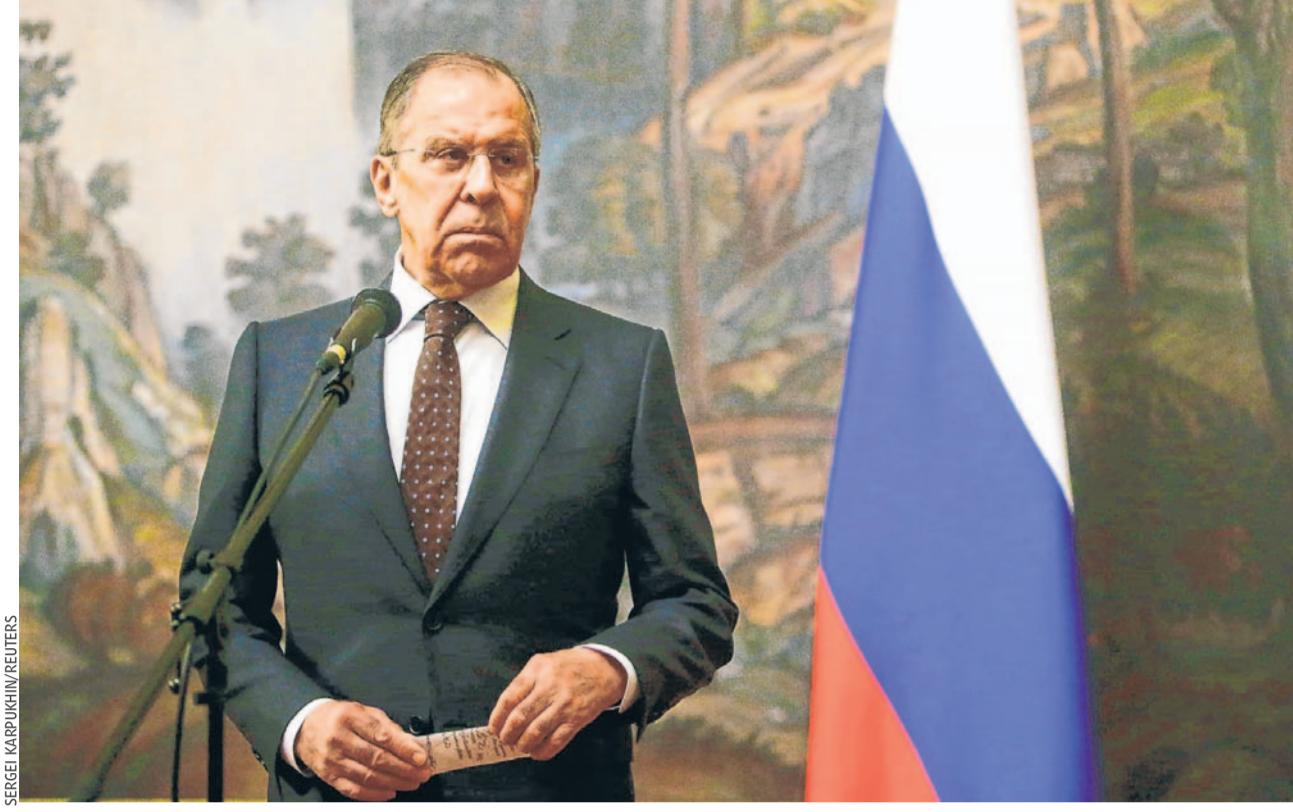
Foreign Minister Sergei Lavrov on Tuesday dismissed London's warnings. "Of course, we heard the ultimatum that was made in London," he told reporters. "We have already made a statement that it is all nonsense. We have nothing to do with it."

President Donald Trump called Mrs. May on Tuesday and reiterated his pledge to offer any assistance the U.S. could provide to the U.K. investigation.

Earlier, the president told reporters "it sounds to me like they believe it was Russia."

"As soon as we get the facts straight, if we agree with them, we will condemn Russia or whoever it may be," he said.

British officials have identified the substance used in the poisoning in the southwestern



Foreign Minister Sergei Lavrov called on London to provide a sample of the substance used in the attack on former spy Sergei Skripal.

English city of Salisbury as a military-grade nerve agent of the Novichok class, a deadly chemical weapon developed in the Soviet Union in the 1970s and '80s.

Mr. Lavrov said Russia would cooperate "if the United Kingdom gets around to and deigns to fulfill its international legal obligations" through the Chemical Weapons Convention, which he said gives the country that produces the banned substance 10 days to respond and access to the substance in question.

The Russian Foreign Ministry said in a statement that it had summoned the U.K.'s ambassador in Moscow to a meeting where a deputy foreign minister issued "a strong protest in connection with the unfounded accusations made by British authorities."

The ministry said Russia wouldn't respond to the U.K.'s ultimatum until it receives samples of the chemical substance

the authorities say was used.

British officials said they would go ahead with retaliation if they don't get a credible explanation. Speaking to the British Broadcasting Corp., Mr. Johnson said British allies condemned a pattern of Russia's "malign behavior...the reckless use of chemical weapons, the support for the reckless use of chemical weapons that stretches from Syria, now to the streets of Salisbury."

The attack in the picturesque cathedral city of 45,000 people has raised the pressure on Mrs. May to impose sanctions, with calls for Russian asset freezes or even a push for a coordinated response from the European Union and the North Atlantic Treaty Organization.

Mr. Johnson said he has been "very encouraged so far by the strength of the support" the U.K. has received over the poisoning, in particular from France, Germany and

Washington. Secretary of State Rex Tillerson, who Mr. Trump said Tuesday was being removed from his post, had expressed confidence in the U.K.'s assessment.

The EU currently has energy, financial sector and defense sanctions on Russia and is targeting about 150 individuals and three companies over actions in Ukraine. However, these measures have had a dwindling effect on Russia's economy and several countries are likely to strongly resist increased pressure as Russia supplies a significant amount of the bloc's gas supplies.

Amid the tensions over the poisoning of Mr. Skripal, reports emerged Tuesday of the death in Britain of another prominent Russian, Nikolai Glushkov, a 69-year-old former Aeroflot executive convicted of fraud in Russia.

Mr. Glushkov's lawyer, Andrei Borovkov, said he learned of the death from Mr. Glush-

kov's relatives but didn't know when he died or the circumstances, the Interfax news agency reported. The lawyer couldn't be reached.

British police said counter-terror officers were investigating the unexplained death of a man in his 60s in New Malden in southwestern London, "because of associations the man is believed to have had." They didn't name the man, and said there was no evidence to suggest a link to the incident in Salisbury.

Mr. Glushkov was an associate and friend of Boris Berezovsky, once one of Russia's richest men, who was found dead on his bathroom floor in 2013 with part of a scarf around his neck.

Mr. Glushkov had been sentenced in absentia in Russia to eight years in prison for allegedly stealing \$123 million from Aeroflot.

—Thomas Grove in Moscow contributed to this article.

WORLD WATCH

SYRIA

Some Casualties Are Taken Out of Ghouta

Aid workers evacuated close to 200 civilians, including critically ill patients and family members, from a rebel-held Damascus suburb on Tuesday, after a weeklong assault on the area by Syrian regime forces left hospitals in ruins and the health-care system severely degraded.

Around two dozen people on a list of about 1,000 deemed to be urgently in need of medical care were evacuated under United Nations supervision by the Syrian Arab Red Crescent, according to doctors and activists. They were being transferred to hospitals in Damascus with around 170 family members.

The evacuation was the first since December, when the regime of President Bashar al-Assad allowed nearly 30 patients to leave Ghouta.

—Nour Alakraa and Nazih Osseiran

IRAQ

Baghdad's Dispute With Kurds Cools

A dispute between the central government and the semiautonomous Kurdish region is easing, five months after clashes in the wake of a referendum on independence that changed the balance of power in the country.

Iraqi Prime Minister Haider al-Abadi on Tuesday said he would lift a ban on international flights to and from the region this week, the latest sign of a thaw. The move followed an agreement with Kurdish officials to put their two airports under federal control.

The top official of the Kurdistan Regional Government, Prime Minister Nechirvan Barzani, welcomed the decision to lift the flight ban as "a correct and important step on the right path."

"All the problems between Baghdad and Erbil must be gradually resolved," he said. "The problem with Iraq is the absence of a vision for the future."

—Isabel Coles

Poisoning Is a World Away For Moscow's New Exiles

BY ANATOLY KURMANAEV

LONDON—For many of the thousands of Russians who have helped lend this city the nickname Moscow-on-Thames, the nerve-agent poisoning of one of their countrymen is a jarring intrusion from a world they thought they left behind.

They have little in common with the older waves of emigres who have earned the ire of the Kremlin, the wealthy oligarchs lured in part by a controversial investor program, or the likes of Sergei Skripal, the 66-year-old Russian double agent now fighting for his life.

Instead, they are young, highly educated professionals who left Russia for economic, not political reasons.

"These people didn't run away from a bloody regime," said Anna Chernova, a project manager at a Russian-language magazine that hosted a party last week for Russian yuppies in London's hip Shoreditch neighborhood. "They are here because of opportunities."

On Monday, Prime Minister Theresa May said it was highly likely that Russia was responsible for Mr. Skripal's poisoning. She warned of a tough response if Russia's answer was inadequate.

While Mrs. May didn't say what measures London might adopt, there have been calls to freeze Russian assets in the U.K. and block travel by the Russian oligarchs who have come to exemplify opulent living in Britain, buying soccer clubs, newspapers and setting records for expensive divorces, mansion purchases and yacht sizes.

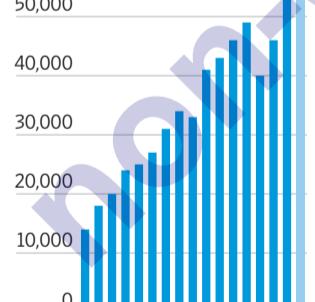
The number of Russian permanent residents in the U.K. has more than tripled since 2001 to about 60,000, according to the latest official statistics, but there are believed to be many more ethnic Russians from former Soviet states.

Of those, only a tiny fraction has had brushes with the Kremlin—but they are among the most prominent in London.

They have been the main beneficiaries of Britain's investor program, which grants ap-

Russians Are Coming

The number of Russian-born residents in the U.K. has more than tripled since 2001, as career-minded young professionals replace earlier waves of dissidents.



*Through June
Source: U.K. Office of National Statistics

THE WALL STREET JOURNAL.

New Russian middle class in London has little in common with older wave of emigres.

Another attraction for Russian President Vladimir Putin's rich detractors is the U.K. courts' refusal to comply with any extradition requests from Russia.

"In London, you know the government is strong enough to stand up to Putin and not give you up," said a Russian millionaire who once lived in the U.K. under the investor program.

But the deaths of some Russian oligarchs opposed to Mr. Putin in hazy circumstances have raised questions about Kremlin involvement. Banker

Boris Berezovsky, once one of Russia's richest men, was found on his bathroom floor with part of a scarf around his neck in 2012. Another opposition businessman, Alexander Perel'milchny, collapsed and died while jogging in 2013. The Kremlin has denied involvement in both cases.

Alexander Litvinenko, a Kremlin critic who became a British citizen, died after drinking tea laced with polonium-210, which a British investigation found was probably approved by Mr. Putin. The Kremlin has called the conclusion "unacceptable."

Mr. Skripal was part of a group of three intelligence officers and a nuclear scientist convicted of treason. In 2010, after years in prison, the four were exchanged in Vienna for 10 Russian agents arrested in the U.S., in one of the largest spy swaps since the Cold War.

Igor Sutyagin, the nuclear-weapons specialist traded along with Mr. Skripal now lives in the U.K. and works at London's Royal United Services Institute, a defense and security think tank, and says all of his social contacts are with work colleagues. He plans to stick to the U.K.

"Wherever I got dumped is where I stayed," he said. "Any desire for adventures was killed by the rich assortment of adventures provided by the Russian prison."

Most Russian emigres in London live a world apart from such intrigue. Even as suspicion falls on Moscow and many young Russian professionals in London oppose what they see as Mr. Putin's authoritarian and intolerant government, the younger expatriates say they feel they have little to fear.

Some do worry that Mr. Skripal's poisoning will further damage the Russians' image abroad and make travel harder.

"These scandals just give rise to anti-Russian sentiments," said Peter Kaznacheev, an oil consultant based in London. "And this is unpleasant, because we have nothing to do with that government."

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IN DEPTH

BEAR

Continued from Page One

response. Key players in the bailout, many of whom remain in finance, have spent the last decade arguing about what was done, defending decisions made then and wondering whether it could happen again. The consensus: It would be unlikely for another big firm to get into such trouble, or for the government to orchestrate such a bailout.

Bear, like its rivals across Wall Street, had been struggling with losses from securities tied to mortgages. In the end, though, Bear, which relished its reputation as a scrappy band of outsiders, collapsed because clients and lenders had lost confidence.

Vast amounts of regulatory scaffolding have been erected to try to make sure a firm couldn't ever get into such a situation. There are elaborate crisis-communication plans, tougher capital requirements and "living will" playbooks that are supposed to be followed if a big bank approaches collapse.

The Wall Street Journal spoke with many of the central players that week a decade ago, including then New York Fed President Timothy Geithner and Treasury Secretary Henry Paulson, JPMorgan deal maker Steve Black and Bear's Mr. Schwartz.

Never again

Veteran Wall Street lawyer Rodgin Cohen, who helped shape the deal for Bear Stearns, says that if a crippled firm were on the brink today, none of its peers would arrive with a rescue. "Nobody will ever again buy a severely troubled institution," he says. "Period."

Many officials in Washington feel another bailout is just as unlikely. In November, a U.S. senator pressed future Fed

Chairman Jerome Powell on whether big banks are still "too big to fail."

"I would say no," Mr. Powell answered.

Yet the new policies for dealing with such crises are untested. Moreover, anger over the public cost of bailing out banks has meant tying the hands of Washington in ways that reduce the sort of improvisation that took place in 2008.

If a large institution got into dire straits, "I believe they would try to allow it to fail," says Mr. Black, the former JPMorgan executive who helped broker the Bear deal. "But if, all of a sudden, the entire dam burst, they might be forced to take a different path."

Risk hasn't vanished from finance. There has been a boom in private credit markets, cryptocurrency exchanges and leveraged-volatility exchange-traded products. At the same time, American consumer debt continues to surge: credit cards, car loans and student debt. Much of the mortgage market—the culprit in the crisis a decade ago—has moved outside the banking system altogether.

Today, Mr. Geithner serves as president of New York private-equity firm Warburg Pincus. At the New York Fed and later as Treasury secretary, Mr. Geithner shaped defenses he says now make the financial system better able to absorb shocks. But he says he regrets he was unable to persuade others to preserve the government's authority to backstop the financial system.

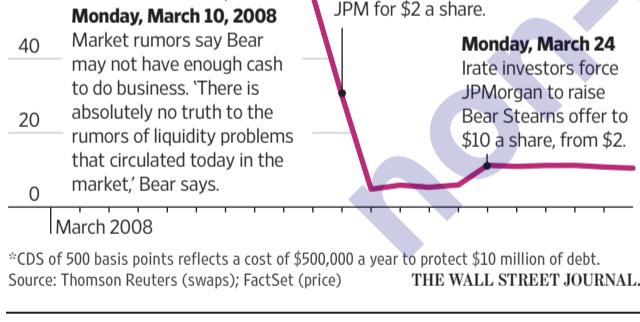
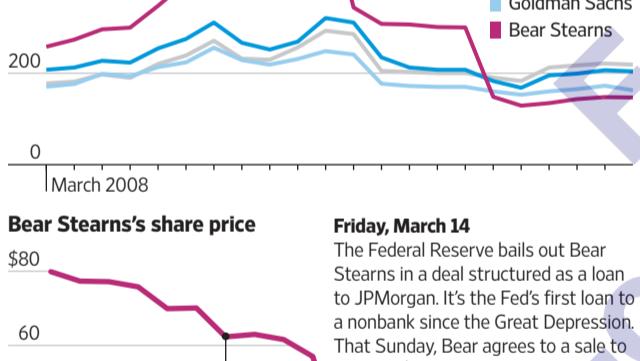
"In the extreme case, the defenses fail," he says. "At that point, you are going to lament the weaker firefighting tools."

Federal Deposit Insurance Corp. Chairman Martin Gruenberg says the government's new tools make "the probability of orderly failure today significantly higher than it was during the crisis." He won't guarantee that they would work. "Until we actually do it,

Downfall

The March 2008 run on Bear Stearns sharply raised the premium that investors in the major U.S. investment banks paid to protect against potential defaults.

Ten-year credit-default swaps in March 2008*



*CDS of 500 basis points reflects a cost of \$500,000 a year to protect \$10 million of debt.
Source: Thomson Reuters (swaps); FactSet (price)

The Wall Street Journal's coverage 10 years ago

Fed Races to Rescue Bear Stearns In Bid to Steady Financial System

*Storied Firm Sees**On the Brink: Bear Stearns's shares have plunged amid the*

THE WALL STREET JOURNAL, MARCH 15, 2008

J.P. Morgan Buys Bear in Fire Sale, As Fed Widens Credit to Avert Crisis

*Ailing Firm Sold**Cont.*

THE WALL STREET JOURNAL, MARCH 17, 2008

For more on how the Journal covered the 2008 financial crisis, go to WSJ.com.**Housing activists protested against the government-backed bailout and sale of Bear Stearns in front of the firm's headquarters in March 2008.**

I would be cautious about making heroic statements," he says.

Ten years ago, Bear's crisis week began with rumors of liquidity problems following steep losses from mortgage bonds. Mr. Schwartz, the CEO, phoned JPMorgan Chief Executive James Dimon to ask for a simple overnight loan. By that Thursday, Bear's lenders and clients had backed away, and the firm was running out of cash. Mr. Schwartz called Mr. Geithner for more help.

Fearing a Bear-induced panic could spread throughout the banking system, the Fed arranged a \$12.9 billion emergency loan routed through JPMorgan. It ultimately agreed to purchase \$29.97 billion in toxic Bear assets.

Fed help like that would be illegal today. The 2010 Dodd-Frank financial-regulation law stipulates that emergency Fed lending must be "broad-based" and cannot be "established for the purpose of assisting a single and specific company."

Financial firms, like other corporations, are supposed to go bankrupt, not get bailed out.

If regulators and the Treasury secretary assert a bankruptcy would destabilize the financial system, Dodd-Frank provides a new backstop called the Orderly Liquidation Authority.

The government would take over the failing firm, wiping out shareholders. After a weekend of work by federal officials, a new company, owned by creditors of the old firm, would open Monday morning.

The government would be able to lend money to the new com-

pany to keep the lights on while the government sells it off in pieces.

That is supposed to prevent a panic because people who had been doing business with the failing firm would know they could continue to do so, at least for a while.

What if orderly liquidation doesn't prevent a panic? In a crisis, problems at one firm can lead investors to "run" to cut their exposures everywhere. Even healthy companies can't get credit, hurting Main Street as badly as Wall Street. In that scenario, there may be

with the current administration is anyone's guess.

Government improvisation, at least in principle, has been replaced by a playbook. Regulators now practice handling a big firm's collapse and force bankers to prepare.

On Wall Street, some bankers have doubts about whether any government plan written on paper is fast enough in a live crisis.

"Drafting big books, massive documents, having big teams—that's all a good idea," says Gary Parr, a longtime deal maker who advised Bear on its sale to JPMorgan. "But when you have a company get into a liquidity crunch, if things are going really fast, you don't have time to study a book."

On the Friday of Bear's crisis week a decade ago, the company's stock tumbled. Mr. Schwartz, the CEO, got a call from Messrs. Geithner and Paulson. They told him to make a deal to sell Bear by Sunday evening.

Mr. Schwartz heard JPMorgan might be interested, so he set up meetings. As JPMorgan bankers pored over Bear's books, they kept finding new assets that would need to be written down in value. By Saturday, the bankers believed they couldn't bid anywhere close to Bear's Friday closing price of \$30 a share, according to people familiar with the matter.

Mr. Black called Mr. Schwartz. "This is not a negotiating ploy," he told the Bear CEO. "We're out."

Messrs. Geithner and Paulson, however, persuaded Mr. Dimon to get a deal done by offering government support.

Sunday evening, Bear's investment bankers got a call with JPMorgan's final bid: \$2 per share. Bear's directors reluctantly approved the deal, which was announced to the world at 7:05 that night. (Later, JPMorgan raised its bid to \$10 a share to help win shareholders' support.)

Nearly everyone in charge on Wall Street today, including JPMorgan's Mr. Dimon, says they would never buy a collapsing firm like Bear.

"No, we would not do something like Bear Stearns again—in fact, I don't think our board would let me take the call," Mr. Dimon wrote in a 2014 letter to shareholders. "These are expensive lessons I will not forget."

Legal bills

In addition to the cost of bringing the two firms together, JPMorgan was saddled with billions of dollars in legal bills and regulatory penalties. Months after the Bear deal, JPMorgan made a similar last-minute agreement to buy Washington Mutual Inc. Of JPMorgan's nearly \$19 billion in legal costs from the mortgage crisis, some 70% stemmed from Bear and WaMu, Mr. Dimon wrote.

There were many other such deals in 2008. Wells Fargo & Co. bought Wachovia Corp., Bank of America Corp. acquired Merrill Lynch & Co. and Countrywide Financial Corp., and Toronto-Dominion Bank bought Commerce Bancorp. Today, many of these Wall Street executives say they feel betrayed by the government for hitting them with penalties tied to actions by firms they were pressured to acquire.

These days, a big financial firm rescuing another would also have to consider new restrictions on risk-taking. Banks today must pass regulatory tests before paying out profits to shareholders. In that environment, executives may be more reluctant to buy assets from a desperate seller.

Major changes over the past decade might give a failing firm even less time to survive than Bear had.

Today's stock market is far more driven by computer algorithms than by deal-making traders. That means the reaction to any company's struggles is likely to be quicker and more severe. Wall Street executives say that a firm like Bear might have even less time to solve its problems. MF Global Holdings Ltd., a brokerage run by former New Jersey Gov. Jon Corzine, filed for bankruptcy in October 2011 a week after a drop in its debt rating. In August 2012, a group of financial firms came to Knight Capital Group Inc.'s rescue within days of a software glitch that cost the market maker \$440 million.

As the last CEO of Bear Stearns, Mr. Schwartz spent his 2½-month tenure in the top job scrambling to save the firm. He now works at asset-management firm Guggenheim Partners LLC, where was hired to jump-start the firm's nascent investment-banking business. He has found success recruiting senior Wall Street executives whose firms, like Bear, didn't survive the crisis.

we try to move around the class adjusting students," says instructor Ally Victer.

Ky Wesselhoeft, 32, a financial analyst in Denver who attends Hoppy Yogis events with his wife, says he doesn't feel the quality of instruction is sacrificed for a novel experience. "You still get a good class but unlike a studio, where you just roll up your mat and leave straight after, we linger and drink more," he says.

"Besides being about yoga, this is an excellent opportunity for them to learn about the diverse styles of beers," says Sophia Del Gigante, who founded New York's Beer Fit Club in 2015.

In the New York classes, poses are renamed with beer-inspired monikers.

One of the toughest poses for Ms. Stein: Drunken Row Boat. Students sit in a V-shape with their knees bent and feet off the ground, engaging their core to stay balanced while passing their pint back and forth between hands and taking a sip every other pass.

"We laugh a lot in class, but I'm working muscles I don't usually work," says Ms. Stein. "Normally my fiancé and I would go beer tasting on the weekend anyway. Now, I can combine it with some exercise."

BEER

Continued from Page One

Students hold and sip a pint throughout each session.

The combination of beer and yoga may conjure images of Homer Simpson-types in Lululemon sinking into chair pose. But fans say it supports local businesses, makes the practice more accessible and gives students a chance to learn new skills, like the Drunken Row Boat or Wobbly Tree poses.

The crowd on the recent day at Great South Bay Brewery in Bay Shore, N.Y., was a mix of fit beer geeks and yogis staring contemplatively into half-full pints of craft brews. "Exhale, bring your glass to your lips and take a sip," said instructor Rose Fava. "Notice the malty, toasty notes on your taste buds as you return to the front of your mat."

Ms. Stein, manager for a philanthropy program, attended her first beer yoga class in June 2016. She liked the lightheartedness of the hourlong session. "I take a big sip at the start of class," she says. "It makes it easier not to spill." Classes cost \$25 including one beer.

Incorporating beer tasting into vinyasa flow sequences is one of a growing number of

yoga hybrids that combine meditation, breathwork, and postures with passions that range from animals—goat yoga and dogo—to boxing and karaoke.

"Yoga has become a very popular way for small and independent U.S. breweries to connect with beer lovers," says Julia Herz, craft beer program director of the Brewers Association in Boulder, Colo.

The unlikely pairing, says Erin Sonn, a Washington, D.C.-area instructor and founder of Eat.Yoga.Drink., taps into the current obsession with mindfulness. Ms. Sonn has been teaching in breweries and ending class with beers since 2016. Last summer, she began incorporating drinking during class.

She encourages students to listen to the bubbles, feel the temperature of their glass and taste the complexity of flavors.

"Often when we drink, we're also eating or engaged in conversation, maybe we're even watching TV or trying to do work," says class regular and home-brewer Anna Mikulak, 34, of Arlington, Va. "The goal of mindful drinking is to note the nuances in aroma and flavor, notice how effervescent the drink is, whether it's thin or full-bodied."

Despite what people might think, beer yoga isn't a "unique

way to get wasted," Ms. Sonn says. "It is very much a way to stop and pause and appreciate something that was made with craftsmanship and creativity," she said. "We aren't chugging Bud Light."

Not everyone approves of the combination. "The goal of yoga is to gradually clear the mind and purify the body and alcohol dulls the mind and body," says Andrew Tanner, the Boston-based chief ambassador for Yoga Alliance, a national standards organization. "I wish people would not call this sort of activity yoga."

Kristin Kirkpatrick, a dietitian at Cleveland Clinic's Wellness Institute, says one beer probably won't have an impact on a yoga class, but that depends on factors including how much alcohol is in your beer.

Ms. Sonn says it isn't unusual to get teetotalers, often the designated drivers, in class. A classically trained vinyasa and hatha instructor, she uses pint glasses as props. As students lower down to chaturanga pose, a half-push-up, they are encouraged to align their shoulders with the rim of the pint glass at the top of their mat.

"Erin has us hover for a moment to smell the beer as we try to level our hips and shoulders in one plane," says Elise

Sweeney, 28, a federal contractor and privacy analyst in Arlington, Va. "The beer gives you an extra point of focus."

Mikki Trowbridge, a craft-beer lover and yoga instructor in Salem, Ore., founded Yoga + Beer in 2015. She says her first yoga class at Rogue Ales Hop Farm in the Willamette Valley attracted more than 100 people. Today, her company employs 12 yoga teachers and hosts classes at breweries throughout Oregon and Washington as well as three- to five-day beer and yoga retreats.

Ms. Trowbridge says, in her experience, the traditional yoga studio demographic skews mid-age white women. "Beer yoga attracts a nontraditional spectrum," she says. "Classes are 50-50 male-female. We get parents and children. The kids practice but obviously don't drink. One regular is an 82-year-old woman."

In Denver, between 100 to 200 people show up for free monthly Hoppy Yogis events at Great Divide Brewery in partnership with CorePower Yoga. A bar opens an hour before class so yogis can take the edge off with cans of Yeti Imperial Stout and Colette Farmhouse Ale. "Beers get kicked over by instructors as

**Keri Stein at a beer and yoga class held in a New York brewery.**

HEATHER WASH FOR THE WALL STREET JOURNAL

we try to move around the class adjusting students," says instructor Ally Victer.

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GREATER NEW YORK



Joseph Percoco leaving federal court in Manhattan on Tuesday after he was found guilty of bribery and fraud following an eight-week trial.

Ex-Cuomo Aide Convicted

Joseph Percoco faces up to 50 years in prison after a jury found him guilty of fraud, bribery

By ERICA ORDEN

Joseph Percoco, a former longtime senior aide and family friend to New York Gov. Andrew Cuomo, was convicted of bribery and fraud Tuesday in a federal corruption case for a pair of schemes to sell his public office for personal profit.

A 12-person federal jury in Manhattan found Mr. Percoco guilty of three counts, including two for conspiracy to commit fraud and one for bribery, capping an eight-week trial that laid bare the inner workings of the Cuomo administration and the backroom dealings of business in Albany.

Mr. Percoco was found not guilty of three other counts, including extortion, conspiracy to commit extortion and one of two bribery charges. He is scheduled to be sentenced on June 11, and faces up to 50 years in prison.

One of his co-defendants, Steven Aiello, an executive at COR Development Co., was convicted of conspiracy to

commit honest-services wire fraud, and acquitted on two other charges. Another COR executive, Joseph Gerardi, was found not guilty on two counts.

U.S. District Judge Valerie Caproni declared a mistrial for a fourth defendant, Peter Galbraith Kelly Jr., a former energy-company executive.

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

The trial was closely watched in New York political circles, not only because of Mr. Percoco's long-time proximity to Mr. Cuomo—who once called Mr. Percoco “my father’s third son, who I sometimes think he loved the most”—but also for the vivid portrait it presented of business in Albany.

Mr. Percoco allegedly referred to bribes as “ziti,” sought to please a patron by banishing a state employee to an undesirable office and threatened to force outside employers to retract job offers from state workers he wanted to keep.

During the trial, Mr. Cuomo had declined to comment on the proceedings, citing respect

for the judicial process. On Tuesday, he issued a statement lamenting what he described as a “personally painful” betrayal by his former ally, and vowing to implement “additional safeguards,” without elaborating.

“There is no higher calling than public service and integrity is paramount,” Mr. Cuomo

The trial was closely watched for the vivid portrait it presented of business in Albany.

said. “The verdict demonstrated that these ideals have been violated by someone I knew for a long time.”

One of the last major cases charged by former Manhattan U.S. Attorney Preet Bharara, the trial was the latest in a long string of federal corruption cases out of Albany under Mr. Bharara’s watch. But it was the first to concern activity directly within the uppermost ranks of Mr. Cuomo’s administration.

On Tuesday, interim Manhattan U.S. Attorney Geoffrey Berman said Mr. Percoco had been convicted of “selling

something priceless that wasn’t his to sell—the sacred obligation to honestly and faithfully serve the citizens of New York.”

Mr. Percoco, who grew red-faced and stared at the floor while the verdict was read, said outside the courthouse: “I am disappointed.” His attorney, Barry Bohrer, said he would weigh an appeal.

The trial also featured an unusual twist: The arrest of a cooperating witness midway through his testimony. Todd Howe, a former lobbyist and Cuomo loyalist who was the self-described middleman between Mr. Percoco and the businessmen, was considered key to the government’s case.

But after four days on the stand, in which Mr. Howe testified to countless acts of fraud, embezzlement, tax evasion and a litany of more minor offenses, he admitted under cross-examination that he likely had violated his cooperation agreement, which required him to avoid future crimes, by lying to his credit-card company after he had signed the deal with federal prosecutors.

When he reappeared in court days later, Mr. Howe was forced to recount to jurors how he ended up imprisoned

Please see TRIAL page A10B

Father Testifies in Nanny Murder Trial

By CORINNE RAMEY

On Oct. 25, 2012, Kevin Krim returned home to New York City from a West Coast business trip. As his plane taxied to the gate at John F. Kennedy International Airport, Mr. Krim turned off airplane mode on his cellphone.

The phone’s screen immediately flooded with voice mails and text messages, many from family and friends saying they hoped he was OK. “My heart was racing,” Mr. Krim testified Tuesday in state Supreme Court in Manhattan. “My stomach was in my throat.”

The plane stopped short of the gate. The pilot said officers from the New York Police Department needed to take a passenger off the flight.

That passenger was Mr.

Krim—the father of Leo and Lucia “Lulu” Krim, the two children fatally stabbed by their now 55-year-old nanny, Yoselyn Ortega, that day.

Ms. Ortega has pleaded not guilty by reason of insanity, meaning she admits to killing Leo, nearly 2, and 6-year-old Lulu, but the nanny’s attorney says she wasn’t in her right mind at the time.

On Tuesday, Mr. Krim, now president and chief executive of analytics firm EDO Inc., was the prosecution’s final witness. Ms. Ortega’s attorneys are expected to begin presenting their case on Thursday.

During questioning, prosecutors asked Mr. Krim about his impression of Ms. Ortega’s capabilities, seeking to show that the former nanny appeared to be mentally sound.

Mr. Krim told jurors about the process of finding and hiring Ms. Ortega, whose sister initially had approached his pregnant wife, Marina, at Lulu’s ballet class. The sister recommended the Krim family hire Ms. Ortega.

In recounting the events of Oct. 25, he said that after the plane landed, a crew member escorted him to the front of the aircraft, where he frantically asked everyone around him what had happened. The plane’s door opened and he collapsed.

“Two enormous plain-clothes NYPD officers picked me off the floor, one under each arm,” Mr. Krim said.

They escorted him through the airport. He looked at his phone and saw a voice mail from Marina, his wife. He pressed play and heard only

screaming.

That evening, his wife had walked into their Upper West Side apartment with their 3-year-old daughter and discovered their other two children dead in the bathroom with Ms. Ortega.

From the airport, the officers drove Mr. Krim to a hospital, where a doctor told him: “Sorry, your two children are dead,” he testified.

In the hospital, he said he cried and flailed around. He asked those near him what had happened.

“No one knew the details, but they said it was the babysitter who killed them,” Mr. Krim said, staring down at the courtroom table in front of him.

On Tuesday, a prosecutor asked: “See that babysitter in court today?”

Mr. Krim nodded. The prosecutor asked him to identify her. “Sitting there,” he said, pointing at Ms. Ortega at the defense table and glaring. He mouthed something inaudible. With the exception of images in media reports, Tuesday was the first time he had seen Ms. Ortega since 2012, he testified.

Mr. Krim said that at the hospital, he and his wife went to see the children’s bodies. They were slightly blue, their hair tinged with blood. “They were beautiful and strange,” Mr. Krim said.

As he testified, he inhaled deeply, his face reddening. Sniffles were heard throughout the once-silent courtroom.

“I got down on my knees and I said, ‘I’m sorry and I love you.’ I kissed them and said goodbye,” said Mr. Krim. “It’s worse than you’d imagine.”



Marina and Kevin Krim earlier this month left court, where their ex-nanny is on trial for murder.

Murphy Proposes Raising Sales Tax Back to 7% Level

By KATE KING

TRENTON, N.J.—New Jersey Gov. Phil Murphy proposed Tuesday in his first budget raising the state sales tax back to 7% to help support an increase in funding for public schools, public-employee pensions and higher education.

Mr. Murphy also called for a higher income tax on the state’s millionaires and a restructuring of business taxes to pay for his proposed \$374 billion budget, which represents a 4.2% spending increase over this fiscal year. The Democrat, who took office in January, also will have to grapple with ballooning public-pension and health-care costs, while trying to improve the state’s lackluster credit rating on general-obligation bonds.

In his nearly hourlong budget address, the governor said he is confident New Jersey residents would support increased spending to fulfill the state’s obligations and support improvements in areas such as mass transit. In total, his budget anticipates raising about \$1.7 billion in new taxes and other revenue.

“The people gave us a mandate to begin a new era of fiscal responsibility and accountability,” Mr. Murphy said. “They understand our challenges because they live them, and they know that we must invest in our state if we are to grow once again.”

Republicans pushed back against Mr. Murphy’s move to hike the state sales-tax rate, which the governor estimated would generate \$581 million. Cutting the sales tax to 6.625% from 7% was an integral piece of an eight-year transportation-funding package struck in 2016 with former Gov. Chris Christie, a Republican.

Senate GOP leader Tom Kean said the lower sales tax provided tangible savings for New Jersey residents. He said Republicans would lobby their

Democratic colleagues, who control the Legislature, to block the proposed hike, which he said “would renege on a bipartisan tax reform agreement.”

Mr. Murphy said the sales-tax cut was “nearly imperceptible to the average New Jersey family” and prevented the state from providing better services.

The governor also proposed a 10.75% state tax on income over \$1 million, which his administration projected would bring in \$765 million in revenue for the state. The current top income-tax rate in New

Jersey is 8.97% for income over \$500,000.

“Yes, a millionaire’s tax is the right thing to do—and now is the right time to do it,” Mr. Murphy said to applause, although not from Senate President Steve Sweeney, who has questioned whether a millionaire’s tax makes sense in light of the new federal tax law.

Mr. Sweeney and other Democratic leaders from the state Senate said in a statement that they were happy to see Democratic priorities included in Mr. Murphy’s budget proposal but that a thorough review by the Legislature would vet whether they are “achievable.”

The governor proposed a series of changes to the way New Jersey taxes its businesses, including combined reporting and closing the carried-interest loophole, which would bring in an estimated \$110 million in revenue. The budget proposal also calls for taxes on marijuana, which Mr. Murphy wants to legalize, and ride-sharing services.



Mayor’s Wife Weighs Future Run for Office

By MARA GAY

Chirlane McCray, the wife of New York City Mayor Bill de Blasio, says she is considering running for public office.

“This administration will go on for, what? Three years and a few months,” she said of her husband’s mayoralty. “I will have to do something after that.”

Ms. McCray said she wasn’t sure which position she would seek. She said she hadn’t started fundraising yet.

On Tuesday, Ms. McCray spoke at the Hispanic Federation in lower Manhattan, where she said she would journey to Puerto Rico this week.

She will travel with a 12-person team of mental-health specialists to train school staff in psychological first aid for students on the island, as part of the city’s effort to help in the recovery from Hurricane Maria. City officials said the two-day trip would cost taxpayers about \$2,500.

Though she holds no formal title in city government, Ms.

McCray, 63 years old, has played a prominent role in her husband’s administration. She has been deeply involved in senior hiring decisions, from deputy mayors to the city’s schools chancellor, and has been quoted in official news releases. Mr. de Blasio, a Democrat, ends his term in 2021.

Ms. McCray heads the administration’s more-than-\$800-million mental-health initiative, known as Thrive NYC, as well as the city’s non-profit, the Mayor’s Fund to Advance New York City.

Last week, Mr. de Blasio lamented that city ethics laws prevented her from getting paid for her work for the city.

On Tuesday, Ms. McCray said she disagreed with the mayor. “I asked him today when he called me, like, ‘Why did you say that?’” she said. “I have no idea, you know. We’re close. Yes, I’m one of his advisers. But sometimes husbands say things.”

The audience laughed and clapped.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Need Cash? Host a Concert at Home



Thanks to sharing-economy platforms, many of us have grown accustomed to earning extra cash by renting our bedrooms to strangers or boarding their pets in our dens. What's next? Turning your living room into a pop-up nightclub?

Earlier this month, Daniel Schreiner welcomed 23 strangers to a show in his Brooklyn one-bedroom. They'd all bought \$12 tickets to watch a two-hour performance by him and two other pianists. He organized the event through Artery, a digital platform that lets anyone host a show in their home.

As guests found seats on his sofas and kitchen-counter stools, Mr. Schreiner said he felt super excited. "I cleaned all day yesterday," he said. "I Swiffered the floor!"

An Artery rep started the evening with an icebreaker, encouraging guests to share a "fun fact" about themselves. "I don't like ice cream," said one. "I'm an alcoholic," said another.

Mr. Schreiner's performance on his Steinway grand blew me away, starting with several Debussy solos and finishing with "Reservoir," a mesmerizing piece by Irish composer Donnacha Dennehy that was so beautiful I wanted to shout with happiness.

During the break, I asked Mr. Schreiner to show me the sheet music. Try that at Carnegie Hall.

"It was really cool," agreed another guest, who goes by the stage name Trumpet Wom' (That's "woman" without the "man" part).

Ms. Wom' attends many Artery performances. "It's more personal," she said of the in-home events. "I talk to more people."

I checked in with Mr. Schreiner the next day. After subtracting Artery's 5% cut



Guests at a recent concert that was arranged through a firm that lets people host shows in their homes.

and splitting the remainder with fellow performers, he made about \$85.

"Not bad," he said.

To create an Artery show, hosts complete an online profile describing their space and preferences such as acceptable noise level.

Next, they browse Artery artists' profiles and invite their choice to perform. The thousands of options in New York City include poets, comedians, a sideshow fire eater, a bass-ukulele player and a composer who notes, "I haven't played a gig before because I mainly create out of my bedroom. I'm hoping this will change."

Hosts set the ticket price and negotiate payment with performers. Artery says the average New York City event attracts 16 guests paying \$11 each; hosts typically split the take 20/80 with the artists.

If it's OK with the host, guests can bring their own beverages. At the performance I attended, an Artery rep brought a couple of bottles of wine and paper cups.

There are other platforms that place performances in private venues, of course.

Sofar Sounds is more hands-on. It decides which artists play which spaces, sets ticket prices and pays performers in New York City a flat \$100, pocketing the rest.

Groupmuse, which specializes in classical music, lets hosts connect directly with musicians, but screens all the performers.

Artery, which launched a year ago, is more of a peer-to-peer free-for-all, and the only one that allows hosts to pocket a portion of proceeds.

I attended a second Artery show last weekend—a series of Shakespeare scenes in a Brooklyn townhouse. The \$12 performance attended by 15 guests took place in the host's living room. Performers trooped up and down from the basement between scenes.

It was an intimate performance indeed. There's nothing like having a 6-foot tall actor standing directly over you bellowing, "But in your daughter's womb I bury them!"

Afterward, host Hillary Mégriz gave me a tour of her home, which she bought to serve as base for the "Unruly Collective," her creative

space for local artists.

A bedroom upstairs has hosted Artery poetry readings and acoustic performances. She's exhibited giant paintings in the backyard.

She's welcomed crowds as large as 60. Artery takes no responsibility for loss or damages, but so far, no one has stolen the bathroom towels or busted into her bedroom.

"It's not the everyone-getting-wasted, debauchery, dance-around type of hipster scene you see a lot of in Brooklyn," she said.

Artery co-founders Vladic Ravich and Salimah Ebrahim, who met as Columbia University grad students, hope to make money on premium memberships and sponsorships, as well as ticket sales.

But they're also idealists.

Platforms like Artery represent a counterrevolution, they say—a return to a time when people had friends and neighbors perform in their homes rather than relying on professionals. "You are the culture of the city," Mr. Ravich says. "Don't wait for someone else to do it for you."

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MTA Sued Over Station Access

By PAUL BERGER

Federal prosecutors have joined a lawsuit against the agency that runs New York City's subway, accusing the Metropolitan Transportation Authority of violating federal law for not making a renovated station accessible to people with disabilities.

"There is no justification for public entities to ignore the requirements of the ADA," interim U.S. Attorney Geoffrey Berman said Tuesday, referring to the Americans with Disabilities Act.

The federal intervention provides a boost to transit advocates and some New York City officials who accuse the MTA of neglecting accessibility, while spending hundreds of millions of dollars renovating stations. The state-controlled MTA oversees a sprawling transit network that includes the subway, buses, two commuter-rail lines and nine bridges and tunnels.

In recent months, New York City representatives on the MTA's board have criticized a \$1 billion initiative championed by New York Gov. Andrew Cuomo that enhances stations without adding elevators.

They say the MTA should do more to increase accessibility in a system where just 118—or 25%—of 472 stations are accessible.

A spokesman for the MTA declined to comment on pending litigation. "We are defending the case on the merits," he said. A spokesman for New York City's Department of Transportation also declined to comment.

The federal prosecutors joined a lawsuit that was filed in 2016 by a nonprofit group, Disability Rights Advocates, on behalf of two disability-rights organizations and two people with disabilities in the Bronx. It predates Mr. Cuomo's initiative.

Michelle Caiola, litigation

director of Disability Rights Advocates, said the involvement of federal prosecutors "sends a clear message to the MTA that they can't continue to get away with business as usual."

The lawsuit, which is seeking class-action status, argues that the MTA violated the federal disabilities act when it spent \$27 million upgrading the Middletown Road subway station in the Bronx's Pelham Bay neighborhood without adding an elevator.

To reach trains on the 6 subway line at Middletown Road, passengers must climb one flight of stairs to a mezzanine level and then a second flight of stairs to reach platforms.

The MTA renovated the sta-

The involvement of federal prosecutors 'sends a clear message to the MTA.'

tion between the fall of 2013 and the spring of 2014, repairing and replacing walls, ceilings, platform edges and other structures, including staircases. The suit claims that under federal law, such alterations require the MTA to also make the station accessible.

At the time of the renovation, the MTA claimed that an elevator installation wasn't "technically feasible" and would exceed more than 20% of the project cost, according to court documents.

But the Federal Transit Administration concluded that elevator installation was feasible and that under federal law at least one elevator should have been installed, regardless of cost. As a result, the agency rejected the MTA's application for a \$21 million grant toward the station renovation.

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TRIAL

Continued from the prior page mid-trial. He pleaded guilty to eight felonies before the trial began and faces up to a 130-year sentence.

The verdict is a potential political blow to Mr. Cuomo, a two-term Democrat who campaigned on a pledge to clean up Albany and who faces reelection this fall. He will campaign for office in the wake of a guilty verdict for one of his closest aides, and with lurid details from the trial preserved in the public record.

The governor wasn't accused of wrongdoing, but the trial amounted to an extended excoriation by federal prosecutors of his government and po-

itical operations, with reams of unflattering evidence about their fundraising practices, compliance with public-officers law and adherence to various ethical protocols.

The verdict prompted immediate calls for more outside oversight of state contract agreements, an investigation of Mr. Percoco's time in the governor's office, and more stringent state ethics laws.

"There is a culture of corruption in Albany that has become too acceptable," said Brooklyn Councilman Jumaane Williams, a Democrat running for lieutenant governor. "The discussion regarding transparency and accountability must continue with the sense of urgency."

The trial also was rife with colorful code names and other

descriptors of the bribes and behind-the-scenes dealings.

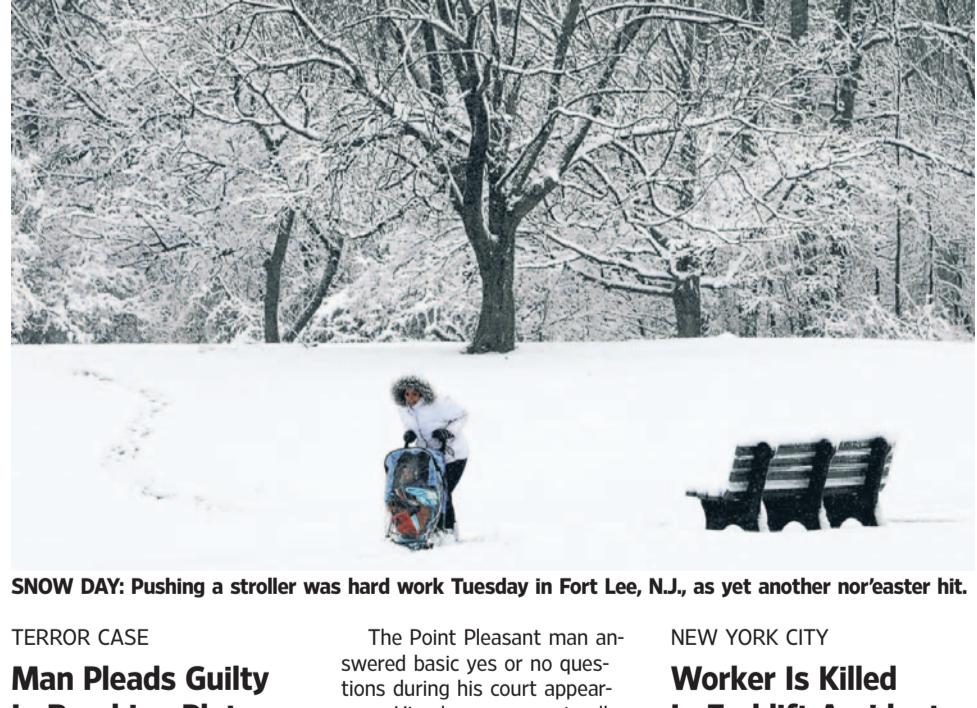
In addition to "ziti," a term Mr. Percoco drew from the cable TV show "The Sopranos," according to evidence presented by prosecutors, Messrs. Percoco and Howe repeatedly referred to Mr. Kelly as the "fat man."

Jurors, who deliberated for eight days, said twice that they were deadlocked in the trial, but pushed forward after the judge ordered them to continue weighing the evidence.

Mr. Percoco was driven to take the payments, according to prosecutors, after he fell into a dire financial situation as the result of purchasing a new home in Westchester County in 2012.

—Mike Vilensky contributed to this article.

GREATER NEW YORK WATCH



SNOW DAY: Pushing a stroller was hard work Tuesday in Fort Lee, N.J., as yet another nor'easter hit.

TERROR CASE

Man Pleads Guilty In Bombing Plot

A New Jersey man accused of planning to build a pressure-cooker bomb and use it in New York City in support of the Islamic State group pleaded guilty Tuesday to federal charges.

Gregory Lepsky, 21 years old, pleaded guilty in federal court in Trenton to attempting to provide material support to a designated foreign terrorist organization.

The Point Pleasant man answered basic yes or no questions during his court appearance. His plea agreement calls for a prison sentence of 16 to 19 years. Sentencing is scheduled for June 19.

Mr. Lepsky, of Point Pleasant, was arrested in February 2017 after authorities said he stabbed the family dog, and a search turned up a pressure cooker and digital evidence of a plan to build and detonate a bomb in support of Islamic State.

—Associated Press

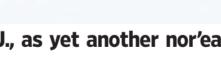
NEW YORK CITY

Worker Is Killed In Forklift Accident

A worker in Queens was killed Tuesday in an accident involving a forklift.

Police say 34-year-old Edgar Pazmino, of the Bronx, was pronounced dead at the scene in Jamaica at about 11 a.m. Police didn't say what caused the accident. The Department of Buildings is investigating.

—Associated Press



MIKE SEGAR/REUTERS

LIFE & ARTS



DAVE KLUK (ILLUSTRATION); REICH FAMILY

WORK & FAMILY | By Sue Shellenbarger

Quit Feeling Guilty About Missing Your Child's Event

When parents have a good reason, explaining it honestly can be an opportunity to instill coping skills

PARENTS OFTEN agonize when they have to miss a child's big game or stage performance and wonder: Is my absence hurting my child?

Having Mom or Dad miss an important event or competition can actually be good for children, if parents manage these rough spots with wisdom and skill, psychologists say.

That doesn't mean skipping your child's event to go drinking with friends, or never making an effort to see anything your kids do. But parents who have a compelling reason to be absent and explain it honestly can instill coping skills and self-reliance.

Many parents want to attend their children's big games or recitals not only for the child, but for themselves. "Those moments are fleeting and precious, and of course we want to be there when we can," says Eileen Kennedy-Moore, a Princeton, N.J., clinical psychologist and author of several books on parenting.

Eight-year-old Madeline Thomas was upset when her mother Wanda told her she'd have to miss her ninth birthday party in November to photograph an evening wedding, keeping a promise she'd made to an important client. Mrs. Thomas owns MadCris Images, a Philadelphia photo studio.

She listened respectfully to Madeline's protests, then told her: "You have a right to be mad, but I



Jennifer Bright Reich with her sons Tyler, left, and Austin. She had to miss Tyler's 12th birthday party for a work-related trip but adjusted her itinerary based on his suggestions.

have a responsibility to this household to make sure you have a roof over your head, the bills are paid and there's food in the fridge." Although Madeline's father, grandmother and 7-year-old brother attended her party at home, she insisted on waiting to cut the cake until her mother was home. Madeline had fallen asleep by the time Mrs. Thomas was able to get home, around midnight, so the family had cake the next morning.

Mrs. Thomas was sad too, but she believes Madeline learned some coping skills. Such experiences "make your kids stronger in the long run," she says.

Experts advise skipping the melodrama when telling your child you'll be M.I.A. You may be disappointed, "but don't make it into a bigger thing than it is, by repeatedly apologizing or begging for forgiveness or saying, 'What can I do to make it up to you?'" Dr. Kennedy-Moore says.

Parents' presence and attention is especially helpful to very young children in developing a healthy self-image, research shows. Preschoolers may enjoy singing a new song or learning a gymnastics move, but they aren't able to feel proud of themselves. That begins around age 5 or 6, when they start noticing their parents taking pride in their accomplishments. By 7 or 8, most have internalized their parents' values enough to feel proud of themselves—an important step toward self-respect, Dr. Kennedy-Moore says.

Parents have countless chances to play this role, however. "Your children's confidence and relationship with you aren't built around one particular instance," Dr. O'Leary says.

It's more important to be consistently supportive and responsive over time, says Mary Reck-

meyer, a child-development expert for Gallup Inc. and author of "Strengths Based Parenting." Such consistent support "serves as a buffer, shores up the child and contributes to overall well-being," she says.

Missing an event can provide a chance to teach children their contribution is valuable, regardless of whether you're present. Julia Corso cried when her mother Cherie told her she couldn't attend her violin concert several years ago. "I had worked really hard to get ready for it," Julia says.

Mrs. Corso, of Pelham, N.Y., told her daughter she needed to support Julia's father, Lou, by attending an event where he would receive a major sales award. "You have your job to do" also, by performing, Mrs. Corso, who blogs on parenting and lifestyle topics, says she told her daughter.

If you send a message that this is devastating, your child is going to think it's devastating.'

Julia, now 14, applied that lesson to other activities in her life. While she loves having her parents watch her play basketball and tennis and strives to make them proud, she doesn't slack off when they're not there. "I try just the same," she says. "I try for myself."

Giving your child a role in planning alternative ways to celebrate an event can bolster self-esteem. Tyler Reich begged his mother not to go when she told him she had to miss his 12th birthday party to attend a conference. Jennifer Bright Reich, chief executive of Momosa Publishing LLC in Hellertown, Pa., says she explained that the trip was a unique opportunity to meet new business partners who would help her business grow.

She asked Tyler for suggestions. At his request, she delayed her planned predawn departure by a few hours. Although she missed the conference's opening reception, the delay allowed her to make a bacon-and-egg breakfast for Tyler and his brother Austin, 10, and give Tyler his gifts early.

Tyler says having a say in the schedule "made me feel like I had a little bit of power over it, which made me feel good."

Having a friend take videos or photos of an event, of course, can afford parents a second chance to enjoy it.

Mandy Shelsta, an Elmwood, Neb., teacher and mother of four, says her presence at events matters a lot to her oldest child, 13-year-old Samantha. Samantha was disappointed when Ms. Shelsta told her she had to miss her first quiz bowl meet after being named team captain. Ms. Shelsta helped her prepare and asked a friend to take photos.

When mother and daughter sat down together afterward to look at the photos, Samantha's face lit up as she described her team's victory, and how she'd been the only competitor to correctly answer a question about the "Hamilton" soundtrack, Ms. Shelsta says. With the help of a few photos, "you can savor these events almost as much after the fact."

FASHION

THE MOST CREATIVE NEW JOB IN FASHION

BY RAY A. SMITH

ONE OF THE BUZZIEST jobs in the fashion industry is also one of the least glamorous. The title is sustainability director or chief sustainability officer—a relatively new role more likely to be held by a policy wonk than a follower of runway trends.

"I like fashion but I am not a fashionista," said Marie-Claire Daveu, chief sustainability officer and head of international institutional affairs at Kering, the Paris-based company that owns Gucci, Saint Laurent, Balenciaga and other luxury brands.

Big fashion houses are hiring environmental experts and beefing up their sustainability departments amid concerns, particularly among socially conscious young consumers, about the industry's toll on the envi-

ronment.

Sustainability directors tend to handle matters that are more gritty than glitzy. At upscale women's clothing label Eileen Fisher, sustainability leader Shona Quinn has traveled to northern France and a remote corner of northern China to visit cotton and flax farmers and goat herders. To reach a cashmere goat farm in the arid Alashan region of northern

China, she and her colleagues had to make three plane connections and a six-hour drive, she said. Ms. Quinn, who has held the job since 2007, uses the travel to check out cotton, cashmere and other materials that meet the company's environmental standards. She discusses water efficiency and waste with factory leaders and farmers and tries to persuade some of them to change their practices.

Please see FASHION

page A12



From left: Kelly Flanagan/GAP Inc.; David Walter Banks for The Wall Street Journal

LIFE & ARTS



Jason Laureys, 40, a Southwest Airlines pilot from Wauconda, Ill., on his 1970 Chevrolet Corvette Stingray, as told to A.J. Baime.

When I was little, instead of a stuffed animal, I slept with toy trucks and Matchbox cars. By the time I was in junior high, because I loved cars so much, my parents had taught me to drive. We had a family friend whose husband owned a 1970 Corvette, and she let me drive it through my neighborhood.

I did not have a license yet. I remember sitting in that driver's seat, looking out over those huge swooping fenders. In that moment, everything changed.

Today I have three Corvettes and two Camaros. The car pictured here is a third-generation ("C3") Corvette, like the one I drove when I was in junior high, and it has a special story.

I bought it in June 2015 from a mom-and-pop dealership in Chicago for \$32,195. I was given a file that had history on the car. Last year I took the vehicle to a car show in the town next to mine. This guy comes up and starts taking pictures. He tells me he used to own a Corvette just like mine, in



MY RIDE | By A.J. Baime

Time Travel in a 1970 Red Corvette

LYNDON FRENCH FOR THE WALL STREET JOURNAL

the 1970s into the early '80s.

The more we talked, the more it clicked. All the history I had on my car, this guy was now telling me. He had lived in Colorado when he owned his Corvette, and I knew my car had once resided in Colorado. Same color, same model year, same 454 390-horsepower engine. His name was Dale Seay and he gave me his number. I was thinking:

What are the chances this is the same car this stranger had owned decades ago, in a different state?

That night, I searched through the file I had on the car and found a service receipt from 1975 that had Dale Seay's name on it. I was flabbergasted.

A week later I brought the car to him and let him drive it. I love hearing his stories from the 1970s, how he used

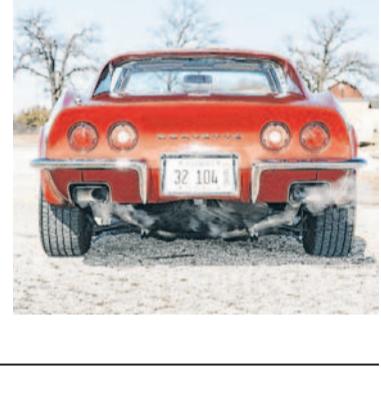
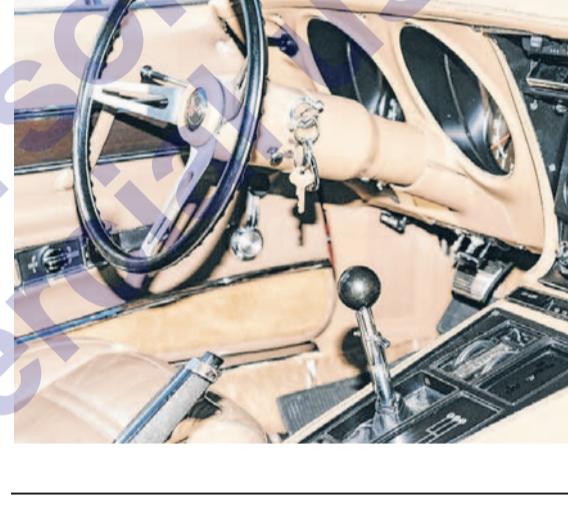
to speed the car through rural Colorado where there were no police, and how when he drove his daughter to school, all the boys would go nuts over the Corvette.

He's 79, and I'm 40, but we share the car in common. Watching him drive it today is almost as much fun as driving it myself.

Contact A.J. Baime at Facebook.com/ajbaime.



'Getting in this car is the closest thing to getting in a time machine,' says owner Jason Laureys, left. At the wheel is Dale Seay, a former owner of the car.



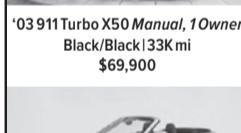
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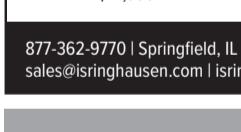
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LIFE & ARTS

SIGHTINGS | By Terry Teachout

No, the Fat Lady Hasn't Sung



The Metropolitan Opera's iconic conductor James Levine, who was fired on Monday for what it described as 'sexually abusive and harassing conduct.'

IT WAS ALL TRUE. That's the conclusion of the Metropolitan Opera, which fired James Levine on Monday, issuing a statement declaring that an outside investigation in which more than 70 people were interviewed has uncovered "credible evidence" that he "engaged in sexually abusive and harassing conduct toward vulnerable artists in the early stages of their careers, over whom Mr. Levine had authority." The company also said that this conduct took place "both before and during" his tenure at the Met.

While the seven-sentence statement contained no specific details of the conductor's offenses, the New York Times reported in December that four men have accused him on the record of abusing them while they were teenagers. Three months later, the Boston

Globe published a lengthy account based on interviews with several of his '70s protégés that described in detail how he allegedly used sex to bind them together in what can only be called a cult. Mr. Levine has consistently denied all such charges, but the Met's statement makes it clear that the company does not believe him.

Now what? If the Met's conclusions are correct, then firing Mr. Levine was self-evidently necessary. Call it good riddance to foul rubbish. But that alone will not be remotely sufficient to ensure the survival of the company that he has besmirched.

The Met appears to think otherwise. Its officers are behaving as if getting rid of its music director emeritus is the only step needed to clean house. In its statement, the

company pointedly declared that "any claims or rumors that members of the Met's management or its board of directors engaged in a cover-up of information relating to these issues are completely unsubstantiated." But it's not good enough merely to issue a tight-lipped nothing-to-see-here-move-along statement in which you announce that you've investigated your star conductor, found him guilty as hell and given him the boot.

Lest we forget, the Met cannot keep its doors open and its curtain up without the open-handed financial contributions of its donors. So ask yourself this: Would you continue to give money to an opera company that refuses to explain why it was unable for four decades to figure out that its music direc-

tor was a predator—especially when rumors of his behavior were common knowledge throughout the world of music? Did Peter Gelb, the Met's general manager since 2006, know or suspect what Mr. Levine was up to? Did no one at the Met know? If not, why not? If so, who knew, and why was nothing done about it? These questions don't just deserve answers—they demand them.

So if the report of the investigation justifies firing Mr. Levine, then why is it not being released? The company claims that it must protect the privacy of those who spoke to its investigators. But this is one case where the interests of the institution as a whole trump those of any individual associated with it. By not explaining in detail why Mr. Levine is being fired, Mr.

Gelb is playing "trust me" with the public. The problem is that neither he nor his board have earned that trust, having failed to conduct a serious investigation of the same gossip that everybody in the music business—and I mean everybody—had been hearing since the '70s.

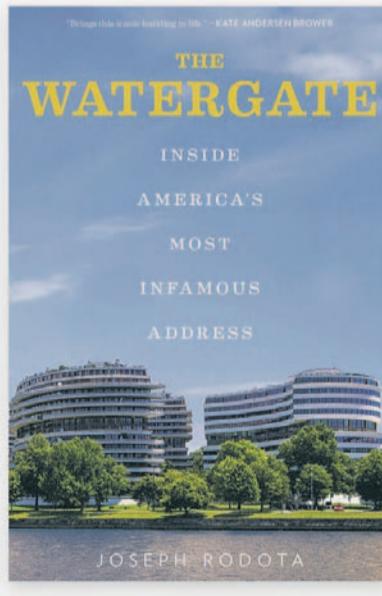
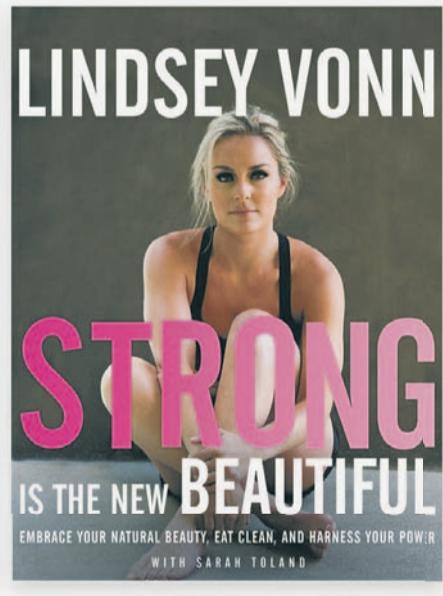
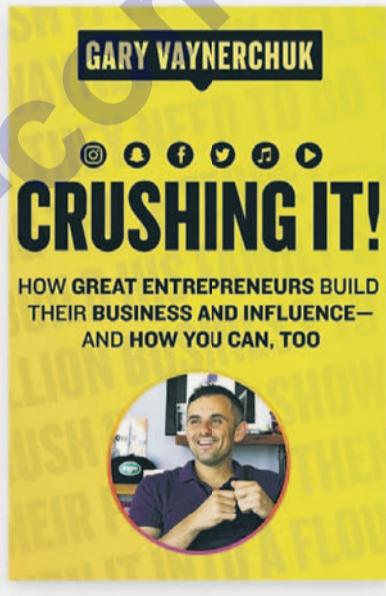
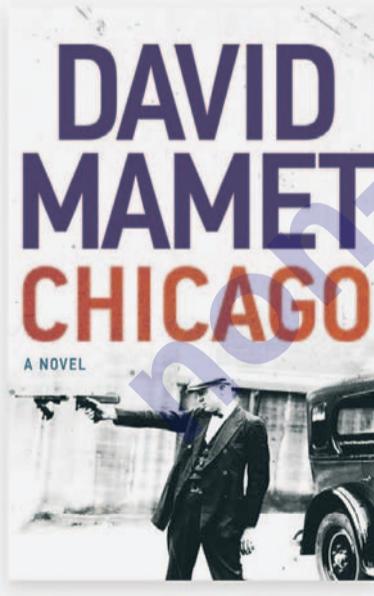
So long as the Met continues to assert without proof that Mr. Gelb and the board did not take part in a "cover-up" of Mr. Levine's misconduct, many, perhaps most people will assume the opposite to be true. The only way to change their minds is to release the report at once.

The scandal won't go away until the Met releases its report on Mr. Levine's behavior.

What I fear is that the Met will try instead to tough it out. That might work in the short run, but you can bet that if the company has anything to hide, it will come out sooner or later—and when it does, the consequences will be disastrous.

For my own part, I'm inclined to think that the only way for the Met to recover from the devastating effects of the Levine scandal is for Mr. Gelb to acknowledge the obvious: His protracted failure to deal with Mr. Levine's gross misconduct has made it impossible for him to continue to function effectively as the company's leader. Hence he should resign, declaring that it's time for a change. To be sure, it's at least conceivable that he can successfully restore public trust in an institution that no longer deserves it. But of one thing I have no doubt whatsoever: If Mr. Gelb wants to survive Mr. Levine's firing, he'd better find a way to release the report of the investigation—now.

Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, every other week. Write to him at ateachout@wsj.com



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SPORTS

NCAA TOURNAMENT

A Plodding Pace Could Be Virginia's Downfall

Playing slowly is an underdog's strategy. Virginia is a favorite.

BY ANDREW BEATON

HERE IS A BRIEF list of things you can do between baskets at the typical Virginia basketball game: Read a history book on Thomas Jefferson founding the school; make a grocery store run for more beer; do your taxes.

Virginia is the No. 1 overall seed in this year's tournament but it's also unlike any other No. 1 team. The Cavaliers don't care if you fall asleep during games. They won a game this year without even scoring 50 points.

That's because of their unique style of play, which is as plodding as it is frustrating for opponents. They don't just have the best defense in the country. They're also the slowest team around. And not just among the 68 teams in the tournament—they have fewer possessions per game than any of the other 350 teams in Division I.

There's no questioning how well this has worked. Virginia has been one of the best teams in the country for years. It went 31-2 and won the best conference in college basketball. No other team lost fewer than four games.

But there is reason to believe that playing so slowly should be a cause for concern. Why? It's not too complicated. Fewer possessions means fewer chances a good team has to separate itself from an opponent that's clearly worse. Playing



BEN MCKEOWN/ASSOCIATED PRESS

slowly is an underdog's strategy. And Virginia is the favorite.

The Cavaliers average 60.7 possessions per game, according to Stats LLC, versus the national average of 70.3. So the average team gets about 16% more possessions than Virginia in a given game. Which is why you could mistakenly think the Cavaliers are poor offensively if you just look at their raw statistics. Their 67.5 points per game rank 308th nationally. But

they actually have one of the more efficient offenses in the country.

The best way to understand how this could be problematic in a single game is to think about it in an extreme scenario. Imagine a high school team called the Midtown High School Pineapples that won a raffle and get to play a game against the Golden State Warriors. The Pineapples and Warriors discuss two options for how the game should be played: It will

either be just a minute long, or it will be a normal length game.

In the first scenario, the Pineapples actually stand a chance. Each team could get just one turn with the ball. Even Stephen Curry or Kevin Durant might miss his shot, and who knows, maybe a Pineapple gets lucky and hits the shot of his life during their one possession.

In the normal game, however, the Warriors would surely win every time. The more possessions,

the less chance there is of a freak event.

"The more possessions that a team plays, the more their greater skill should manifest," said Dale Zimmerman, a statistics professor at the University of Iowa.

To quantify the point as it pertains to Virginia, Zimmerman ran some back-of-the-envelope math using the Cavaliers' possessions per game and points per possession to determine their chance of being upset against an average opponent. Then he ran the calculations again as if Virginia had 10 more possessions per game—essentially the national average. He found that the slower, or real-life Virginia, was 8.3% likelier to lose.

That still may not fully capture the pitfalls of playing at Virginia's pace. Those numbers assume the Cavaliers have their typically efficient game. But if they hit a cold patch, they're even more vulnerable than other top teams because they will likely have fewer possessions to make up for it.

To be sure, turtle-paced teams have made it far before. Wisconsin made the national final in 2015 playing this way. But the Badgers were underdogs. They played undefeated and No. 1 Kentucky in the Final Four that year. They dragged Kentucky into one of their slower games of the season—and eked out the victory.

Another lesson about this is even more recent. Villanova was the No. 1 overall seed last year. It was also one of the most plodding teams in the country. In the second round, they ran into one of the only teams that played even more slowly: Wisconsin. Villanova was sent packing.

MOST VALUABLE PLAYS: PURDUE AND CINCINNATI

BY BEN COHEN

YOU DON'T have to know anything about college basketball to win your NCAA tournament pool. It's probably a good thing if you don't. You're better off if you're blissfully unaware why Grayson Allen's butt is now infamous—not least of all because that happens to be the smartest way to fill out your bracket.

The curious thing about beating your family, friends and That One Guy in Your Office Who's Super Into Crypto is that it's more about game theory than actual games.

You have to think the way they think. And then pick the national champion they won't pick.

It's almost impossible to win your bracket pool if you're wrong about the national champion. But it's almost impossible to win your bracket

pool if you're right about the obvious national champion. The most common scoring system—one point for a first-round game but six points for the title game—is all the incentive you need to be a contrarian who gets chalky early and crazy late.

The contrarian strategy this year: start rooting for Purdue and Cincinnati.

Purdue and Cincinnati are not the best teams in the country. They're not even the best teams in their regions: Purdue is the No. 2 seed in the East and Cincinnati is the No. 2 seed in the South. They don't have the résumé of Virginia, the recent pedigree of Villanova, the roster of NBA talent like Duke or the name recognition of Kansas, North Carolina or Michigan State.

They are really good and really boring. Which makes them perfect value plays.



Purdue is only the 10th most popular champion on ESPN (3% of brackets).

The only reason there's any sanctity in your NCAA tournament pool—that's right: sanctity and NCAA tournament in the same sentence—is that you're not supposed to know which teams your friends, family and That One Guy in Your Office Who's Super Into

Crypto picked until the ball is tipped on Thursday afternoon.

But that's not entirely true anymore. It's actually pretty easy to figure out which teams are popular and which teams are Purdue and Cincinnati.

It turns out there are useful

proxies for public opinions: ESPN and Yahoo's bracket contests. The millions of people who have entered both prefer every high seed above Purdue and Cincinnati. Purdue is the 10th most popular champion on ESPN (3% of brackets) and Yahoo (2.3%), while Cincinnati is 12th on ESPN (2.1%) and 13th on Yahoo (1.4%). They are below the No. 1 seeds, the No. 2 seeds and even some No. 3, No. 4 and No. 5 seeds.

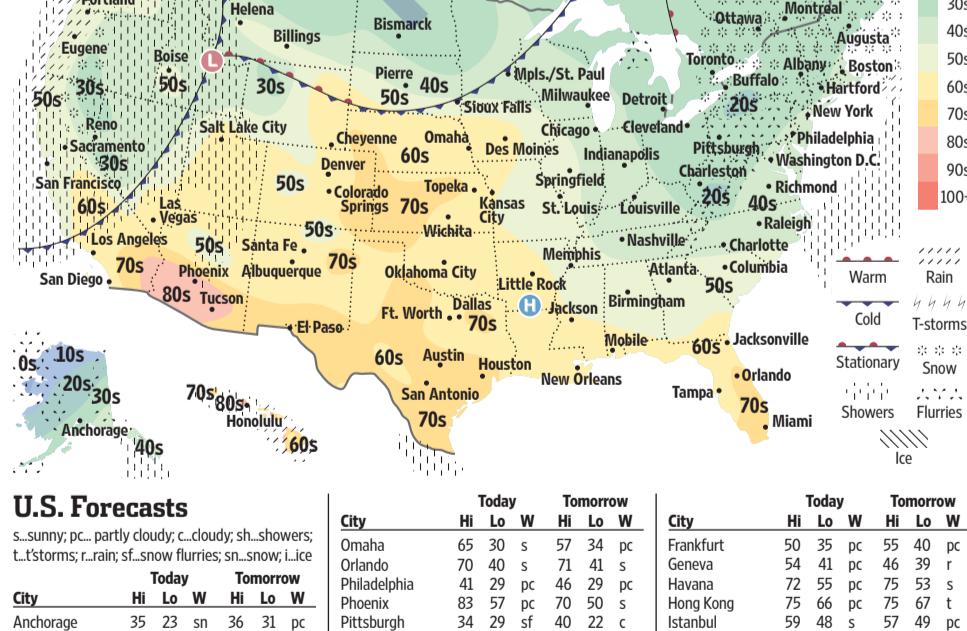
But heeding the wisdom of the crowd this year might not be all that wise. The authoritative statistical website kempom.com gives both Purdue and Cincinnati a 6.6% probability of winning the national championship.

That puts them behind only Villanova, Virginia and Duke. They're also the most popular championship picks on ESPN and Yahoo. And that's why you shouldn't pick Villanova, Virginia or Duke as your champion.

If they win, you probably won't. But if Purdue or Cincinnati win, you probably will.

Unless you went to Purdue or Cincinnati. In which case: pick the other school. You'll win even if you lose.

Weather



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

City Hi Lo W Today Hi Lo W Tomorrow Hi Lo W

Anchorage 35 23 sn 36 31 pc

Atlanta 51 35 s 65 44 s

Austin 70 51 pc 73 63 pc

Baltimore 43 28 pc 49 28 pc

Boise 53 36 sh 49 37 sh

Boston 41 31 sf 42 29 pc

Burlington 36 30 sn 37 22 pc

Charlotte 47 29 pc 64 44 s

Chicago 47 29 pc 44 25 s

Cleveland 35 29 sf 37 21 pc

Dallas 69 51 s 78 64 pc

Denver 69 40 pc 68 33 pc

Detroit 39 28 pc 38 21 pc

Honolulu 80 73 sh 82 73 sh

Houston 71 51 pc 75 65 pc

Indianapolis 43 30 pc 47 24 s

Kansas City 65 40 s 66 42 pc

Las Vegas 69 50 pc 62 45 pc

Little Rock 61 40 s 71 52 s

Los Angeles 63 49 c 61 49 c

Miami 74 52 s 74 55 s

Milwaukee 46 29 pc 39 24 s

Minneapolis 44 24 pc 40 20 s

Nashville 49 38 s 68 45 s

New Orleans 65 45 s 72 57 pc

New York City 41 30 pc 44 30 pc

Oklahoma City 64 45 s 73 56 s

International

Today Hi Lo W Tomorrow Hi Lo W

City

Amsterdam 51 37 pc 51 39 sh

Athens 66 52 s 67 51 s

Baghdad 85 57 pc 83 61 pc

Bangkok 91 78 s 93 76 s

Beijing 70 44 pc 54 29 pc

Berlin 42 34 r 43 31 pc

Brussels 54 41 pc 49 40 sh

Buenos Aires 86 53 t 75 53 s

Dubai 83 68 s 85 67 s

Dublin 49 44 r 50 39 sh

Edinburgh 51 40 pc 46 39 sh

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The WSJ Daily Crossword | Edited by Mike Shenk



MISSING PERSONS | By Samuel A. Donaldson

- | | | |
|-------------------------------------|---|---|
| Across | 25 "Don't worry about it!" | 52 "The Americans" org. |
| 1 *TV cliffhanger of 1980 | 29 "Patience ____ virtue" | 53 *Motivational bestseller published in 1998 |
| 7 Sweet murmur | 32 "Star Wars: The Force Awakens" heroine | 59 Like a maillot |
| 10 Black-and-white alert, for short | 13 Crash investigator | 60 Dive with a back somersault |
| 14 It's all ears | 15 Colleague of Trinity and Morpheus | 63 Big maker of ATMs and bar code scanners |
| 16 Unappealing breakfasts | 34 You might browse a lot of them | 64 Slightly |
| 17 Take for every penny | 36 *Sentry's query | 65 Army animals? |
| 38 Come before | 41 Apt to run | 66 Some MIT grads |
| 45 Neither partner | 46 Bobble the ball | 67 Back muscle, for short |
| 46 Movie FX | 47 Afternoon, for many tots | 68 Rock opera pioneers, and what's missing from the starred answers |
| 23 Sandy sound | 48 HHH | 69 SAL SSS SODES |
| 24 Estimate's end | 50 Be decisive | 70 STOOGES BOOG KAT |

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

- | | |
|--|---|
| Down | 28 Annually |
| 1 Brit. money | 30 "Later!" |
| 2 This miss | 31 Campaign manager |
| 3 Pro giving exams to pupils? | 34 Salt Lake City athlete |
| 4 Friend's pronoun | 35 Early Briton |
| 5 Leave alone at the altar | 37 Alley denizen |
| 6 Doctor's suggestion | 38 Buttercup family flower |
| 7 Aloof sort | 39 Never ever |
| 8 Two-tone sandwich | 40 Mary of Peter, Paul and Mary |
| 9 Universal donor's type, for short | 42 "Immediately, dude!" |
| 10 European microstate | 43 "Yowzers!" in texts |
| 11 Many a bookstore shopper | 44 Halloween decoration |
| 12 Some young companions | 47 Unnamed degree |
| 14 Trucker's "good buddy" | 49 Fall mo. |
| 18 U.K. military decoration | 54 Instrument panel sight |
| 20 Spot for a street performer's tips, often | 55 Trendily self-referential |
| 21 "Early Start" network | 56 Acronym for the four major show biz awards |
| 22 Syrupy sentiment | 57 Individually |
| 26 Carry on | 58 Place |
| 27 Break down gradually | 61 N.T. book |
| | 62 Copacabana Beach location |

Previous Puzzle's Solution



OPINION

First Skripal, Then NATO

BUSINESS WORLD
By Holman W. Jenkins, Jr.

planned by s o m e o n e looking to discredit and undermine Vladimir Putin.

Since the original sin of the Putin era—the apartment-block bombings in 1999 that killed hundreds of Russians in their beds and were unconvincingly blamed on foreign terrorists—the question has always come up: Did Putin order it? Or was it orchestrated by “friends” trying to control his path?

The cases include: Who allowed a highly sophisticated missile system into Ukraine to shoot down a Malaysian airliner? Who arranged the 2006 fatal poisoning in London, using another exotic weapon, of Russian dissident Alexander Litvinenko?

Who authorized the murder of Boris Nemtsov, Mr. Putin's most credible domestic political opponent? Who exactly was responsible for the style and content of Russia's meddling in Western elections? (Arrests and an unexplained death in Moscow since November 2016 suggest to some that Mr. Putin was not entirely happy with the result.)

These questions are always apt in one sense. The picture of a masterly Putin calling

every shot is apocryphal. He intervenes in the projects of his intelligence and criminal confederates only when he has to—when he perceives danger to himself by failing to exercise control.

At the same time, by now there is an apparatus of billionaires and security officials who depend on his remaining in power and seek to signal to rivals and the broader public at home that he is invulnerable. And a big part of invulnerability, in their minds, means being immune to imagined or real Western efforts to weaken his position.

London has long been a favorite place for Putin allies to stash their stolen wealth and conduct their rivalries. Since the attack last week on Sergei Skripal, a former head of Scotland Yard is now calling for investigation of 14 other mysterious, Russia-related deaths.

No longer is it possible for the government of Prime Minister Theresa May to soft-pedal this mess and retain the respect of its public. Let's hope another consideration is also at play: a growing understanding that worse may be coming unless Western allies start drawing lines Mr. Putin's watch.

His biggest roll of the dice, with the biggest upside if he wins, would be a campaign of aggression against a nearby NATO member that would be aimed at proving the alliance to be an empty bag. There is reason to worry such a campaign is in the cards.

Which brings us to Donald

Trump. He made a non-insane point before becoming president: Mr. Putin walks all over the West because we let him. Relations, Mr. Trump suggested, would improve when Mr. Putin is met by somebody equally tough.

Assuming Mr. Trump understood his own words, he should also understand that he has failed so far to achieve

Security at home for Putin means showing that the West lacks the will to act.

the desired result. Though his differences with Rex Tillerson were numerous, it hardly helps that Mr. Tillerson was fired Tuesday after he spoke strongly and plainly about how the Putin challenge had only worsened on Mr. Trump's watch.

Britain is one of America's closest allies. So far, the president has reportedly said the right things on the phone to Mrs. May but will the U.S. under Mr. Trump be up for a prolonged and costly effort to alter Russia's path?

Mr. Putin's career, alas, has become a funnel down which there is unlikely to be any return for Russia while he lives. And he plans to live. Aside from his speech this month outlining miracle weapons on Moscow's drawing board, he has, in recent years, created a private army for his personal protection. His regime

is currently resurrecting a Soviet commissariat (or a new Gestapo) to police the political reliability of the regular army. Meanwhile, his billionaire cronies seem to have reconciled themselves to eternal dependence on him.

Three levers are available and yet have been hardly tried against the Kremlin: More-capable weapons, supplied overtly or covertly, to those resisting Russian-backed forces in Ukraine and Syria. Freezing the assets of Putin-friendly Russians in the West. Spilling the intelligence beans linking Mr. Putin to various matters that would discredit him in the eyes of his saner countrymen.

Sen. Marco Rubio, during a confirmation hearing last year, elicited from the now-outsted Mr. Tillerson an acknowledgment of the considerable evidence linking Russia's secret police (formerly headed by Mr. Putin) to the 1999 apartment bombings. This was a breakthrough. The U.S. government has been decisively silent on the subject for nearly 20 years.

OK, don't hold your breath. Democrats who've discovered Mr. Putin only because he's a club to use against Donald Trump should especially not kid themselves. Even less pushback was likely to come from previous administrations. The West's risk-aversion in dealing with Mr. Putin is understandable. It's also the reason we may be sailing into increasingly dangerous straits in our relations with Russia.

Why Cities Boom While Towns Struggle

POLITICS & IDEAS
By William A. Galston

“Capital in the Twenty-First Century” or Robert Gordon’s magisterial “Rise and Fall of American Growth.” It is Berkeley economist Enrico Moretti’s short, lucid, nontechnical volume, “The New Geography of Jobs,” published in 2012.

Mr. Moretti’s book offers a compelling and simple explanation of the most fundamental economic trend of our time—the widening split between dynamic urban areas on the one hand and struggling cities and small towns on the other.

The emerging knowledge economy, Mr. Moretti argues, depends on constant innovation, which turns out to be a social process. To succeed, cities need a critical mass of highly educated workers engaged in the regular, often informal, exchange of ideas. Once this critical mass comes into being, it feeds on itself: Innovation hubs attract new innovators in a self-reinforcing process, while areas lacking this critical mass fall further behind.

In the early stage of the information revolution, it was fashionable to argue that new

I have recently finished reading what may be the most important book of the decade on the contemporary economy. It is not Thomas Piketty’s controversial

“Capital in the Twenty-First Century” or Robert Gordon’s magisterial “Rise and Fall of American Growth.” It is Berkeley economist Enrico Moretti’s short, lucid, nontechnical volume, “The New Geography of Jobs,” published in 2012.

Mr. Moretti’s book offers a compelling and simple explanation of the most fundamental economic trend of our time—the widening split between dynamic urban areas on the one hand and struggling cities and small towns on the other.

“While this divide is first and foremost economic,” Mr. Moretti states, “it is now beginning to affect cultural identity, health, family stability, and even politics.” The sorting out of highly educated and less educated Americans, he observes, “tends to magnify and exacerbate all other socioeconomic differences.”

In the six years since the publication of “The New Geography of Jobs,” researchers have found additional evidence supporting Mr. Moretti’s thesis. A stream of work by the Brookings Institution’s Metropolitan Policy Program has

documented the growing advantages large, dynamic metropolitan area enjoy in jobs, wages, and productivity gains. From 2010 to 2016, large cities generated 73% of the nation’s employment gains and two-thirds of its output growth. A study by the Economic Innovation Group found that from

The jobs gap is also a jobs map: Places that succeed have a critical mass of creativity.

2010 to 2014 just 20 counties accounted for half the new business formation in the entire U.S.

These developments have reverberated through our politics. In the 2000 election, Al Gore won 659 counties, representing 54% of U.S. gross domestic product, while George W. Bush carried 2,397 counties with 46% of our GDP. In 2016, Hillary Clinton won only 472 counties, but they represented fully 64% of GDP. Donald Trump’s 2,584 counties accounted for only 36%.

Similar trends are visible throughout the postindustrial West: Large, dynamic, diverse cities support center-left political parties while the residents of struggling industrial areas and their hinterlands increasingly support populist candidates who pledge to reverse their decline and restore a vanished prosperity.

Mainstream economists are beginning to pay attention to these developments. At a Brookings conference last week, Harvard’s Benjamin Austin, Edward Glaeser, and Lawrence Summers presented a new paper titled “Saving the Heartland: Place-based policies in 21st century America.” They note that economists traditionally have been skeptical about place-based policies, in part because they believed market forces would promote convergence among more- and less-developed areas, and also because they preferred policies directed at poor people rather than poor areas. But new evidence suggests that convergence has stalled and that income support is an inadequate substitute for employment. It is worth investing in targeted policies—if they can stimulate job creation in depressed areas.

As Messrs. Austin, Glaeser and Summers acknowledge, the evidence that such policies work is modest. Evaluations of the European Union’s “cohesion policy,” which aims to promote convergence between more- and less-developed regions in its member nations, have yielded mixed results.

President Trump, meanwhile, believes that trade restrictions will benefit the parts of America that have been left behind. The evidence suggests the opposite. We have a big problem with no obvious solution, but neglecting it is not an option.

BOOKSHELF | By Mara Hvistendahl

The Chinese Growth Charade

China's Great Wall of Debt

By Dinny McMahon

(Houghton Mifflin Harcourt, 256 pages, \$28)

Reporters in China often run up against Potemkin projects—gleaming science parks sitting half empty, new districts with eerily few residents, solar-powered cities where most of the panels are disconnected. These wasteful investments, designed to fulfill local-government ambitions to boost construction and drive short-term growth, can be a nuisance when researching stories about innovation or environmental foresight. But what if such projects are not a distraction but the story itself? What if China’s economy is, in fact, on the brink of a precipitous downturn? That is the question Dinny McMahon asks in “China’s Great Wall of Debt.”

Mr. McMahon, a former Beijing-based correspondent for this newspaper, suggests that China has powered ahead for as long as it has not because it is immune to crises but because its government has so far managed to intervene to

stave them off. When

China’s stock market plunged in 2015, the central government directed fund managers to buy instead of sell and pressured journalists to write only optimistic reports. One reporter who strayed from the official line was trotted out on state television to apologize.

Such intervention has created a false sense of confidence, Mr. McMahon argues, which in turn has led to a bad case of economic bloat.

As of 2015, China’s firms had an accumulated debt equivalent to 163% the size of the national economy, compared with 105% in South Korea and 71% in the U.S.

Many of the companies on a borrowing binge are large, state-owned enterprises deemed too big to fail.

Local government leaders are rewarded for contributing to this bloat. They are graded on growth figures; to keep those numbers high, they prioritize tax contributions and construction projects above management and long-term planning. Even zombie companies—those that do not earn enough to repay their debts—help generate taxes, reducing the incentive to shut them down. Mile upon mile of new housing and infrastructure may not fill any real need, but seizing land from rural residents and selling it to developers is an easy way for local governments to boost revenue.

When it comes to generating economic growth, Mr. McMahon notes, such strategies are low-hanging fruit. Land sales are a one-off gain; eventually, “there are no magic bullets left.” An explosion of wealth, meanwhile, has created bubbles far beyond the property sector. The proliferation of unregulated shadow-banking outlets has contributed to a ballooning finance sector. Financial services now account for a greater share of the gross domestic product in China than in the U.S.

China’s leaders are fully aware of the country’s debt problem. Writing in the official People’s Daily newspaper in 2013, the influential Chinese economist Ba Shusong warned that a cooling of the property market could lead to a financial crisis. In February, China’s regulators took control of Anbang Insurance Group Co., the conglomerate that had acquired New York’s Waldorf Astoria in 2014 for \$1.95 billion; this following a series of moves meant to rein in the company’s lavish spending.

Ghost cities, shadow banks, white-elephant state projects: The country’s pursuit of growth at all costs may come at a high price.

Predictions involving China don’t always age well. In his 2001 book, “The Coming Collapse of China,” Gordon Chang proposed that the Communist Party would be out of power within a decade. In 2010, hedge-fund manager Jim Chanos warned that China’s economy was on a “treadmill to hell.” Other Western fantasies include the notion that the internet would bring democracy to China and that Xi Jinping would prove to be a democratic reformer. Such analyses often say as much about Western anxieties and aspirations as they do about reality.

Here Mr. McMahon is not immune. His insights are grounded in the 2008 global financial crisis. China’s financial system, he notes, increasingly looks like America’s “prior to the Lehman Brothers bankruptcy.” Mr. Chanos, he says, is not wrong about where the treadmill is headed; it is just that Beijing has “an unparalleled capacity to kick the can down the road.” But because debt keeps growing, at some point the can “will go no farther.”

Unlike earlier doomsayers, however, Mr. McMahon wisely steers clear of broad strokes. He doesn’t give a timeline for a downfall; nor, despite his brash subtitle—“Shadow Banks, Ghost Cities, Massive Loans, and the End of the Chinese Miracle”—does he delight in signs of malaise. His book will be an indispensable explainer in the event of a downturn and a useful guide to understanding China’s economy in the meantime.

Perhaps the book’s sole moment of overreach comes when Mr. McMahon turns to China’s capacity for innovation. Despite stunning successes in sectors such as tech, Mr. McMahon is skeptical that China will be able to innovate its way out of a downturn. Beijing’s plans for innovation are largely state-driven, he notes, and reliant on short-term tactics such as protectionism and industrial espionage. But illicit technology transfer has lately been joined by strategic acquisitions of overseas companies in sectors as diverse as artificial intelligence and seed science. It may be too soon to tell what effect such shifts will have on China’s long-term economic prospects.

Ultimately, Mr. McMahon notes, those most affected by China’s debt binge are the people of China—the rural residents who watch as their land is seized and yet the developments built on them sit empty, and the urban professionals whose savings take a hit in value as banks dole out nonperforming loans. Income inequality has risen dramatically in China since the 1980s, putting it on par with Brazil. China has so far managed to elude the instability that often follows such inequality, but only because in recent decades its people have known only growth. If the country hits a recession, that may well change.

Ms. Hvistendahl is a national fellow at New America. Her next book, “The Scientist and the Spy,” on industrial espionage and China, will be out next year.

‘Blame Russia’ Is Getting Old

By Benjamin Haddad

From Wisconsin to Warsaw, voters around the world have been expressing their deep dissatisfaction with political elites. Yet establishment politicians have preferred to rely on a politically convenient narrative to explain the populist explosion: Russian interference.

Russian meddling is a real and serious problem. Much more could be done to address it, from naming and punishing those responsible to improving trans-Atlantic efforts to combat it. But the obsession over Russia, sparked by Donald Trump’s 2016 victory, distracts attention from the real causes of populist anger.

Take Italy. Two euroskeptic movements, 5 Star and Northern League, made a strong showing in the general election earlier this month. The result proved vexing to some.

Italy joins long list of elections influenced by Russia,” tweeted Samantha Power, President Obama’s U.S. ambassador to the United Nations. “Sputnik will do what Sputnik does.”

What nonsense. There are plenty of plausible explanations for the result that don’t

lead back to Vladimir Putin. Italy’s youth unemployment rate, the third highest in the European Union, stands at 31.5%. The last time Italy’s economic growth topped 2% was 2006. It has struggled to reach 1% since 2010. More than 150,000 African and Middle Eastern refugees landed on Italy’s shores in 2015 alone. Transparency International last

year ranked Italy 54th in corruption perceptions. Namibia ranks higher.

Those factors alone ought to be enough to explain Italy’s populist turn, though populism is hardly a new phenomenon in postwar Italy. And Italy isn’t alone. Russian bots supposedly were behind the Brexit campaign, America’s #ReleaseTheMemo hashtag and the Catalan independence movement. That’s not to mention the credit Russia is given for all the racial tension in the U.S. and the political clashes that follow school shootings like the one last month in Parkland, Fla.

Russian interference, apparently, can do almost anything. It seems income stagnation, unbridled immigration, economic inequality, automation and the opioid crisis don’t influence voters as much as a few poorly produced memes.

The Russian interference

narrative is bound to be a political loser. By acting as if voters are making choices out of false consciousness, establishment politicians only increase the distance between themselves and the people they are meant to serve.

Elites don’t need to change the story; they need to offer concrete solutions to voters’ real problems.

In France, Emmanuel Macron managed to fend off a populist opponent who rode a wave of fake news peddled by Russian-backed hackers. He did it by offering French voters meaningful economic reforms and a narrative of change. Elites in other Western countries ought to do the same. They can begin by examining why so many of their cherished policies are being rejected by an increasing number of voters.

Mr. Haddad is a research fellow at the Hudson Institute.

OPINION

REVIEW & OUTLOOK

Pompeo's Promise at State

President Trump's decision to replace Rex Tillerson with CIA director Mike Pompeo as Secretary of State looks like a trade up for the Administration and perhaps for U.S. foreign policy. Mr. Tillerson deserved better than the shabby way he was fired, but Mr. Pompeo shares more of the President's views and is likely to carry more clout with Mr. Trump and foreign leaders.

Mr. Trump was initially attracted to the former Exxon CEO's status and business success, and boosters like former Secretary of State Condoleezza Rice hoped he'd mesh with a businessman president. But foreign policy isn't made in flow charts, and Mr. Tillerson squandered political capital by trying to reorganize the State Department.

The most successful recent Secretaries—Henry Kissinger, George Shultz, James Baker—used the department's assets to serve their agendas. They put allies in key jobs to manage the biggest issues, while letting the career staff run lesser portfolios. But more than a year into the Trump era, most senior State posts remain vacant, as do key ambassadorships to the likes of South Korea, Saudi Arabia and Turkey. Mr. Tillerson relied on too many diplomats who served the bureaucracy's agenda.

Mr. Tillerson's larger problem was that he disagreed with his boss on key issues. From the U.S. withdrawal from the Paris climate pact to the Saudi Arabia-Qatar dispute, Mr. Tillerson took positions publicly at odds with the White House. This offended Mr. Trump's easily offended ego, and the President struck back with tweets that undercut Mr. Tillerson at key moments. As if to prove the point, on Tuesday the White House fired another senior State official for contradicting the White House line on Mr. Tillerson's ouster.

Mr. Pompeo has the advantage of sharing Mr. Trump's more hawkish instincts on Iran and North Korea in particular. The 54-year-old finished first in his class at West Point and has served in the Army, run businesses, represented Kansas in Congress and for a year has led, as he's put it, an "aggressive" CIA. His daily intelligence briefings for Mr. Trump have allowed the two to form a rapport.

Mr. Pompeo may thus have more influence

Trump gets a top diplomat who shares his policy views.

with a President who has conflicting foreign-policy instincts and often eschews counsel. On Iran, Mr. Trump has talked tough but stood by while Tehran has propped up Syria's Bashar Assad and built military positions on Israel's border. Mr. Pompeo's challenge will be to help the Administration think beyond the Obama-era Iran nuclear deal and formulate a more comprehensive pressure strategy on Tehran.

Then there's North Korea, where Mr. Pompeo will have to move quickly to formulate a strategy for the impending Kim Jong Un-Trump summit. Mr. Trump has promised to maintain "maximum pressure" on Pyongyang, but he's a deal-maker who could be tempted into damaging concessions in his personal diplomacy. Mr. Pompeo's experience may bolster Mr. Trump's skepticism of Kim's sincerity.

Then there's the challenge of Vladimir Putin's Russia. Mr. Trump has done little to push back on the Kremlin's foreign adventurism, aside from arming the Ukrainians with lethal weapons. Mr. Tillerson warned Tuesday of the "troubling behavior and actions" of Moscow, a reference to the recent poisoning of a former spy on British soil and Mr. Putin's nuclear saber-rattling.

Mr. Pompeo will inherit a demoralized State Department, but fixing that isn't as formidable a challenge as setting a more coherent foreign-policy direction. Mr. Pompeo will have the advantage of like-minded allies in Ambassador to the U.N. Nikki Haley and National Security Adviser H.R. McMaster, with whom Mr. Tillerson often disagreed.

Mr. President named Mr. Pompeo's deputy, Gina Haspel, to replace him. She's a veteran of the operations side of the CIA, which can use a champion. But she'll also have to prove she has the chops to run the agency and play a role in Administration debates.

Mr. Trump has run through a spate of advisers in recent weeks, and a personnel reset isn't surprising for someone so new to governing. But Mr. Trump should be careful to treat his colleagues better than he so often does, lest he drive away first-class talent. He needs to get the team he wants and show them the same loyalty and respect he demands from them.

Hillary Clinton Leans Out

The shock of losing the Presidency to Donald Trump has to be mind-blowing, but Hillary Clinton keeps offering evidence for why she may have been the only Democrat in 2016 who could have managed the feat.

Mrs. Clinton provided the latest demonstration on a visit to India in which she was asked to explain her loss. She blamed the "backwards" parts of America where "you didn't like black people getting rights; you don't like women, you know, getting jobs; you don't want to, you know, see that Indian-American succeeding more than you are."

This a reprise of her famous "deplorables" crack from the campaign trail, but she didn't stop there. She also complained about "married

The Democrat explains to Indians why she lost to Donald Trump.

white women" who supported Mr. Trump because they were too weak to stand up to "a sort of ongoing pressure to vote the way that your husband, your boss, your son, whoever, believes you should."

Mrs. Clinton was supposed to be the first female President who rose as the feminist champion for the aspirations of all American women. Yet it turns out she really believes that any woman who voted against her must have been a mental or emotional prisoner of some man, trapped in a kind of political purdah.

Democrats may think Mr. Trump is unfit to be President, but maybe they should take responsibility for nominating a candidate who had such contempt for so many Americans.

Trump's Broadcom Veto

President Trump's veto of Singapore-based Broadcom's hostile takeover of Qualcomm is playing in the media as political protectionism. But unlike with its steel tariffs, the Administration's national-security concerns in this case are legitimate.

Broadcom sought to grow its wireless and broadband portfolio with its \$117 billion bid for Qualcomm. The San Diego-based chip manufacturer, which helped set the standard for 3G and 4G wireless communications, leads the 5G arms race along with Chinese telecom Huawei. This latest generation will enable driverless cars, drones and other automated applications that will be critical to defense.

The question for the Committee on Foreign Investment in the United States (Cfius), the interagency group that reviews foreign investments for national security, was whether Broadcom's takeover would give the Chinese an edge. Cfius thought so, which prompted the President's injunction on Monday.

Normally, Cfius doesn't review deals until after they are completed, but the proxy battle for control of Qualcomm's board merited an exception. After commandeering Qualcomm's board, Broadcom could have waved through the deal and imposed other changes to the chipmaker's business.

In a March 5 letter to the companies' attorneys, Treasury outlined Cfius's national security concerns, which were "in significant part . . . classified." But with an unusual level of transparency, Treasury noted they "relate to the risks associated with Broadcom's relationships with third party foreign entities and the national security effects of Broadcom's business intentions with respect to Qualcomm."

Qualcomm ranks second after Intel in research and development expenditures among semiconductor companies, and any "reduction in Qualcomm's long-term technological competitiveness and influence in standard setting would significantly impact U.S. national security." Qualcomm is an important defense contractor. A 2012

After its political reprieve, Qualcomm now needs to deliver.

report by the House Intelligence Committee found that Huawei could incorporate surveillance technology into its equipment that would give the Chinese government access to U.S. communications networks and citizens' personal information.

Broadcom's statements indicated that it intended to take a "private equity" direction to Qualcomm, which can mean reducing long-term investment to increase short-term profitability. In the last dozen years Broadcom has spent six times as much on acquisitions as on R&D. Qualcomm's lucrative licensing agreements have allowed it to invest in new technologies, but Broadcom CEO Hock Tan wanted to change its business model. While a change could have been healthy amid Qualcomm's patent-licensing disputes, Mr. Tan risked handicapping Qualcomm with \$106 billion in debt.

The Cfius review was laced with politics on both sides, including pro-Qualcomm Members of Congress. Broadcom tried to win favor with the White House by announcing it was moving its headquarters to the U.S. a few days before making its Qualcomm bid last November. When Cfius began poking around, Broadcom expedited the move apparently to evade the committee's oversight.

Qualcomm had appealed to Cfius in January to stop the takeover. One risk now is that without the market discipline it may relax and lose the 5G race anyway. Qualcomm will have to demonstrate to shareholders that it can lead in 5G. But Apple's decision to replace Qualcomm chips in some of its newer iPhones and iPads should raise the stakes, which may have been another reason why the company worried about its R&D getting chopped up.

The White House supports an effort by Sen. John Cornyn and others in Congress to broaden Cfius's review powers, but it isn't clear that's warranted. The Broadcom review shows Cfius has ample tools to block foreign takeovers of U.S. firms that threaten national security. The U.S. economy doesn't need more political control over investment.

Trump gets a top diplomat who shares his policy views.

with a President who has conflicting foreign-policy instincts and often eschews counsel. On Iran, Mr. Trump has talked tough but stood by while Tehran has propped up Syria's Bashar Assad and built military positions on Israel's border. Mr. Pompeo's challenge will be to help the Administration think beyond the Obama-era Iran nuclear deal and formulate a more comprehensive pressure strategy on Tehran.

Then there's North Korea, where Mr. Pompeo will have to move quickly to formulate a strategy for the impending Kim Jong Un-Trump summit. Mr. Trump has promised to maintain "maximum pressure" on Pyongyang, but he's a deal-maker who could be tempted into damaging concessions in his personal diplomacy. Mr. Pompeo's experience may bolster Mr. Trump's skepticism of Kim's sincerity.

Then there's the challenge of Vladimir Putin's Russia. Mr. Trump has done little to push back on the Kremlin's foreign adventurism, aside from arming the Ukrainians with lethal weapons. Mr. Tillerson warned Tuesday of the "troubling behavior and actions" of Moscow, a reference to the recent poisoning of a former spy on British soil and Mr. Putin's nuclear saber-rattling.

Mr. Pompeo will inherit a demoralized State Department, but fixing that isn't as formidable a challenge as setting a more coherent foreign-policy direction. Mr. Pompeo will have the advantage of like-minded allies in Ambassador to the U.N. Nikki Haley and National Security Adviser H.R. McMaster, with whom Mr. Tillerson often disagreed.

Mr. President named Mr. Pompeo's deputy, Gina Haspel, to replace him. She's a veteran of the operations side of the CIA, which can use a champion. But she'll also have to prove she has the chops to run the agency and play a role in Administration debates.

Mr. Trump has run through a spate of advisers in recent weeks, and a personnel reset isn't surprising for someone so new to governing. But Mr. Trump should be careful to treat his colleagues better than he so often does, lest he drive away first-class talent. He needs to get the team he wants and show them the same loyalty and respect he demands from them.

Trump's Broadcom Veto

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LETTERS TO THE EDITOR**All Share Owners Should Vote Their Stocks**

Regarding Dick Weil's "Passive Investors, Don't Vote" (op-ed, March 9): Mr. Weil states that "passive-fund managers like BlackRock lack a strong incentive to cast informed votes" and "it matters little to them whether individual companies perform well or badly."

That view comes from an active-asset manager seeking to rationalize its own performance, and it's wrong. We have a fiduciary duty to our clients which we perform, in part, through direct engagement with the companies they are invested in—whether that be through active or index-based strategies. The suggestion that companies should allow themselves to "disregard or discount the votes of passive investors" ignores the rights of our clients, who expect us to act as stewards of their assets. This proposition would also lead to even more short-termism which is bad for shareholders and society.

In our investment stewardship practice, we put a particular emphasis on governance matters for the simple reason that good governance adds value. Our engagement and voting on governance matters not only drives value at a specific company but also raises the bar for corporate governance—and effective capital allocation—across public companies more broadly.

BlackRock has the largest investment stewardship team in the world (set to double in size) and that group considers a number of inputs to in-

form our proxy voting decisions, including the insights of our own active-fund portfolio managers. Notably, the author fails to explain his own firm's stewardship philosophy and voting practices, nor could we easily find any trace of either on the company's website. BlackRock has a demonstrated track record in effecting positive change for shareholders through our investment stewardship activities. We will continue to engage and vote on behalf of our clients in pursuit of improving corporate governance to deliver long-term growth.

MICHELLE EDDINS
BlackRock
New York

I find it alarming that Mr. Weil would take the stance that an unelected bureaucrat should allow only active managers, who in the article are ill-defined and arbitrarily assumed to be the most informed on company and market developments, to vote on corporate governance. Not only would it put outside and nearly unaccountable influence on company affairs into the hands of a minority of wealthy asset managers, it would, by dictate, effectively erode the rights of one group of shareholders for the benefit of another. Imagine if the federal government were to decide that only the most informed (or worse, the most politically active) are permitted to vote in the elections of public officials.

MAX VOTAS
Houston

Cape Town: Happy for Good Advice From All

Seth M. Siegel argues that "Cape Town May Dry Up Because of an Aversion to Israel" (op-ed, Feb. 22).

A number of his claims require correction. Cape Town taps are no longer expected to run dry in 2018. Capetonians have risen magnificently to the challenge of the most severe and prolonged drought in a century, reducing their average daily usage by 60% from around 1,200 megalitres before the drought hit, to around 500 megalitres today. If residents are able to maintain that rate over the next six months, the city will not run out of water.

This is an important clarification because Cape Town's economy relies heavily on tourism, and the message here is that we are open to business, and shall remain so.

Cape Town is governed by South Africa's main opposition party, the Democratic Alliance (DA), which I lead. It may well be that South Africa's national government, led by the African National Congress (ANC), rejected Israel's offers of assistance with building desalination works and groundwater extraction.

But it is certainly not true that the DA-run city of Cape Town refused to meet with Israeli water professionals. On the contrary, the city has engaged a wide range of experts from a number of countries, including Australia, Spain, Saudi Arabia and Israel. As a party, we would not allow a geopolitical dispute far removed from our context to define our response to a very local crisis. We are interested in finding the best solutions for the residents we serve, no matter where they come from.

This led the World Bank to confirm in November 2017 that the city's water augmentation plan was "excellent," and one of the most detailed it had ever seen. Projects include desalination plants, wastewater treatment works and groundwater extraction.

I can confidently state that DA-run Cape Town is open to working with whomever has excellent ideas. We are open to business and our taps are open.

MMUSI MAIMANE, M.P.
Cape Town, South Africa

Yale University Wants Its Students Engaged

Walter Olson's "Yale and the Puritanism of 'Social Justice'" (op-ed, March 7) is wrong about the intent of Yale's policies and its practices. As the dean of undergraduate admissions for Yale, I can say that civic engagement on issues of public concern is consistent with attributes my office seeks in the high-school students it admits.

Yale considers each disciplinary action reported by a student or a student's school in the context of the student's full application, and students who are disciplined for missing school for any reason will certainly have an opportunity to explain the circumstances to the admissions committee. Admission decisions will not be rescinded as a result of an absence to participate in peaceful civic engagement, regardless of the issue or cause. This is not the only attribute we look for, and never said it was, despite Mr. Olson's false contention.

Contrary to the op-ed, Yale does not adhere to a specific ideology of social justice. The university does, however, expect its students to be engaged citizens. And students who advocate for legislative action to improve their

Forget Tariffs, Use Chinese Subsidies to Our Advantage

Commerce Secretary Wilbur Ross ("Why We Imposed the Metal Tariffs," op-ed, March 9) claims that our national security is at risk: Domestic producers cannot adequately supply military- and infrastructure-grade steel and aluminum because "massive subsidies" paid by "countries like China" distort global markets.

Rather than imposing tariffs, however, we should build a huge stockpile. Massively subsidized by countries like China, it would be dirt cheap. America first, I say.

WILLIAM M.G. PEARSON
Oak Park, Ill.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Next one is about the human longing for superficial social media relationships."

OPINION

Testing California's 'Sanctuary' Laws

By Ilya Shapiro

And Josh Blackman

California lawmakers oppose President Trump's pledge to step up deportations. They've enacted three so-called sanctuary measures designed to make it harder for immigration officials to perform their missions. There's a long history of states resisting unpopular federal policies. Abolitionist states like Pennsylvania actively thwarted the Fugitive Slave Act by throwing slave catchers in jail, while South Carolina "nullified" federal tariffs to protect its agrarian economy. On immigration, too, states have attempted to frustrate federal policy from both sides. During the Obama administration, Arizona passed a series of measures *stricter* than federal law and policy.

The state should be able to forbid local officials, but not private citizens, from cooperating with the feds.

But while states have broad police power within their own jurisdictions, they can't interfere with federal law, which the Constitution proclaims is the "supreme law of the land." California's three sanctuary policies, which Attorney General Jeff Sessions challenged in a new federal lawsuit last week, fall on both sides of this constitutional line. As strong supporters of federalism, we see *U.S. v. California* as an opportunity to restore constitutional order and resolve simmering tensions between federal and state powers.

The first challenged statute, styled the California Values Act, limits how state and local officials may cooperate with federal immigration officials. Absent a judicial warrant, law-enforcement agencies in California are forbidden to provide federal authorities



Pro-'sanctuary' protesters block a street in San Francisco, Feb. 28.

"demanded access to various private documents respecting the 'welfare of persons detained' by the feds. To the extent that California is imposing additional burdens on federal immigration facilities—and no other federal properties—this second sanctuary law is unconstitutional."

The final challenged statute, the Immigrant Worker Protection Act, is the least likely to survive judicial scrutiny. Under this law, if a federal immigration officer informs a business owner that he employs a criminal alien, the proprietor is barred from consenting to a search of the premises. The state punishes the businessman with a substantial fine simply for being a good citizen, unless the federal agent compels cooperation by obtaining a warrant.

Critically, neither the Constitution nor federal law requires a warrant in such a scenario. California's law applies only to immigration officers; proprietors remain free to consent to searches by federal environmental or health-and-safety inspectors, for example. Because the law interferes with a congressionally mandated mission, the Immigrant Worker Protection Act interferes with federal law. It is unconstitutional by virtue of both the Constitution's Supremacy Clause and the intergovernmental immunity doctrine.

Targeting federal agents for heightened scrutiny violates the so-called intergovernmental immunity doctrine. Two centuries ago, Maryland sought to impose a tax on a branch of the Second Bank of the United States. In the landmark case of *McCulloch v. Maryland* (1819), the Supreme Court held that Maryland had overstepped its authority. "The power to tax involves the power to destroy," Chief Justice John Marshall wrote, and the state lacks the "power to control the constitutional measures" of the federal government, which the Constitution "declared to be supreme."

Through his state's novel regime, California Attorney General Xavier Becerra isn't merely inspecting federal facilities in a neutral and consistent fashion, but, according to the federal government's complaint, has

and private, "in which noncitizens are being housed or detained." Obviously there's no problem if California wants to inspect its own facilities, but the state exceeds its authority when it targets facilities run by the federal government or its contractors. States have the power to review federal facilities *generally*—for example, county health inspectors can check out the cafeteria in a federal courthouse. But they cannot burden a *specific* exercise of federal power with additional constraints.

Targeting federal agents for heightened scrutiny violates the so-called intergovernmental immunity doctrine. Two centuries ago, Maryland sought to impose a tax on a branch of the Second Bank of the United States. In the landmark case of *McCulloch v. Maryland* (1819), the Supreme Court held that Maryland had overstepped its authority. "The power to tax involves the power to destroy," Chief Justice John Marshall wrote, and the state lacks the "power to control the constitutional measures" of the federal government, which the Constitution "declared to be supreme."

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Why Should Unions Have Eternal Life?

By Akash Chougule

When Donald Trump quipped last week that he'd like to be "president for life," his detractors accused him of unsettling democratic norms. A single electoral mandate can't last forever, right?

Yet that's how labor unions work. Once a union wins a certification election, it hardly ever has to stand for re-certification, no matter how much employee turnover takes place. Entire workforces have inherited union representation from predecessors decades earlier. The United Federation of Teachers organized New York City public school teachers in 1961, meaning no current teacher voted for the union. Just 1% of teachers in Florida's 10 largest districts were on the job when their schools unionized, according to a 2012 Heritage Foundation study.

That's about to change. This week, Florida became the third state to enact a law requiring teachers unions to stand for recertification. Specifically,

Certification elections took place in many shops before a single current member went to work.

If less than half of the bargaining unit chooses to maintain membership, the certification process starts over. The union must collect signatures from 30% of the unit and then win a secret-ballot election.

Iowa passed an even broader measure last year. All government unions there must now win recertification before each new contract negotiation, typically every two or three years. Wisconsin's Act 10 accomplished much the same in 2011 by requiring annual recertification elections. Michigan, Missouri and Oklahoma are considering similar measures.

The problem is equally bad in the private economy. As of 2015, only 6% of unionized private employees had ever voted to organize, according to National Labor Relations Board data analyzed by the Heritage Foundation. The other 94% either voted against the union or, more commonly, inherited it. The United Auto Workers organized Detroit's Ford, General Motors and Chrysler plants between 1936 and 1941. The UAW has never had to win new employees' support.

Congress can solve this problem by passing the Employee Rights Act, which would require private-sector unions to hold a recertification election every three years, or each time the workforce turns over by at least 50% at the end of a collective-bargaining agreement, whichever comes first. It would also require workers to "opt in" before unions can spend their dues on anything other than bargaining.

This bill would create accountability while shining a light on the union complaint about "free riders" in right-to-work states. The claim is that unions are forced to represent non-members who pay no dues. In Florida, as of 2015, the American Federation of State, County and Municipal Employees represented 47,653 workers, but only 1,369 dues-paying members, according to state data.

Recertification elections would make clear whether these workers truly are free riders—if they vote to recertify a union that they refuse to join—or whether they are actually "forced riders" who never wanted the union in the first place. Wisconsin's experience suggests the latter. After Act 10, more than 100 government unions chose not to seek recertification because they lacked sufficient support. Membership in Afscme fell 54% in just a year.

Although unions complain incessantly about the free-rider problem, it isn't clear they want it gone. The Supreme Court has twice ruled that unions are free to represent only dues-paying members. Yet most insist on negotiating as the exclusive representative of all employees. This increases their bargaining power, while providing a nice talking point against right-to-work laws.

But last month an Illinois union sued Gov. Bruce Rauner, seeking to undo its "duty of fair representation" under state law to speak for all workers. Such a solution could please both sides, since it would give state employees like Mark Janus, whose case challenging forced unionism is now before the Supreme Court, a way to cut ties completely.

Since 2012, six states have passed right-to-work laws—more than in the previous 50 years. The *Janus* case could extend this protection to all public employees nationwide. But recertification laws are still needed if today's workers are to have the same right to vote on unionization that their predecessors had decades ago.

Mr. Chougule is director of policy at Americans for Prosperity.

Lessons From the Rise of America's Irish



UPWARD MOBILITY
By Jason L. Riley
Every year in the runup to St. Patrick's Day, the Census Bureau releases a demographic profile of Irish-Americans. For anyone familiar with the arduous history of the Irish in this country, the progress report is an annual reminder of America's ability to assimilate newcomers in search of a better life.

It was the potato famine that began driving large numbers of Irish to leave home in the late 1840s. This migration, along with mass starvation and disease, would eventually cost Ireland around a third of its population. Some went to Great Britain, but the overwhelming majority came to America. Today the number of Americans of Irish descent (32.3 million) is nearly seven times as large as the population of Ireland (4.7 million).

The peasants fleeing Ireland had a shorter life expectancy than slaves in the U.S., many of whom enjoyed healthier diets and better living quarters. Most slaves slept on mattresses, while most poor Irish peasants slept on piles of straw. The black scholar W.E.B. Du Bois wrote that freed slaves were poor by American standards, "but not as poor as the Irish peasants."

The Irish who left for America were packed into the unused cargo space of wind-driven ships returning to the U.S., and the voyage could take up to three months, depending on weather. These cargo holds weren't intended to carry passengers, and the lack of proper ventilation and sanitation meant that outbreaks of typhus, cholera and other fatal diseases were common. Emigrants slept on 3-by-6-foot shelves, which one observer described as "still reeking from the ineradicable stench left by the emigrants of the last voyage."

In 1847, 19% of the Irish immigrants died on their way to the U.S. or shortly after arriving. By comparison, the average mortality rate on British slave ships of the period was 9%. Slave-owners had an economic incentive to keep slaves alive. No one had such an interest in the Irish.

They arrived dirt poor and uneducated in the 1840s. After decades of struggle, they achieved prosperity.

The 19th-century immigrants from Europe usually started at the bottom, both socially and economically, and the Irish epitomized this trend. Irish men worked as manual laborers, while Irish women were domestic servants. But not all ethnic groups rose to prosperity at the same rate, and the rise of the Irish was especially slow. They had arrived from a country that was mostly rural, yet they settled in cities like Boston and New York, working "wherever brawn and not skill was the chief requirement," as one historian put it. In the antebellum South, the Irish took jobs—mining coal, building canals and railroads—

considered too hazardous even for slaves.

In the 1840s, New York City's population grew 65%. By midcentury, more than half of the city's residents were immigrants, and more than a quarter of those newcomers had come from Ireland. At the time, half of New York's Irish workforce and nearly two-thirds of Boston's were either unskilled laborers or domestic servants. "No other contemporary immigrant group was so concentrated at the bottom of the economic ladder," writes Thomas Sowell in his classic work, "Ethnic America."

It wasn't just a lack of education and urban job skills that slowed the progress of the Irish in America. So did social pathology and discrimination. The Irish were known for drinking and brawling. Irish gangs were common. When an Irish family moved into a neighborhood, property values fell and other residents fled. Political cartoonists gave Irishmen dark skin and simian features. Anti-Catholic employers requested "Protestant" applicants. Want ads read: "Any color or country except Irish."

Yet none of these obstacles proved insurmountable. Charitable organizations, such as the Irish Emigrant Society, emerged. Temperance societies formed to address alcoholism. The Catholic Church took

a leading role in tackling poverty, illiteracy and other social problems through the creation of orphanages and hospitals and schools. For millions of Irish immigrants, the church was not simply a place of worship. It was the focal point of the community.

According to the Census Bureau, today's Irish-Americans boast poverty rates far below the national average and median incomes far exceeding it. The rates at which they graduate from high school, complete college, work in skilled professions, and own homes are also better than average. What's so remarkable about this social and economic trajectory among the Irish is how many times it has been replicated among other immigrant groups.

Whether this kind of upward mobility is still possible today given the changes to our economy and culture is an open question. My guess is that it's still possible but more difficult—not because of our modern economy, but because of our modern attitudes toward assimilation. The type of Americanization of newcomers that once was encouraged is now rejected by activists who push for bilingual education, Spanish-language ballots and the like. The multiculturalists have turned assimilation into a dirty word. Perhaps they're the ones we should be deporting.

What Happened to the Common Man?

By Jason Willick

Hillary Clinton is the only presidential candidate in recent history to lose popularity after a defeat, and she seems determined to keep it that way. Speaking in India over the weekend, she blamed Donald Trump's election on voters who "didn't like black people getting rights . . . don't like

women, you know, getting jobs . . . don't wanna, you know, see that Indian-American succeeding more than you are." She also claimed that "married white women" supported Mr. Trump in response to "pressure to vote the way that your husband, your boss, your son—whoever—believes you should."

More interesting than this "basket of deplorables" redux, though, was Mrs. Clinton's commentary on the role of economic concerns in the 2016 contest. "There's all that red in the middle, where Trump won," she said. "But what the map doesn't show you is that I won the places that represent two-thirds of America's gross domestic product." To scattered applause, she continued: "So I won the places that are optimistic, diverse, dynamic, moving forward."

This is an unexpected twist in the debate over Mr. Trump's rise. Analysts on the center and right have tended to emphasize the economic factors that made Mr. Trump's victory possible, noting that voters in regions with stagnating incomes and diminishing job opportunities are likelier to be drawn to populism. Many on the left, meanwhile, have argued that economic concerns are simply an excuse for bigotry. "Economic anxiety" is even a running joke on

progressive Twitter—a sarcastic response to reports of racism among Republicans.

But now Mrs. Clinton herself has endorsed the "economic anxiety" thesis, albeit in a backhanded way. She sees her electoral disappointment in economically downscale regions not as a political failure but a source of validation—and, apparently, an indication of those voters' failings. Similarly, last September she told Vox that the Electoral College is "an anachronism" in part because "I won in counties that produce two-thirds of the economic output in the United States." Should those voters have more of a say?

Since Andrew Jackson, the Democratic Party has usually been identified as the party of the "common man," and its adversaries as defenders of wealth and economic privilege. Jackson earned that reputation for his party by reducing property qualifications for the franchise for white men. But the Democrats' most recent standard-bearer sounds an awful lot like the 19th-century conservatives who thought political representation should be tied to wealth. This is a significant moment in America's partisan realignment.

Mr. Willick is an assistant editorial features editor at the Journal.

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China Sheds Its Blackstone Stake

By MIRIAM GOTTFRIED

China's sovereign-wealth fund has sold out of its stake in **Blackstone Group** LP, ending a longstanding relationship with the private-equity giant at a time of growing tensions between the U.S. and China.

The sale marks a reversal for one of China's most scrutinized investments from the precrisis era, a purchase that, to many observers, marked a watershed in China's growth from an up-and-coming emerging-markets economy to

a true global giant with deepening relationships on Wall Street and across Europe.

CIC didn't immediately respond to a request for comment on why it sold out of the stake.

"We greatly value our partnership with CIC and are grateful for their successful, long-term investment in our firm," a Blackstone spokesman said in an email. "We continue to expand this important relationship as one of CIC's major asset managers and look forward to working closely together."

Ahead of Blackstone's initial public offering in 2007, **China Investment Corp.** said it would invest \$3 billion for the swath of shares. The prefinancial-crisis deal was hailed as part of China's efforts to restore equilibrium to the country's accounts with the U.S., and thus improve relations between the two nations.

Eleven years later, that relationship once again looks strained. China has said it strongly opposes the Trump administration's new global tariffs on steel and aluminum. Blackstone Chief Executive

Stephen Schwarzman, a donor and sometime adviser to President Donald Trump, has regularly emphasized the importance of the relationship between the U.S. and China.

In May 2007, CIC bought the stake—roughly 101 million nonvoting units—ahead of the private-equity firm's IPO that June.

It has been steadily selling down the stake for the past five years, but the block of shares it sold in 2017 was its largest.

Blackstone said in a March 1 filing that as of Feb. 22, Bei-

jing Wonderful Investments—the legal entity CIC set up to invest in Blackstone—no longer owned any units in the company. Roughly a year earlier, it had owned 54.5 million shares. The highest the sovereign-wealth fund's stake ever got was 9.7% of Blackstone's shares outstanding.

CIC bought its stake in Blackstone at a price of \$29.605 a unit, a discount to the \$31 IPO price. But the ensuing financial crisis walloped stocks world-wide and Blackstone's units didn't return sol-

Please see CHINA page B2

Qualcomm Pursued Unusual Strategy

The Trump administration's extraordinary intervention against the \$117 billion takeover of **Qualcomm** Inc. sur-

By Ted Greenwald,
Kate O'Keeffe
and Tripp Mickle

faced suddenly last week. But it was months in the making.

In December, Qualcomm's leaders, reeling from a year of battles with customers and regulators in the U.S. and abroad, faced the prospect of losing the company to a hostile takeover by **Broadcom** Ltd. in what would be tech's biggest-ever takeover.

One potential hurdle to the bid, Qualcomm executives discussed, was a protracted national-security review, according to people familiar with the matter. Qualcomm lawyers reached out to **Covington & Burling LLP**, which suggested filing unilaterally and proactively for review of a possible deal by the Committee on Foreign Investment in the U.S. to understand the risks, the people said.

It was an unusual strategy. Normally both parties in a deal seek approval by making a joint filing before CFIUS, the secretive federal panel that vets foreign purchases of U.S. companies on national-security grounds. And they don't usually file until there is an actual deal on hand. But in January, Qualcomm approved.

"You don't treat a hostile the same way you do when someone walks in and says, 'You want to get married?'" said a person familiar with the discussions.

Qualcomm's Jan. 29 filing to CFIUS helped trigger a chain of events that culminated in President Donald Trump's decision Monday to block the deal.

Qualcomm's appeal tapped into gathering concern among some congressional Republicans and the Trump administration about U.S. national security and competitiveness with China, especially in advanced technologies—sentiment that already was fueling an effort to expand the power of CFIUS. The company also got help from sympathetic senators and representatives who pressed the administration.

The confluence of corporate self-interest and geopolitical

Please see CFIUS page B2

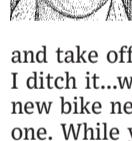
◆ Heard: Qualcomm's rescue has a cost..... B14



Companies introducing dockless bike-sharing in the U.S. hope to avoid what happened in China, where vandalism and cutthroat competition have bedeviled startups.

PERSONAL TECHNOLOGY | By David Pierce

Bike-Sharing Brings Promise—and Pitfalls



Lately, everywhere I go in San Francisco, I just grab whatever bike I can find and take off. When I'm done, I ditch it...wherever. I snag a new bike next time I need one. While you might picture me as some kind of super-smooth bike thief (that's certainly how I picture myself), it's more like I have the master key to hundreds of locked bikes around town.

This is dockless bike-shar-

ing, which a handful of companies, including **Uber**, are bringing to U.S. cities. Rather than living in stations around a city, these bikes can be anywhere. You find and unlock a GPS-enabled bike with an app on your smartphone, then lock it and leave when you're finished.

I'm in the target market for this. I live just under a mile from the train station—too close to justify driving, but far enough to be annoying. My train drops me 1.5 miles from the office. My op-

tions used to be a long walk, a subway ride or a pricey Lyft. Now I open the Uber Bike section in the Uber app and reserve any of 250 electric bikes, built and maintained by a company called **Jump Bikes**.

I pay \$2 for a half-hour and about seven cents a minute after that. I ride wherever I want, the big red bike's onboard motor doing most of the work. When I'm done, I drop it off anywhere within the sharing boundaries—which cover about half the

city. It's Uber minus the traffic, plus a smidge of exercise.

A program like this could help alleviate traffic, make short travel cheaper and easier and have big environmental impact. But in some places where dockless bike-sharing has already taken off, in Paris, Zurich and especially in China, there have been problematic side effects.

In many of these booming, unregulated markets, abandoned bikes now litter the streets. They're vandalized, thrown into lakes or stolen

and stripped for parts. A litany of startups has already come and gone amid cutthroat competition.

The companies and cities trying to bring dockless bike-sharing stateside see what's happening in China and are working to avoid the same fate. Most cities are embracing bike-sharing slowly while developing regulations for how many competitors and bikes they'll allow on their streets. The model could eventually inform everything

Please see PIERCE page B2

Google To Ban Ads for Virtual Currencies

By LARA O'REILLY
AND DOUGLAS MACMILLAN

Google is following Facebook's lead by banning ads for cryptocurrencies and other "speculative financial products" across its advertising platforms.

Alphabet Inc.'s Google said the new policy will become effective in June across ads bought on its search and display-advertising network, as well as its YouTube unit. The policy also will restrict ads for nontraditional methods of wagering on the future movements of stock prices and foreign-exchange, such as binary options and financial spread-betting, Google said.

Facebook updated its ad policy to ban ads for similar financial products on Jan. 30.

The rise in popularity and price of Bitcoin and other vir-

Please see GOOGLE page B4

INSIDE



VW SPEEDS AFTER TESLA IN E-CAR RACE

AUTOS, B3



GASOLINE FUTURES FALL ON EPA DEAL

COMMODITIES, B13

In Remington's Sights: Bankruptcy Filing

By LILLIAN RIZZO
AND SHARON TERLEP

A gun maker that **Cerberus Capital Management** LP spent more than a decade building into an industry giant is now on the brink of failure.

Crushed by a debt load that has gotten harder to manage as gun sales have become increasingly volatile—in part due to the recurring national debate on gun regulations—**Remington Outdoor Co.** is planning to file for bankruptcy protection as early as March 18.

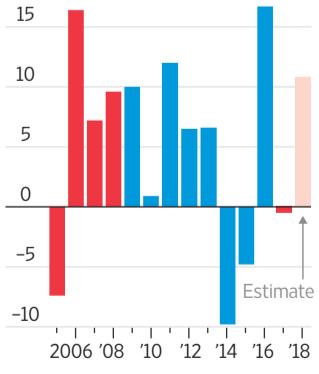
The Madison, N.C.-based company is expected to restructure its debt and pass into the hands of bondholders, including **Franklin Resources** Inc. and **JPMorgan Chase & Co.**'s asset-management division. These creditors plan to unload the asset to another buyer as soon as they can do so profitably, a person familiar with the matter said.

Remington's new owners will have to contend with a fraught political and social environment. The Feb. 14 school shooting in Parkland, Fla., that killed 17 people spurred a social-media movement demanding greater gun control. Many investors and companies are reconsidering their ties to the industry. Retail-

The Politics of Gun Sales

The firearm and ammunition industry's revenue often rises and falls depending on which party is in the White House.

Annual change in gun and ammunition industry revenue

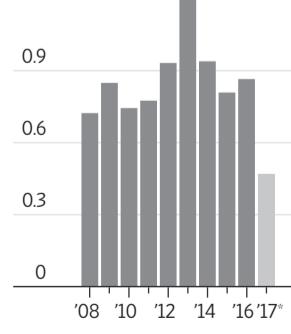


*FY17 not yet reported; 9 months ended Oct. 31

Note: Industry revenue based on constant 2012 dollars.

Sources: IBISWorld; Remington public filings

Remington annual revenue



THE WALL STREET JOURNAL.

ers including **Wal-Mart** Inc. have committed to raise the minimum age for buying a gun to 21 years. Florida last week enacted a law banning adults under 21 from buying firearms, and the White House released a school-safety plan. At the same time, gun sales are down, indicating that gun buyers aren't rushing to stock up in anticipation of stricter gun regulations. Gun makers' fortunes tend to rise and fall depending on who is in the White House, analysts say. Gun sales rose in the years that Barack Obama was in office because people feared greater gun control. Demand has

plummeted since President Donald Trump took office.

In Remington's case, these ups and downs hobbled Cerberus's attempt to build a firearms-and-ammunition behemoth, making its nearly \$1 billion debt pile insurmountable.

Cerberus entered the firearms business with its 2006 purchase of Bushmaster Firearms International. The following year, the buyout firm paid \$118 million for Remington and assumed \$252 million of its debt. Founded in 1816, Remington is one of America's oldest and largest gun and ammunition manufacturers, and its weapons are mainstays in hunting, shooting sports, law enforcement and the military.

Bushmaster and Remington became the linchpins of a holding company that Cerberus named Freedom Group Inc. The New York buyout firm set out to streamline operations and modernize plants, buying up related assets to create a bigger, more diverse gun company.

By 2010, when Freedom Group filed for an initial public offering, it owned several firearms and ammunition brands and had taken on substantial loans, expecting that sales would climb as it waded new

Please see GUNS page B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A - B

Advanced Micro Devices B3
Alphabet B1, B4
Amazon B14, R4, R6
American Outdoor
Brands B2
Anbang Insurance Group B2
Apple B2, B4, B14
Bank of America A10, B12
Barclays B7
Bear Stearns A1
Blackstone Group B1
Boston Properties B6
Box R4
Broadcom B1, B13, B14

C - E

Canyon Bridge Capital
Partners A2
CBL & Associates
Properties B6
Cerberus Capital
Management B1
Coincheck B12
Contemporary Amperex
Technology B3
Corporate Risk Holdings
..... B7
Covington & Burling B1
Deloitte & Touche
..... B7, B13
Dick's Sporting Goods
..... B2, B14
DSW B3
Duff & Phelps B7

N - P

Eni B5
Exxon Mobil A4, B5, B14
F - H
Facebook B4
Feil Organization B6
Franklin Resources B1
General Electric B7
Guggenheim Partners B7
Q - S
Nike B14
Noble Energy B5
NXP Semiconductors B14
Philadelphia Energy
Solutions B13
PricewaterhouseCoopers
..... B7
Procter & Gamble B7
T - U
Qualcomm B1, B13, B14
Reddit B5
Remington Outdoor
..... B1, B2
Royal Dutch Shell B5
Samsung SDI B3
San Miguel B7
Simon Property Group B6
SL Green Realty B6
K - M
TaskRabbit R4
Taubman Centers B6
Toronto-Dominion Bank
..... A10
Total B5
Uber Technologies B1
UBS Group B7
Under Armour B14
United Continental B5
V - W
Vice Media B3
Volkswagen B3
Wal-Mart B1, B2, B3
Warburg Pincus A10
Waymo R6
Wells Fargo A10
Wheeler Real Estate B6
Workday B4

INDEX TO PEOPLE

A - C

Anderle, Mark B13
Ang, Ramon B7
Black, Steve A10
Bolten, Joshua B2
Brown-Philpot, Stacy R4
Calo, Ryan B4
Casey, Michael R4

D - G

De Corral, Andres B12
Devitt, Scott B13
Dimon, James A10, B2
Dubuc, Nancy B3
Dusaniwsky, Ihor B13
Feil, Brian B6
Fornelli, Cindy B7
Fried, Ben R6
Gatta, Greg B13
Gouw, Theresia R1

H - J

Harris, Geoff B6
Harris, Steven B7

M - R

Hastings, Reed B13
Holliday, Marc B6
Huber, Lars B6
Issa, Mazen B13
Jacobs, Irwin B1, B2
Jacobs, Paul B1, B2
Johnson, Bob B12
K - L
Kelly, David B6
Khosla, Vinod R1
Kratsios, Michael B4
Kroll, Jules B7
Kurtz, George R1
LaBelle, Mike B6
Lacob, Joe R2
Left, Andrew B13
Levie, Aaron R4
Lewis, James B1
Liddell, Chris R4
Long, Caitlin R4
S - W
Miskin, Matt B13
Müller, Matthias B3

CHINA

Continued from the prior page

idly to the level of their IPO price until 2014. On Tuesday, they closed at \$34.26; Blackstone's stock has also paid out \$15.56 a share of dividends since the firm went public.

Blackstone's deep relationship with China has also shaped its deal making as it has unloaded billions of dollars of holdings to Chinese buyers, reaping big rewards.

In 2015, Blackstone sold New York's Waldorf Astoria Hotel to Chinese firm Anbang Insurance Group Co. for \$1.95 billion, at the time the highest price ever paid for a U.S. hotel.

The following year, the private-equity firm sold Anbang a portfolio of luxury hotels that it had bought less than a year earlier.

Blackstone turned a profit of about \$500 million on the quick flip.

In February, Chinese regulators seized control of Anbang, saying a receivership was needed to avoid a collapse of

the firm following suspected illegal activity.

The government is now weighing the sale of many of these assets, and softening property markets suggest the buildings are likely worth less than what Anbang paid for them.

Blackstone also sold a 25% stake in Hilton Worldwide Holdings Inc. to Chinese conglomerate HNA Group Co. for \$6.5 billion in 2016. (Hilton spun off two publicly traded companies in which HNA also received a one-quarter stake before the transaction was completed.)

HNA is now in the process of unwinding that investment to help it pay down debt.

It has already sold its \$1.4 billion stake in Park Hotels & Resorts, one Hilton spinoff, and is exploring unloading some or all of its stake in Hilton Grand Vacations Inc., another spinoff, The Wall Street Journal has reported.

Blackstone also has done further deals with CIC. Last year, it sold European warehouse firm Logicor to the sovereign-wealth fund for \$13.8 billion.

quired Broadcom and took on its name. Avago CEO Hock Tan had a reputation for emphasizing cost discipline over R&D.

Irwin Jacobs, who served as Qualcomm's chairman until 2009, said in an interview Monday he and his son had feared Broadcom would curtail research and development and fundamentally change Qualcomm's business.

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Qualcomm's concerns were shared on Capitol Hill. Senate

BUSINESS & FINANCE

Dick's Gun Policy Hits Sales

By AUSTEN HUFFORD

Dick's Sporting Goods Inc. said its decision to no longer sell guns to anyone under 21 years old has hurt traffic and retail sales. The retailer said its move upset some customers and added to headwinds for its hunting and gun business.

Last month, after a Parkland, Fla., high-school shooting left 17 people dead, Dick's and **Walmart** Inc. were among retailers that announced age restrictions on gun sales.

On Tuesday, Dick's said it was surprised by the "outpouring of support" for its new gun policies but also said that some customers were choosing to shop elsewhere.

"Some of those customers that buy firearms, buy other things also," Dick's Chief Executive Edward Stack told analysts on a conference call. "There are just going to be some people who just don't shop us anymore for anything."

Under current law, licensed gun dealers can sell a handgun to someone 21 years old and sell a rifle to someone who is 18. President Donald Trump initially seemed open to raising the age limit for rifle sales, but a plan from his administration to reduce gun violence instead called for funding to train school staffers to carry guns. The plan also called for creating a federal panel to study age restrictions and other potential changes in laws and to make recommendations later.

Dick's said it was hurt by weak overall demand for guns, which affected both competitors and suppliers. Gun maker **Remington Outdoor** Co. is planning to file for bankruptcy protection as early as next week, after it built capacity when gun sales were soaring but then saw sales drop after Mr. Trump took office. Earlier this month, **American Outdoor Brands** Corp. forecast weak firearm sales for at least a year, becoming the latest

gun maker to report disappointing quarterly results.

Dick's said its hunting business posted negative comparable-store sales. The retailer expects the challenges to continue this year, with its new gun policies being an additional burden.

Shares rose 1% Tuesday as the company reported a comparable-store sales decline of 2% in its latest quarter.

Fourth-quarter revenue rose 7.3% to \$2.66 billion, which included an extra week compared with the same period a year earlier.

Dick's earned a profit of \$116 million, or \$1.11 a share, compared with \$90.2 million, or 81 cents a share, in the same period a year before. On an adjusted basis, earnings per share came in at \$1.22, more than the \$1.20 expected from analysts polled by Thomson Reuters.

Dick's also said it would devote less store space to selling electronic fitness trackers, citing falling margins and sales.

CEOs See Strength But Offer A Warning

By SARAH CHANEY

Chief executives of America's largest companies raised their outlook for spending, hiring and sales to the highest level in 15 years in the first quarter after the passage of the U.S. tax overhaul.

While the Business Roundtable CEO Economic Outlook Index reached its highest level in the survey's history, the group warned that recent U.S. trade policy could imperil the gains. The index is a composite of companies' plans for capital spending and hiring, as well as projections for sales, over the next six months.

Small-business owners, in a separate report Tuesday, reported their highest optimism in 35 years in February.

The Business Roundtable survey is the first the group has conducted since the U.S. tax changes were adopted in December. The law included many provisions the Business Roundtable supported, such as a lower corporate tax rate and lighter taxes on many U.S. companies' foreign earnings.

James Dimon, chairman of the Business Roundtable and CEO of **JPMorgan Chase & Co.**, said the survey results are likely to translate into more jobs for Americans. "The historic tax-reform law is already prompting more investment, jobs, high wages and more benefits for workers," he said.

Executives also boosted their projection for growth this year in gross domestic product, predicting a 2.8% rate, above their earlier estimate of 2.5%.

The survey of 137 CEOs at large U.S. businesses was conducted between Feb. 7 and 26.

Joshua Bolten, Business Roundtable president and CEO, said the survey was conducted before the Trump administration's announcement of tariffs on imports of steel and aluminum, which conflict with the Business Roundtable's position in favor of negotiations that would lower tariffs around the world.

"Missteps on important elements of U.S. trade policy will undermine great economic progress," Mr. Bolten said.

In the first quarter, the share of firms planning to increase staff over the next six months rose to 61%, above the 43% of the fourth quarter, while the share of companies planning to ramp up capital investment increased to 68% from 49%. The share expecting sales to increase shot up to 93% this quarter from 76%.

—Cara Lombardo contributed to this article.



BETTMANN ARCHIVE/GETTY IMAGES

GUNS

Continued from the prior page
buyers such as women and expanded globally.

A year later, the company pulled its plan to go public, and signs of cracks began to appear. Cerberus struggled to find a chief executive for Remington with the skills required to oversee the overhaul of gun-and-ammunition factories.

Quirks of gun manufacturing complicated efforts to revamp the company's outdated operations. For instance, Cerberus executives were surprised to learn it would take two years to replace a major piece of equipment used to make ammunition because the machine had gone out of produc-

tion, the person said.

In December 2012, a gunman entered Sandy Hook Elementary School in Newtown, Conn., and killed 20 students and six staff members. The shooter, Adam Lanza, had used a Bushmaster AR-15 rifle.

Cerberus changed Freedom Group's name to Remington, and came under pressure from its investors and the public. The family members of Newtown victims brought a wrongful-death lawsuit against the company. The case is ongoing.

Cerberus tried to sell the business. In 2015 it gave investors the option to sell their stakes, moving Remington into a separate vehicle. About half of those investors sold their stakes, the person familiar with the matter said.

Remington saw a surge in

sales leading up to the 2016 presidential election when Hillary Clinton was widely expected to win. The company had spent more than \$100 million to upgrade facilities.

Following Mr. Trump's victory, gun sales slumped. Executives had both overestimated demand during the Obama boom and underestimated the cooling effect of a Trump presidency on sales, the person said.

While gun-industry sales have dropped, they still remain robust, said Steve Dyer, firearms industry analyst for Minneapolis investment firm Craig-Hallum Capital Group LLC. "It's just that everyone was coming from a place of too much inventory and too much capacity," he said.

—Soma Biswas contributed to this article.

CHECK OUT

WHO JUST CHECKED IN



(Pictured Cocktail: Sunraya Cosmopolitan, mix it from your hotel minibar.)



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CFIUS

Continued from the prior page

considerations not only enabled Qualcomm to turn the tables on Broadcom, but canonized the San Diego company as a sort of national champion essential to battling China's might in the next-generation wireless communications technology known as 5G.

The administration's intervention was all the more unusual because it centered less on Broadcom's origin—it is a Singapore-domiciled company with about half of its employees in the U.S.—than on the idea that its stewardship could undermine Qualcomm's innovative prowess, and by extension U.S. clout against China and its tech juggernaut, **Huawei Technologies** Co.

Qualcomm's U.S. government connection dates back to founding in 1985 by Irwin Jacobs and six others who adapted U.S. military technology known as CDMA, for Code Division Multiple Access, to transmit digital signals over cellphone equipment.

Broadcom was founded six years after Qualcomm in Los Angeles. When Broadcom later sought to move into the business of modem chips—Qualcomm's specialty—it triggered a protracted patent dispute and aroused the ire of Mr. Jacobs and his son, Paul, who thought Broadcom's technology inferior, former employees said.

In 2016, Singapore-based Avago Technologies Ltd. ac-

tained Broadcom and took on its name. Avago CEO Hock Tan had a reputation for emphasizing cost discipline over R&D.

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Qualcomm had suffered setbacks last year, including lawsuits by Apple Inc. and the U.S. Federal Trade Commission alleging it used improper tactics to enforce its dominance on certain smartphone technology. Qualcomm denied those claims, but its stock fell by more than 20% from January through October. Both cases are pending.

Qualcomm's Jan. 29 CFIUS filing laid out its pitch that a Broadcom takeover would weaken Qualcomm—and thereby the U.S., according to one of the people.

CFIUS members already were growing wary of deals with potential national-security ramifications linked to China, and the Trump administration had declared the establishment of a national 5G network a priority.

CFIUS remained divided on whether it could review Broadcom's deal for Qualcomm. Qualcomm wanted it to step in before March 6, when shareholders were to vote on whether to replace six of its 11 directors with nominees put forward by Broadcom, a result that could have sealed the takeover.

Qualcomm's board rejected Broadcom's initial offer as too low and subject to regulatory risks, though it later said Broadcom had agreed to take steps to mitigate those risks.

Qualcomm's concerns were shared on Capitol Hill. Senate

Majority Whip John Cornyn (R

BUSINESS NEWS

VW Amps Up Electric-Car Plans

Auto maker wants to charge past Tesla with growing lineup of battery, hybrid models

BY WILLIAM BOSTON
AND MAX BERNHARD

BERLIN—Volkswagen AG has pulled into Tesla Inc.'s rearview mirror and vowed to overtake the electric-car pioneer with an extensive rollout of battery and hybrid models over the next five years, as well as new production facilities around the world.

The German car maker—which is the largest worldwide, with sales of 10.7 million vehicles last year—said Tuesday that it would build at least 16 new electric-vehicle plants by 2025 in Europe, China and the U.S. The company expects nine of those plants to be in operation by 2020.

One of the plants would be set up at Volkswagen's factory in Chattanooga, Tenn., with five planned for China and the remainder to be added to the three electric-vehicle production sites the company already operates in Europe.

Volkswagen aims to sell three million electric vehicles a year by 2025.

By comparison, Tesla sold 102,807 cars last year, mainly its high-end Model S family sedan and Model X sport-utility vehicle. Production of the Model 3 began last year, but Tesla has struggled to meet production goals. It has taken about 500,000 orders for the Model 3 but is well below its target of building 250,000 cars a year.

On Tuesday, Volkswagen Chief Executive Matthias Müller said his company, which owns a dozen brands including VW, Audi, Porsche, Skoda, Bentley and Lamborghini, would launch a new electric vehicle “virtually every month” starting in 2019.

“This is how we intend to offer the largest fleet of electric vehicles in the world,



Electric cars on a Volkswagen assembly line in Germany last year. The company wants to build 16 new electric-vehicle plants by 2025.

across all brands and regions, in just a few years,” he said at Volkswagen’s annual media conference, according to a news release.

Global demand for electric cars is still only a tiny fraction of new-car sales, and it is far from certain that the huge investments Volkswagen and other car manufacturers are making are going to pay off.

“The absolute numbers are still small,” Mr. Müller told reporters Tuesday. “But that will change at the latest when the

first models of the next e-generation come to market.”

The shift to electric comes after Volkswagen pleaded guilty in 2016 to rigging millions of diesel-powered cars to cheat emissions tests and was forced to pay about \$25 billion in fines, penalties and compensation.

Now, Volkswagen is back to churning out a profit. Its net income more than doubled last year to €11.4 billion (\$14.1 billion), and its revenue rose 6% to €230.7 billion.

For 2018, Volkswagen said

it expects revenue to rise as much as 5%.

The company has already invested nearly half the €50 billion it has earmarked for batteries as it ramps up electric-vehicle output.

It has secured battery supply from China’s **Contemporary Amperex Technology Co.** and South Korea’s **Samsung SDI Co.** and **LG Chem Ltd.**

Traditional auto makers’ aggressive push into the electric-car market is putting pressure on Tesla. While the technology leader is having

trouble boosting production of its Model 3, Volkswagen already has a global network of more than 100 factories and years of experience.

Volkswagen’s new electric-car plants will use standard underlying technology to create greater scale and cut costs.

Using this strategy, Volkswagen’s brands are planning to launch 50 new electric models and 30 new hybrids by 2025, and to create electric versions of the company’s entire range of more than 300 models by 2030.

Walmart To Deliver Groceries To Homes

BY SARAH NASSAUER

Walmart Inc. will offer home delivery of groceries in 100 cities by the end of the year and launch same-day delivery in New York City, adopting a costly model it previously resisted as Amazon, Kroger and Target invest in similar services.

Under the program, online orders will be packed in a Walmart store by company workers and then handed off to a delivery company or startup that uses contract workers to bring orders to homes, said a Walmart spokesman.

Uber Technologies Inc. will be one of the initial partners, expanding a test started in 2016. Other crowdsourced delivery companies will be added later this year, the spokesman said. Walmart currently offers grocery delivery in six cities through Uber and Deliv Inc., a Menlo Park, Calif., firm.

The plan also includes using Jet, the online retailer Walmart purchased in 2016, to offer a same-day grocery-delivery service in New York City to compete with Prime Now, **Amazon.com Inc.**’s one- and two-hour delivery service, said people familiar with the plan.

Jet already delivers food to homes in some cities, but orders arrive via a carrier like FedEx, usually within a few days. Jet aims to expand fast grocery delivery to around 10 large cities where Walmart hasn’t built a store presence like San Francisco, said one of these people, though specifics of the plan aren’t yet set.

Walmart is the biggest U.S. seller of groceries, but its expansion into home-delivery services follows Amazon’s purchase of Whole Foods last year, a combination that spurred several retailers to push delivery services.

Vice CEO Gives Up Role to a Confidante

BY KEACH HAGEY

Shane Smith, the co-founder and most visible face of **Vice Media**, is handing the chief-executive position over to A+E Networks Chief Executive Nancy Dubuc as he steps into the role of executive chairman, the company said on Tuesday.

Ms. Dubuc, who announced her departure from A+E Networks on Monday, has been a board member of Vice and a confidante of Mr. Smith’s for several years. She led A+E Networks’ \$250 million investment in Vice Media, a deal that turned A+E’s History Channel spinoff, H2, into the ViceLand Channel.

“We are a modern day Bonnie and Clyde and we are going to take all your money,” Mr. Smith said in a written statement. He praised Ms. Dubuc as “better than me at everything,” and said her taking over as CEO would allow him to concentrate on “content and deals.”

Ms. Dubuc will seek to help Vice hit revenue targets and turn a profit, goals set by investors who have been frustrated by the company missing its revenue target last year.

In the statement, Mr. Smith said several options are on the table: “Vice needs a best-in-class management team to harness all of this growth and control our destiny, whether it be staying independent, strategically partnering with someone or going public.”

Vice has grown rapidly into the most valuable digital-media company, estimated at \$5.7 billion in its most recent funding round. Ms. Dubuc will need to help evolve an edgy, youthcentric culture that has been accused of being unfriendly to women. The company apologized in December for running a “boys club” after the New York Times reported sexual-harassment allegations against some of its executives.



CHRISTOPHER DROST/SHIFT DIGITAL/ZUMA PRESS

DSW, which has other digital platforms, said quarterly revenue grew 6.7% to \$720 million and comparable sales rose 1.3%.

Shoe Chain Steps Away From Internet Startup

BY IMANI MOISE

Shoe retailer **DSW Inc.** said it is closing its Ebays business, calling it quits on an e-commerce company it bought for \$62.5 million just two years ago.

DSW acquired the parent of retail sites ShoeMetro and ApparelSave in March 2016 in a bid to expand its online presence.

DSW tried to make the investment work by installing new leadership at the business last year. But in November, the company wrote down the value of Ebays by \$52.7 million.

After being unable to find a buyer for Ebays, DSW said it expects to complete a liquidation process in the next few months. The company will book one-time charges related to the exit.

Ebays was a fulfillment business that sold discounted shoes on third-party marketplaces such as Amazon and eBay. On Tuesday morning, ApparelSave’s eBay store and ShoeMetro’s Amazon store showed no inventory.

“The business model for this just wasn’t their core competency and they had bigger fish to fry,” said Sam Poser, an analyst at Susquehanna Financial Group, which helps facilitate

tate DSW stock trades.

Chief Financial Officer Jared Poff said during DSW’s brief stint as owner it gained insights into online marketplace sales it will use to bolster its digital platforms against rivals. Over the past year, the company said its mobile app has grown to have nearly five times more monthly active users.

Many retailers have looked to e-commerce startups to jump-start sales growth and give them an edge in an increasingly digital landscape, but not all deals have paid off. Nordstrom lost \$197 million in 2016 on Trunk Club, which it bought in 2014, and Hudson’s Bay Co. wrote down the value of its division that includes its Gilt business last year.

For its fourth quarter, DSW reported a profit of \$11.7 million, or 15 cents a share, down from \$30.5 million, or 38 cents, a year earlier. Excluding costs related to Ebays, the recent U.S. tax overhaul and other items, earnings grew to 38 cents from 20 cents.

Total revenue grew 6.7% to \$720 million and comparable sales rose 1.3% compared with the 1% expected by analysts polled by Consensus Metrix.

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TECHNOLOGY

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Tech Firms Craft AI Rules

By HEIDI VOGT

WASHINGTON—Technology companies are racing to get ahead of regulators to shape the future of artificial intelligence as it moves deeper into daily life.

Companies are already working AI into their business models, but the technology remains controversial. So **International Business Machines Corp.**, **Intel Corp.** and associations representing **Apple Inc.**, **Facebook Inc.** and **Alphabet Inc.**'s Google unit aim to set a code of conduct through alliances with futurists, civil-rights activists and social scientists.

Critics, however, see it as an effort to blunt outside regulation by cities, states or the federal government, and they question if tech companies are best suited to shape the rules of the road.

For the corporations, the algorithms will be proprietary tools to assess your loan-worthiness, your job application, and your risk of stroke. Many balk at the costs of developing systems that not only learn to make decisions, but also explain those decisions to outsiders.

When New York proposed a law in August requiring companies publish source code for algorithms used by city agencies, tech firms pushed back, saying they needed to protect proprietary information. The



Critics think government regulation is needed. An IBM display at a trade show earlier this year.

city passed a scaled-back version in December without the source-code requirement.

"They're hiding behind trade secrets so you can't even get a look at what people are doing," said Ryan Calo, a University of Washington law professor who has advised Congress members on AI issues.

AI, broadly speaking, refers to computers mimicking intelligent behavior, crunching big data to make judgments on anything from avoiding car accidents to where the next crime might happen.

Yet computer algorithms aren't always clear on their logic. If a computer consistently denies a loan to mem-

bers of a certain sex or race, is that discrimination? Will regulators have the right to examine the algorithm that made the decision?

The Obama administration sought to address these issues, with the Office of Science and Technology Policy issuing white papers on the ethical implications of AI. For now, the Trump administration has signaled it wants business to take the lead. The administration is worried overarching regulation could constrain innovation and make the U.S. less competitive, Michael Kratsios, the deputy in charge of tech policy at the Office of Science and Technology Policy, said at a conference in

February. He noted China's push into artificial intelligence, which it is doing without much ethical quibbling.

In the past six months, Intel, IBM, **Workday Inc.** and the Washington-based Information Technology Industry Council—whose members include Facebook, Apple and Google—all issued principles on the ethical use of artificial intelligence. In January, **Microsoft Corp.** put out an entire book on "Artificial Intelligence and its Role in Society."

In 2016, some of the biggest tech firms formed an ethics-setting group called the Partnership on Artificial Intelligence to Benefit People and Society.

GOOGLE

Continued from page B1
tual currencies has led to scammers using online ads to promote fraudulent cryptocurrency schemes via online ads.

One new tool in the scammer's arsenal is so-called crypto-jacking, or putting lines of code in websites or ads to surreptitiously harness the computing power of the web surfers who look at them. The power is used to mine cryptocurrency, a digital form of money that has no government or central-bank printing it or standing behind it.

Google said last year it removed more than 130 million ads that were used by hackers to mine for cryptocurrency. That is a very small percentage of the ads run on Google's ad network.

The company's director of sustainable ads, Scott Spencer, declined to comment on how much potential ad revenue the company would be turning away by enacting the new policy, saying the decision was made to prevent consumer harm.

The company has long banned ads promoting counterfeit goods or dangerous products, such as weapons or recreational drugs.

Financial regulators are taking a close look at the multibillion-dollar U.S. market for raising funds in cryptocurrencies, raising questions about how these assets may be regu-

lated in the future. The U.S. Securities and Exchange Commission warned earlier this month that cryptocurrency exchanges risk being deemed illegal because they don't disclose how they determine what currencies can be bought and sold on their sites.

In addition to its cryptocurrency ad-policy announcement, Google said in a blog post published Wednesday that it took down more than 3.2 billion ads that violated its wider policies in 2017, such as

Google said last year it removed more than 130 million ads mining for cryptocurrency.

those that attempted to send people to sites loaded with malware or phishing scams. The company said it removed 1.7 billion bad ads in 2016.

Some bad ads did get through its defenses—which comprise a combination of technology and thousands of human content reviewers—but Mr. Spencer said those that slipped through the net can be measured in the hundreds, as opposed to the billions.

Overall, Google said it removed 320,000 publishers from its ad network for violating its various publisher policies in 2017, while about 90,000 websites and 700,000 mobile apps were blacklisted.

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BUSINESS NEWS

Pet's Death Sets Off A Furor For United

By DOUG CAMERON

United Continental Holdings Inc. again angered some fliers on Tuesday after a passenger's dog died in an overhead luggage bin.

The incident on a Monday flight from Houston to New York is a new challenge for United executives trying to rebuild passenger confidence following a series of on-board altercations over the past year.

"This was a tragic accident that should never have occurred, as pets should never be placed in the overhead bin," said a United spokesman. "We assume full responsibility for this tragedy and express our deepest condolences to the family and are committed to supporting them."

Passengers who said they were on the flight expressed frustration with United and the attendant who they say insisted the dog be stowed overhead.

"I heard the dog barking a little and we didn't know it was barking a cry for help," passenger Maggie Gremminger said in a Twitter message. "At the end of the flight the dog was found dead in the carrier. I am heartbroken now."

Ms. Gremminger didn't respond to an interview request.

Airport police forcibly removed a passenger from a United flight at Chicago's O'Hare International Airport last April, prompting lawmakers to call a hearing over the industry's treatment of passengers.

The death later that month of a large rabbit transported in the hold of a United jet flying to the U.S. from the U.K. prompted further tirades on social media.

On Tuesday, United said it was investigating this week's incident involving a dog traveling in the cabin of a flight to New York's La Guardia Airport.

Mediterranean Gas Draws Drillers

U.S. diplomacy clears way for cooperation between Israel, Egypt and other nations

Big oil companies are pushing into Mediterranean waters off Israel, Lebanon and Egypt after years of U.S.

By **Rory Jones** in Tel Aviv, **Sarah Kent** in London and **Bradley Olson** in Houston

diplomacy helped break open a political logjam around giant Middle Eastern natural-gas discoveries.

Exxon Mobil Corp., Royal Dutch Shell PLC, Total SA of France and others are planning to invest in exports and exploration in the Eastern Mediterranean. Their prospects were buoyed by a landmark contract last month between U.S., Israeli and Egyptian firms that breathed new life into the regional market.

Shell is in talks with investors in natural-gas fields off Israel and Cyprus to supply its Egyptian liquefaction facility, according to people familiar with the matter. If the deal advances, it would allow Israel to quickly export some of the extensive reserves of natural gas found in the Mediterranean Sea west of Haifa.

Italy's **Eni SpA** and Total last month announced a new discovery off Cyprus. The two oil giants are also working together to explore in disputed waters off Lebanon. Exxon, too, is set to explore nearby.

The total natural-gas reserves in the waters off Israel, Cyprus and Egypt are estimated at 125 trillion cubic feet, according to Wood Mackenzie, the Scottish energy consultant. That is enough to meet U.S. demand for almost five years.

The flurry of activity comes after years of U.S. diplomacy aimed at knitting together the economies of once-hostile nations such as Israel, Egypt and



A drilling platform off Cyprus, whose waters have attracted Exxon, Total and Eni, among other firms.

PETROS KARADJIS/ASSOCIATED PRESS

Jordan, and developing the Eastern Mediterranean as a natural-gas hub to lessen Europe's dependence on Russian energy. U.S. officials say they have worked to break down resistance among Arab countries to deals with Israel, now ready to tap its natural gas but with few neighbors willing to take its exports.

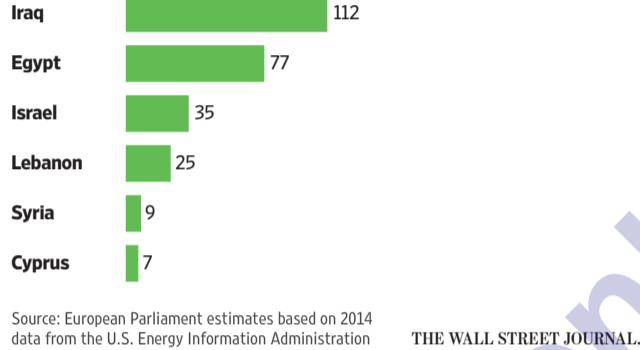
A breakthrough occurred in February when Houston energy firm **Noble Energy Inc.** and its partners signed a \$15 billion agreement to supply gas from two Israeli gas fields—Tamar and Leviathan—to an Egyptian firm. Although Egypt and Israel have had a peace deal for four decades, the idea of depending on Israeli energy exports has long been controversial with the Arab public.

"For Israel to export energy to the Arab world, who could imagine such a situation 20 or 30 years ago?" Israel's energy minister, Yuval Steinitz, said in an interview.

The deal was built on similar agreements between investors in Israeli fields and Jordanian firms brokered by former U.S. Secretary of State John Kerry, people familiar with the

Well-Stocked

Estimated natural-gas reserves (including offshore) in some countries around the Eastern Mediterranean



Source: European Parliament estimates based on 2014 data from the U.S. Energy Information Administration

THE WALL STREET JOURNAL.

matter said. The Trump administration remains engaged in the region's energy affairs, U.S. officials said, though it didn't play a direct role in the most recent deal.

"An initial deal had to be done to breathe confidence into the market," said Bas Percival, an analyst at Wood Mackenzie.

Israeli and Egyptian Mediterranean natural-gas finds have been among the largest in the world over the past de-

cade. But the region was slow to develop because of Israel's disputes with neighbors, local bureaucracy and legal disputes.

Shell, which was long reluctant to do an Israel-Egypt gas deal, is eyeing a 15-year deal worth up to \$30 billion to buy gas from Israeli and Cypriot fields, liquefy it in Egypt and then transport it to Europe and beyond, one person familiar with the matter said.

A spokeswoman for Shell

declined to comment on the potential deal. A spokeswoman for Noble said the company continues to negotiate gas sales with multiple parties for export.

BP has focused on gas discoveries near the Egyptian coast, which a spokesman called "a prolific basin." In the past year, BP has started production at three new fields and is planning to pump gas from another field later this year.

Egyptian gas discoveries have benefited from a large domestic market for gas, with 95 million people and taxi fleets using compressed-natural-gas vehicles.

Elsewhere, though, there are obstacles.

Last month, the Turkish navy blocked a drill ship belonging to Italy's Eni headed for Cyprus. Ankara objects to further exploration offshore Cyprus, which remains divided between an independent European Union nation and a Turkey-dominated offshoot with disputed maritime boundaries.

Exxon and Qatar's state oil company are planning to drill off the shores of Cyprus in the second half of this year, said Exxon spokeswoman Rebecca Arnold. An Exxon ship is en route to the area, Turkish President Recep Tayyip Erdogan's spokesman said last week, adding that Ankara would "take all necessary initiatives to keep protecting" Turkish Cypriots' rights.

Exxon didn't comment on whether a ship was headed there, but said the survey ships will have to complete their work in the next few months.

Meanwhile, efforts by Eni and Total to find gas near Lebanon are running up against maritime disputes with neighboring Israel.

The recent deal between Egyptian companies and the partners in the Leviathan development also still faces transportation hurdles.

—Summer Said in Dubai and Jared Malsin in Cairo contributed to this article.

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THE PROPERTY REPORT

SL Green Is in Sell-and-Buy Mode

REIT sheds property assets and uses the proceeds to purchase its discounted stock

By PETER GRANT

SL Green Realty Corp. is minding the gap.

Like most other real-estate investment trusts, SL Green has suffered an 18-month slump as a gulf widened between its stock-market valuation and the value of the underlying property in its portfolio.

Now, one of New York's largest office landlords is using a strategy to deal with the disconnect: It is selling real-estate assets into the private market at high values and using the proceeds to buy back its own public shares at discounted prices.

The company began repurchasing shares last year and expanded the program in December to \$1.5 billion. Its most recent property sale to fund the program was a 3-acre development site in Brooklyn, which is expected to close this year in a deal that values it at \$115 million.

SL Green also has sold a 27.6% stake in its 1,400-foot-high tower, One Vanderbilt, being developed across the street from Grand Central Terminal, to the National Pension Service of Korea, and a 43% stake in its Times Square office tower at 1515 Broadway to Allianz Real Estate.

"We're in a quirky period where REITs are trading at big discounts," said Marc Holliday, SL Green's chief executive, in an interview. "Buying back your stock is the ultimate expression of your confidence in how cheap your stock is."

So far the strategy has accomplished one of SL Green's main goals of backstopping its share price. On Tuesday, the company's shares closed at \$98.49, down 2.5% for the year.

That was worse than the 3.4% gain for the S&P 500 index but better than the 7.4% decline for the Dow Jones Equity REIT Index.

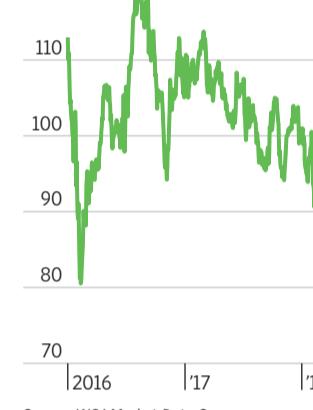
SL Green's strategy hasn't been embraced broadly by the



The company sold a 27.6% stake in a tower being developed near Grand Central Terminal to the National Pension Service of Korea.

Sliding Lower

SL Green Realty share price



Source: WSJ Market Data Group
THE WALL STREET JOURNAL

REIT industry, even though most companies' shares also are trading at discounts.

Steve Sakwa, an analyst with investment bank Evercore ISI, said that the roughly 60 REITs that Evercore covers on average are trading at a 13% discount to asset values. Share repurchases, however,

declined 11% in 2017 compared with 2016, according to an analysis of the 100 largest REITs by S&P Global Market Intelligence.

SL Green has few followers, partly because of the unusual tax structure in the REIT industry. REITs typically don't pay corporate taxes as long as they distribute at least 90% of their income as dividends. But that puts most of them in the position of needing to continually raise capital for such things as paying down debt or expanding or buying properties.

"When you have companies that are trading at 20% discounts to [net asset value], capital becomes even more precious," said Alexander Goldfarb, an analyst with Sandler O'Neill + Partners LP. "It's the classic: When you want a company to do something, they're hesitant to do it because they may need that money elsewhere."

REITs have been unpopular on the stock market lately because of fears of rising interest rates, which raise financ-

ing costs for property owners. Investors, meanwhile, are more prone to shift money from real estate to the debt market when rates rise.

Private investors, by contrast, are willing to pay more for specific properties, partly because they are able to acquire controlling stakes.

"If you own an asset, you have a lot of say over that one building," said Mr. Sakwa. "If you own a slug of SL Green [shares], you're not going to tell them what to do."

The risk for SL Green is that repurchase programs can look ill-timed in retrospect if stock prices fall after companies buy. For example, Macerich Co. repurchased \$1.2 billion of its shares in 2016 and announced a \$500 million program in 2017. The blended repurchase price came to an average of \$71 a share, according to Mr. Sakwa. Its shares are now in the \$58 range.

Some REIT executives believe they can produce greater returns for shareholders by investing capital in new developments rather than buying

back stock. For example, in the past 12 months, Boston Properties Inc. has announced projects valued at \$2.6 billion, with 88% of their commercial spaces pre-leased, said Chief Financial Officer Mike LaBelle.

"Although our stock is trading at a discount to consensus net asset value, we continue to see opportunities to invest our capital in the development of high yielding...projects that will grow our earnings in the future," he said in an email.

SL Green has had the luxury of being able both to develop properties and repurchase shares. Besides One Vanderbilt, projects in the pipeline include a 200,000-square-foot residential tower at 185 Broadway in downtown Manhattan and the redevelopment of 609 Fifth Ave.

Having cash from asset sales has been the key to being able to do this, Mr. Holliday said. The company has raised more than \$1 billion in sales proceeds this year.

"There will be more [sales] in the second half of the year," he said.

PLOTS & PLOYS

COMMERCIAL REAL ESTATE

Study Says Income Generation Is Best

Commercial real estate is a good investment for income but not, as most investors believe, rising property prices, according to a study.

Over the course of a seven-year holding period, apartments and industrial, office and retail space all generated returns in the roughly 7%-to-9% range with no debt used in the investment, according to the study by Mark Eppli, a professor of finance at Marquette University, and Charles Tu, a professor of commercial real estate at the University of San Diego.

Most of those returns came from income generated by the property, not capital appreciation, which measures the value of the property over time but subtracts money spent on upgrades. Apartment buildings delivered the best returns on capital, at 1.97%, and total returns of 9.05%. Industrial space offered the best returns on the income properties generate, at 7.96%.

—Laura Kusisto

RETAIL

Manhattan Landlord Seeks Online Upstarts

Empty storefronts are plaguing a number of Manhattan high-street retail corridors, but one landlord is carving out a niche.

The Feil Organization, a private commercial real-estate firm, has signed four web-based menswear retailers at 488 Madison Ave., making it a destination for shoppers looking to feel the physical products and see how they actually fit.

The landlord recently signed a 10-year lease with Vancouver-based **Indochino**, a retailer of custom-made suits, and a two-year lease with footwear retailer **Jack Irwin**. The two retailers will be joining current tenants Bonobos and Untuckit, also men's clothing retailers.

"We knew the clicks-to-bricks concept was gaining traction and realized, hey, this is a true path we could go down," said Brian Feil, vice president of leasing.

—Esther Fung

Wheeler REIT Halts Dividend Payments

By ESTHER FUNG

Strip malls anchored by grocery stores were supposed to be harbors in a retail storm that is battering landlords across the U.S.

But at least one grocery-anchored real-estate firm is facing stiff challenges.

Wheeler Real Estate Investment Trust Inc. last week said that it has suspended its dividend payout to common shareholders for all of 2018 to pare down debt, marking the first time since 2011 a REIT has canceled a payment.

Wheeler, which owns more than 60 retail centers primar-

The move marks the first time since 2011 that a REIT has canceled a payout.

ily in the Southeast and mid-Atlantic regions of the U.S., said its move would put it in better standing for the long term.

"We are not in crisis mode," said Chief Executive David Kelly in an earnings call last week. The Virginia Beach, Va., REIT distributed dividend payments totaling \$1.44 a share in 2017 and \$1.68 a share in 2016.

REITs must distribute at least 90% of their taxable income as dividends and are generally exempt from paying corporate taxes. Sometimes REITs are forced to reduce dividends, but it is rare for them to eliminate them outright. It is a signal to investors that the company might not be able to generate profits.

"People buy REITs—retirees, retail investors—because they get a dividend," said James E. Williams, senior vice

Development Soars Across Europe

By PETER GRANT

CANNES, France—Building cranes are appearing in greater numbers in some European cities than they have at any other time since the 2008 global financial crisis.

Commercial-property development is on the rise, spurred by Europe's strengthening economy and investors' appetite for real estate, according to experts attending Mipim, a conference known as the Davos of the real-estate industry that opened here on Tuesday. While construction isn't near the frenzied pace it hit in the years leading up to the crash, developers at the conference said their pipelines are increasing.

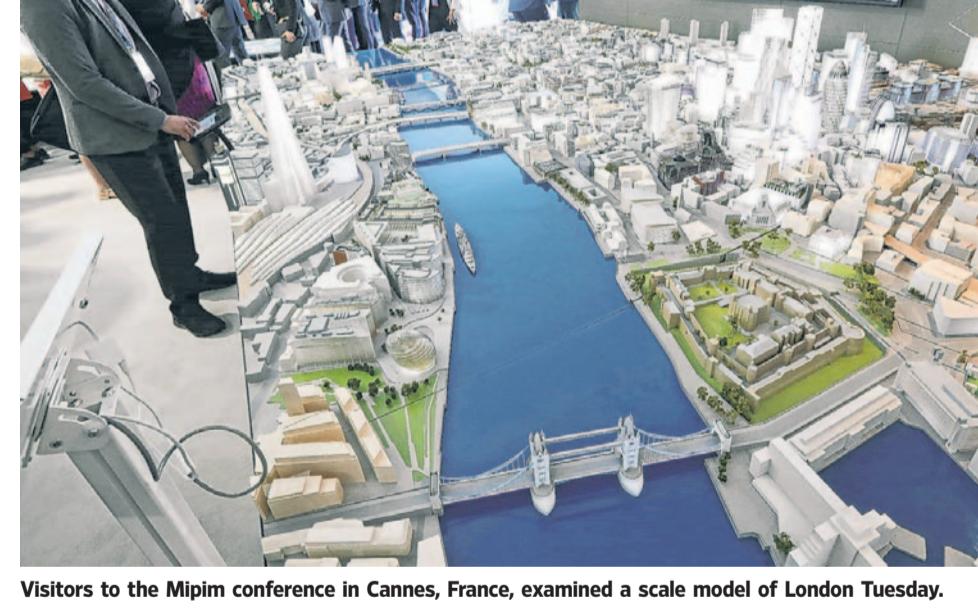
Houston-based Hines, for example, has more than €4 billion (\$4.96 billion) worth of European projects under construction or planned, up from €2.5 billion in 2015, according to Lars Huber, chief executive of Hines's European Region.

Projects include a Jean Nouvel-designed office tower in the La Défense business district of Paris and ZOOM Berlin, a 172,000-square-foot mixed-use project anchored by clothing giant Primark.

"Whether it's Paris or it's Dublin or it's Madrid or Milan, office vacancies have come down and rental rates have gone up," Mr. Huber said.

Large listed companies also are ramping up activity. The French real-estate investment trusts followed by Green Street Advisors are expected to deploy about €2.75 billion in development in 2018 and 2019 each, compared with about €1.75 billion in 2017, according to Jesse Freitag-Akselrod, an analyst with the firm attending the conference.

What's more, sales of sites for future projects are increasing, suggesting the development trend is likely to continue. Site sales volume hit



Visitors to the Mipim conference in Cannes, France, examined a scale model of London Tuesday.

about €13.6 billion in 2017, up 30% from 2016, according to data firm Real Capital Analytics. That is still well shy of the €25 billion worth of development sites purchased in 2007, Real Capital said.

There are causes for concern in some major markets. Uncertainty about how Britain's exit from the European Union will play out in coming years has soured some investors on London—notwithstanding the large sign at the city's conference display proclaiming "#Londonisopen."

Meanwhile, tariffs announced by President Donald Trump have raised the specter of an economic slowdown. "Our macro view is positive. More growth should be there in 2018," said Isabelle Scemama, chief executive of real assets for Axa Investment Managers. "The major risk is coming from politics."

But new development has become more compelling be-

cause commercial values are being pushed to record levels by strong investor demand in some markets. Last year was the third-strongest year for sales levels in Europe, with €293.4 billion worth of real estate trading hands, up 4% from 2016, according to Real Capital.

Deals this year are on track to roughly match 2017's level, the firm said.

At the same time, more construction financing has become available. Large companies are able to borrow for projects in the bond market, while some private developers are finding banks more willing to lend.

"Debt has been a little more forthcoming," said Mr. Huber.

Investment firms are especially focused on office development in Europe because tenants increasingly are asking for flexible space catering to younger workers, which typically isn't available in older buildings.

"Occupiers in terms of office have changed more in the last three years than over the last 10 before it," said Geoff Harris, who heads property development in Europe for TH Real Estate, which has \$109 billion worth of assets under management in 18 countries.

Growth in development and greater leverage have caused pain for the real-estate industry in the past. Mr. Freitag-Akselrod said Green Street found it "quite concerning" that some of the French REITs "aren't lower leveraged as they increase their operational risk."

Still, analysts also point out that new supply has been constrained since the financial crisis, so there is little risk of a glut for now.

Demand and rent trends justify the new development, they said.

"What we're seeing is smart risk-taking," said Mr. Freitag-Akselrod.

BUSINESS NEWS

GE and KPMG Mark 109th Year

Longtime relations for firms and auditors are often the rule; disclosure is required

By MICHAEL RAPORT

A lot is changing at **General Electric** Co. but not its auditor.

CEOs and controversies may come and go at GE, the company can restructure and might even break up, but **KPMG** LLP is forever, or at least it has been for the past 109 years.

The accounting firm and its predecessors have audited GE's books since 1909. GE reaffirmed in its proxy statement Monday that it intends to keep KPMG as its auditor for another year despite all the other issues it has on its plate, including a Securities and Exchange Commission investigation of some aspects of its accounting.

But the GE-KPMG relationship is the rule, not the exception.

Companies tend to stay with the same auditor for decades, or longer, as a new regulation requiring disclosure of auditor tenure is reminding investors.

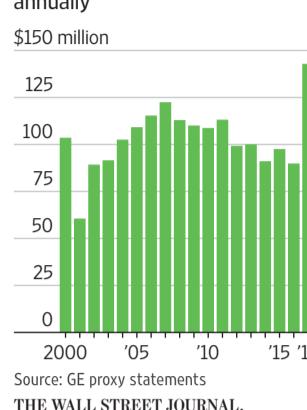
Half the 30 companies in the Dow Jones Industrial Average have used the same auditor since at least the mid-1960s, and only two have switched to new auditors in the past 15 years. **Procter & Gamble** Co. has used **Deloitte & Touche** LLP and its predecessors since the consumer-products company was incorporated in 1890.

Many observers believe a long-tenured auditor can get too cozy with a client, interfering with its ability to perform a tough, impartial audit. But companies and auditors say it's better to have a long-time auditor that knows the company well, instead of having to get a new one up to speed.

GE said in its proxy that its long relationship with KPMG benefits the company through "institutional knowledge" and

In the Books

How much GE has paid KPMG for audit and all other services, annually



Source: GE proxy statements
THE WALL STREET JOURNAL.

addressed the issue of long-tenured auditors by requiring companies to change auditors periodically, known as auditor rotation. In the U.K., **Barclays** PLC decided in 2015 to switch to KPMG from **PricewaterhouseCoopers** in order to comply with regulators' limits on audit tenure. PwC and its predecessors had audited Barclays since 1896.

In the U.S., the Public Company Accounting Oversight Board, the industry's regulator, publicly mulled the idea of auditor rotation several years ago, but fierce pushback from the industry and Congress prompted the regulator to shelve it.

"There is little evidence that mandatory firm rotation improves audit quality or otherwise benefits investors," said Cindy Fornelli of the Center for Audit Quality, which represents auditors of public companies.

Research by consulting firm Audit Analytics has found that changing auditors has advantages and disadvantages: The

number of restatements a new auditor helps prompt by uncovering problems a previous auditor failed to detect is roughly the same as the number that occur because of the new auditor's lack of familiarity with the company and its industry.

What the PCAOB has done instead is to require auditors to disclose how long they've worked for a client. Some auditors and companies already disclose that information, but the new rule, which took effect this year, requires it of everyone and puts the disclosure in a standard place: the auditor's report assessing the accuracy of a company's financial statements that is included in each company's annual report.

For investors, auditor tenure is "an important data point in making their investment decisions and assessing the potential risks to the objectivity of the auditor," said Steven Harris, then a member of the PCAOB, when the board adopted the requirement last June.

Duff & Phelps Agrees to Buy Kroll

By GUNJAN BANERJI

Duff & Phelps Corp. said it would buy investigations and risk-consulting firm **Kroll Inc.**, the latest in a series of acquisitions by the U.S. corporate-finance adviser.

Kroll, currently owned by **Corporate Risk Holdings LLC**, provides compliance and cybersecurity services to corporate clients.

Founded in 1972, the company was started by Jules Kroll, who also established in 2010 **Kroll Bond Rating Agency**, a separate company, and **K2 Intelligence**, another investigations firm.

Kroll will help Duff & Phelps expand its presence globally, particularly in Europe and Latin America, according to a news release.

The combined firm will have almost 3,500 employees. The firms didn't disclose the terms of the deal, which is expected to close in the second quarter, subject to regulatory approval.

Duff & Phelps Chief Executive Noah Gottsdiner said in an emailed statement to The Wall Street Journal that the firm will be a "market leader in valuation, disputes and investigations, corporate finance, compliance and cyber advisory."

Privately held Duff & Phelps is best known for its valuation services for government entities, hedge funds and public companies.

It was an adviser in Lehman Brothers Holdings Inc.'s bankruptcy, and has given advice to the U.S. Congressional Oversight Committee's Troubled Asset Relief Program effort.

Philippine Tycoon Plans \$3 Billion Share Sale in San Miguel Food and Beverage Unit

One of the Philippines's richest men is seeking to raise as much as \$3 billion through a proposed share sale of **San Miguel** Corp.'s food-and-beverage business in the third quarter of this year, people familiar with the deal said.

The conglomerate, which owns the country's most popular beer brand and other businesses, has hired **JPMorgan Chase & Co.**, **UBS Group AG** and **Morgan Stanley**, among other banks, to conduct the sale, the people said.

If successful, the sale will be one of the biggest offerings on record in the Philippines, one of Asia's fastest-growing econo-

mies. The Philippine economy is dominated by a small number of conglomerates, and deal activity has slowed in recent years.

San Miguel is controlled by Philippine billionaire Ramon Ang, the country's 10th-richest man, according to Forbes, with a net worth of about \$2.4 billion.

The company, which is listed on the Philippine Stock Exchange with a market capitalization of \$6.5 billion, is in the midst of restructuring its food-and-beverage businesses. Last year, it combined the businesses under San Miguel Food & Beverage Inc.

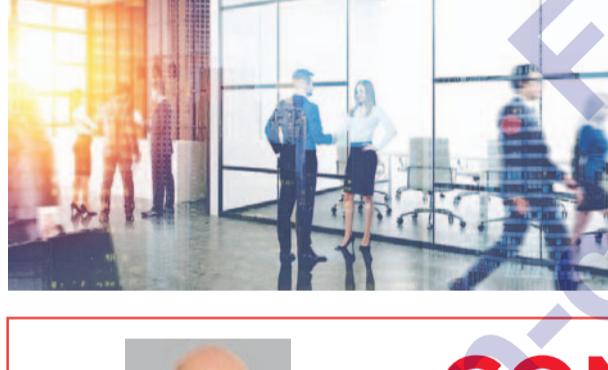
—P.R. Venkat and Jake Maxwell Watts



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Augustus Field

Drew Flood

Gary Gabriel

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Travis Trautvetter

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq (ISE).

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
I-New 52-week high.
I-New 52-week low.
dd-Loss in the most recent four quarters.
df-First day of trading.
h-Does not meet continued listing standards.
lf-Late filing.
q-Temporary exemption from Nasdaq requirements.
v-Trading halted on primary market.
vi-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, March 13, 2018			Net		
Stock	Sym Close	Chg	Stock	Sym Close	Chg
A B C					
ABB	ABB	.24-.23	Apartmtnv	AIV	.40-.05
AES	AES	.67-.07	ApolloGblMgmt	APO	.33-.01
Aflac	AFL	.95-.08	Apple	AAPL	.79-.17
AGNC Inv	AGNC	.18-.09	Aramark	ARM	.32-.04
ANGI Homesvc	ANGI	.15-.08	ArchelMittal	MT	.32-.05
Ansys	ANSS	.167-.25	ArchCap	ACGL	.85-.43
ASML	ASML	.208-.02	ArcherDaniels	ADM	.44-.24
AT&T	T	.37-.03	Autodesk	ADSK	.360-.00
AbbottLabs	ABT	.63-.20	Autohome	ATHM	.33-.61
AbbVie	ABV	.119-.75	ArrowElec	ARW	.31-.26
Albomed	ABMD	.293-.17	AstraZeneca	AZN	.33-.02
Accenture	ACN	.162-.49	AutoZone	AZO	.650-.09
ActivisionBlz	ATVI	.75-.93	AvalonBay	AVB	.162-.50
AcuityBrands	AYI	.151-.08	Aten	ATH	.51-.49
AdobeSystems	ADBE	.219-.18	AtmosEnergy	ATO	.81-.02
AdvanceAuto	AAP	.119-.00	Autodesk	ADSK	.360-.00
AdvMicroDevices	AMD	.114-.02	Automech	ATHM	.356-.07
AdvSemiEng	ASX	.731-.06	Autoliv	ALV	.150-.28
Aegon	AEG	.68-.06	Autovl	ADP	.117-.39
AerCap	AER	.49-.63	AutoZone	AZO	.650-.09
Aetna	AET	.177-.44	AvailonBay	AVB	.162-.50
AffiliatedMtrs	AMG	.194-.05	Avgard	AGR	.49-.08
AgilentTechs	A	.68-.03	AveryDenison	AVY	.115-.91
AgnicoEagle	AEM	.3951-.05	AxialCoating	AXTA	.31-.51
AirProducts	APD	.1703-.05	BB&T	BBT	.55-.38
AkamaiTech	AKAM	.730-.16	BCE	BCE	.42-.23
AlaskaAir	ALK	.6879-.31	BHPBilliton	BHP	.44-.80
Albermarle	ALB	.10313-.14	BP	BP	.35-.30
Alcoa	AA	.4854-.23	BRF	BRFS	.26-.02
AlexandriaRst	ADR	.32263-.53	BT Group	BT	.1616-.04
AlexionPharm	ALXN	.1208-.60	BWXT	BWXT	.1360-.00
Alibaba	BABA	.18841-.43	BWX Tech	BWXT	.238-.00
AlignTech	ALGN	.6971-.50	Baidu	BIDU	.25835-.73
Alkermes	ALKS	.6035-.18	BakerHughes	BHGE	.305-.04
Alleghany	Y	.62877-.28	Ball	BL	.4162-.03
Allelon	ALLE	.8609-.13	BankBilbaoVizc	BVBA	.820-.03
Allergan	AGN	.16313-.47	BankAmericade	BK	.10293-.03
AllianceData	ADD	.32263-.53	BankChile	BCH	.10293-.03
AlliantEnergy	LNT	.30-.30	BankMacr	BANK	.109-.97
Allstate	ALL	.9641-.56	BankofAmerica	BAC	.3236-.04
AllyFinancial	ALLY	.2257-.13	BankofMontreal	BMO	.7561-.03
Alphabet	A	.COOG11391-.26	BankNY Mellon	BK	.5596-.04
Alphabet C	GOOG	.13817-.26	BankofOzarks	BOKF	.100-.49
Alphatech	ATU	.205-.34	BarclayCard	ABX	.1722-.05
AlticeUSA	ATC	.6613-.06	BarclayCard	ABX	.1722-.05
Altiris	MO	.6613-.06	BarclayCard	ABX	.1722-.05
AlumofChina	ACH	.1451-.012	BarclayCard	ABX	.1722-.05
Amazon	AMZN	.158818-.10	BarclayCard	ABX	.1722-.05
Ambev	ABEV	.728-.02	BarclayCard	ABX	.1722-.05
Amdocs	DOX	.6859-.035	BarterXinter	BEST	.7152-.053
Americo	UHAL	.34017-.37	BarclayCard	ABX	.1722-.05
Ameren	AEE	.5409-.04	BarclayCard	ABX	.1722-.05
AmericaMovil	AMX	.1935-.02	BarclayCard	ABX	.1722-.05
AmericaMovil A	AMOV	.1946-.044	BarclayCard	ABX	.1722-.05
Ameriprise	AMP	.15891-.097	BarclayCard	ABX	.1722-.05
AmersourceBrgn	ABC	.10061-.031	BarclayCard	ABX	.1722-.05
Amtek	AME	.7838-.03	BlackRock	BLK	.5646-.07
Amgen	AMGN	.18795-.045	BlackStone	BS	.3426-.017
Amphenol	APH	.9251-.015	BlueBuffaloPet	BUFF	.3986-.001
AnadarkoPetrol	APC	.5585-.018	Bluebird	BLUE	.22335-.97
AnalogDevices	ADI	.9464-.087	Boeing	BA	.33867-.552
Andeavor	ADRV	.9857-.142	BookingHds	BKNG	.20709-.369
AndeavorLog	ANDX	.4753-.001	BorgWarner	BWA	.5083-.06
AB InBev	BUD	.11470-.090	BostonProps	BXP	.1256-.030
AnnalyCap	NLY	.1057-.009	BostonSci	BSX	.2843-.011
AnteroResources	AR	.2082-.004	Braskem	BAK	.2930-.032
Anthren	ANTM	.23022-.036	BrightHdwFin	BHF	.5346-.032
Aon	AON	.1459-.035	BristolMyers	BMY	.6648-.027
Apache	APA	.3546-.035	Brownfield	BTF	.5284-.078

Stock	Sym Close	Net Chg	Stock	Sym Close	Net Chg
CincinnatiFin	CINF	.7508-.016	Cintas	CTAS	.17613-.048
Equinix	EQIX	.40542-.1007	Citigroup	C	.74911-.111
EquityLife	ELS	.8558-.037	CitizensFin	CFG	.4516-.039
EquityResntd	EQR	.5937-.013	CitrixSystems	CTXS	.9560-.028
Ericsson	ERIC	.675-.009	Clorox	CLX	.13119-.027
EssexProp	ESS	.23805-.069	ConEd	ED	.14578-.041
EsteeLauder	EL	.26177-.038	Coca-Cola	KO	.4457-.004
EversourceEner	ES	.5668-.038	Coca-Cola Femsa	KOF	.6788-.091
Exelixis	EXEL	.2480-.002	Cognex	CGNX	.5493-.138
Exelon	EXC	.3744-.009	ColgatePalm	CL	.7087-.025
Expedia	EXPD	.10953-.491	Comcast A	CMSA	.3643-.053
ExpeditorsIntl	EXPD	.06506-.125	CommerceCkrs	CBSH	.6111-.015
ExpressScripts	SRX	.7700-.125	CommScope	COMM	.4046-.006
ExtraSpaceSt	EXR	.8791-.035	SABESP	SBS	.11167-.006
ExxonMobil	XOM	.7453-.071	ConEd	ED	.7549-.020
F5Networks	FFIV	.14784-.002	Conocophillips	COP	.5356-.049
FMC	FMC	.8378-.010	ConocoPhillips	COP	.4207-.027
Facebook	FB	.18188-.288	Concordia	CRD	.3627-.059
Fastenal	FDS	.21244-.088	Corning	GLW	.2984-.000
FederalRealty	FAST	.5756-.075	Corporation	CPRT	.3636-.033
FedEx	FDX	.25077-.423	Costco	COST	.18746-.161
FiatChrysler	FCAU	.21131-.069	Coty	COTY	.19520-.001
FibraCellulose	FBR	.2131-.019	CreditCorp	BAD	.22057-.001
FitNatInfo	FIN	.3839-.049	CreditCorp	BAD	.22057-.001
FifthThirdBncp	FITB	.3406-.024	CreditCorp	BAD	.22057-.001
Flite	FLT	.20780-.089	CreditCorp	BAD	.22057-.001
Flex	FLEX	.1880-.012	CreditCorp	BAD	.22057-.001
FlxSystems	FLIR	.5137-.015	CreditCorp	BAD	.22057-.001
Flowserve	FLS	.4460-.056	CreditCorp	BAD	.22057-.001
Fluor	FLR	.5783-.045	CreditCorp	BAD	.22057-.001
FomentoComEx	FNC	.9327-.070	CreditCorp	BAD	.22057-.001
FordMotor	F	.1078-.024	CreditCorp	BAD	.22057-.001
Fortinet	FTNT	.5425-.043	CreditCorp	BAD	.22057-.001
Fortive	FTV	.33211-.036	CreditCorp	BAD	.22057-.001
FortBrandHome	FBHS	.6257-.019	CreditCorp	BAD	.22057-.001
FranceNevada	FNIV	.6932-.023	CreditCorp	BAD	.22057-.001
FranklinRcs	BEN	.3942-.041	CreditCorp	BAD	.22057-.001
FreeportMcMoRan	FP	.1848-.008	CreditCorp	BAD	.22057-.001
FreseniusMed	FMS	.5154-.099	CreditCorp	BAD	.22057-.001

BIGGEST 1,000 STOCKS

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Continued From Page B8																							
Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
LambWeston LW	56.47	-0.79	MarathonPetrol MPC	NKTR	103.16	0.09	PTC	PTC	79.48	-0.92	RSP Permian RSP	41.22	-0.21	ServiceCorp SCI	38.97	-0.26	TJX TJX	82.30	-0.32	UBS Group UBS	81.03	-0.22	
LasVegas Sands LVS	38.36	-1.77	MarketAxess MTXK	223.97	0.82	NetApp NTAP	64.83	0.30	PVH PVH	143.34	0.02	RalphLauren RL	107.32	-0.16	ServiceMaster SERV	50.87	-0.73	T-Mobile US TMUS	64.98	0.43	UDR UDR	35.41	-0.09
Lazard LAZ	55.68	-1.14	Marriott MAR	141.75	-0.06	NetEase NTES	311.62	-2.67	Paccar PAKC	67.38	-0.36	RandgoldRscs GOLD	84.37	0.81	ServiceNow NOW	173.96	-0.47	TRWaePrice TROW	116.97	-0.12	UGI UGI	44.19	-0.19
Lear LEA	191.28	1.81	Marsh&McLennan MMC	84.62	-0.29	Netflix NFLX	315.88	-5.42	PackagingCpAm PKG	120.23	0.17	RaymondJames RJF	97.25	-0.99	ShawComm B SJR	19.05	-0.43	TableauSoftw DATA	84.22	-2.19	US Foods SHW	30.01	-0.19
Leggett&Platt LEG	47.02	0.15	MartinMarietta MLM	210.32	0.60	NewOrientalEduc NEDU	91.35	-3.46	PaxWestBancorp PACW	52.91	-0.48	Raytheon RTN	210.62	0.58	Shewilliams SHW	413.77	-1.48	TaiwanSemicon TSM	44.99	-0.23	UltraBeauty ULTA	248.78	-2.77
Leidos LDOS	69.30	-0.04	MarvellTech MRVL	22.94	-1.43	NY CmtyBcp NYCB	148.38	-0.08	PaloAltoNetwks PANW	188.24	-1.29	RealHtyCom REH	153.95	-1.13	ShinhainFin SHG	41.85	-1.29	TakeTwoSoftware TTWO	113.49	-2.25	UltiSoftware ULTI	22.28	-0.25
Lennar LEN	60.56	-0.13	Mastercard MA	181.01	-1.53	NewmontMin NWL	28.60	-0.39	ParkHotels PK	27.04	0.04	RegencyCtrs REG	59.20	-0.18	Shopify SHOP	145.32	-2.83	TargaResources TRGP	47.14	0.43	UnderArmour A UAA	16.56	-0.62
LennovIntl LII	212.24	0.62	Maximint MTC	45.43	-0.17	NewsCorp B NWLS	16.65	-0.10	ParsleyEnergy PE	26.82	0.05	RegionsFin RF	19.71	-0.21	RegenPharm REGN	337.75	-6.80	Target TGT	71.17	0.50	Wayfair W	81.36	-0.64
LeucadiaBatt LUX	24.30	-0.20	MaximintMIXX MXIV	62.19	-1.30	NewsCorp A NWSA	16.57	-0.08	Paychex PAYX	66.72	0.22	ReinsGrp RGA	159.14	-0.06	ServiceNowNow NOW	173.96	-0.47	Unilever UN	53.87	-1.02	Weibo WB	131.13	0.45
LibertyBroadbandCB LIBX	90.20	-2.42	McCormick MKC	112.92	0.93	NextEraEnergy NEE	154.67	-0.48	PaycomSoftware PAYC	109.52	-0.68	RelianceSteel RSG	93.29	-0.57	ShawComm B SJR	19.05	-0.43	TechnipFMC FTI	27.35	0.17	WellCareHealth WCG	194.31	0.59
LibertyBroadbandCB LIBX	89.35	-2.18	McCormick MKC	110.74	0.05	Neurocrine NBIX	90.36	-0.23	PayPal PYPL	80.20	-0.40	ScherkersUSA SKX	40.93	0.48	TableauSoftw DATA	84.22	-2.19	WellsFargo WFC	57.56	-0.46			
LibertyGlobal A LIBTY	32.90	-0.53	McDonalds MCD	158.22	0.48	NIsource NI	23.14	-0.65	Pearson PSON	10.56	-0.04	RelianceSteel RSG	93.29	-0.57	TabletCoArgent TEO	33.59	-0.99	WestelComms WCN	75.55	-0.23			
LibertyGlobal A LIBTY	31.73	-0.91	McKesson MCK	157.69	-0.11	NobleEnergy NBL	30.18	-0.79	PembinaPiping PBL	31.94	-0.77	RestaurantsBrands QSR	57.42	-0.17	TelecomItalia TI	9.87	-0.30	WestMtnPhsics WST	92.07	0.06			
LibertyGlobal A LIBTY	32.93	-0.96	MicroFocus MFGB	27.55	-0.22	Nokia NOK	5.86	-0.07	Pentair PNT	69.97	-1.22	SmithsNephew SNN	313.57	0.02	TelecomItalia TDY	18.54	-0.15	WestStarEnergy WR	49.91	0.18			
LibertyGlobal A LIBTY	27.65	0.26	MicrochipTech MCHI	98.02	-2.21	Novartis NVS	82.26	-0.24	Pentair PNT	69.97	-1.22	Smucker SJM	131.53	0.22	UnitedEnters UTS	109.33	0.42	WestAllianceBcp WAL	60.05	0.15			
LibertyOne CFWONK	32.47	-0.60	Microsemi MSCC	66.45	-0.48	NovoNordisk NOVO	50.33	-0.54	PepsiCo PEP	113.60	0.85	RobertHalf RHI	59.13	-0.21	UnderArmour UAA	14.58	-0.66	WesternDigital WDC	102.91	0.05			
LincolnElectric LECO	79.38	0.71	Microsoft MSFT	94.41	-2.36	Novum NUE	67.53	-0.16	PerkinElmer PKI	78.08	-0.70	RockwellCollins COL	136.04	-0.39	Unilever UN	53.87	-1.02	WesternGasEquity WGP	36.24	0.13			
LincolnNational LNC	77.88	-0.57	MitsuiMitsubishi MTX	12.00	-3.91	NorthropGrumman NOG	108.55	-0.96	Perrigo PRGO	86.51	0.37	RogersComm B RCI	45.07	-0.41	UnivTech UTX	130.15	-1.35	WesternGasPnts WES	47.16	-0.05			
LionsGate B LGFB	27.62	-0.31	MitellTech MTD	47.10	0.08	NorthropGrumman NOG	108.55	-0.96	PetroChina PETR	68.05	-0.73	Rolling ROL	52.23	-0.59	UnitedHealthGroup UNH	126.94	4.17	WesternUnion WU	20.37	0.24			
LionsGate A LGFA	29.47	-0.20	MitellTech MTD	47.10	0.08	NotableNutr NUTX	53.04	1.56	PinnacleFoods PF	109.53	-0.73	Rolling ROL	52.23	-0.59	UnitedHealthGroup UNH	126.94	4.17	WestelComms WCN	75.55	-0.23			
LiveNationEnt LYV	4.55	-0.03	Mondelez MDLZ	89.47	0.13	Novartis NVS	82.26	-0.65	PioneerNatRsrcs PXK	169.50	-1.63	Ryanair RYAA	123.57	0.59	TelecomItalia TDY	192.22	-0.71	WestStarBanking WBK	23.46	-0.21			
LloydsBanking LYX	3.88	-0.03	MonteroBsns MON	58.69	0.26	Novartis NVS	82.26	-0.65	PlainsAllPipe PAAC	109.53	-0.73	Ryanair RYAA	123.57	0.59	TeladyneTech TDL	18.54	-0.15	WesternDigital WDC	102.91	0.05			
LockheedMartin LMT	333.46	0.36	MotorolaSols MTS	109.21	-0.37	Novartis NVS	82.26	-0.65	PlainsAllPipe PAAC	109.53	-0.73	Ryanair RYAA	123.57	0.59	WesternGasEquity WGP	36.24	0.13	WesternGasPnts WES	47.16	-0.05			
Loews L	51.24	-0.27	Mosai MOS	27.61	-0.01	Novartis NVS	82.26	-0.65	PlatinumEnergy PR	107.24	-0.10	Ryanair RYAA	123.57	0.59	WesternGasEquity WGP	36.24	0.13	WesternGasPnts WES	47.16	-0.05			
LogicInt'l LOGI	38.35	-0.47	Mylan MYL	42.35	-0.43	Novartis NVS	82.26	-0.65	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
LogMeIn LOGI	127.50	-0.25	Mondelēz MDLZ	44.04	-0.35	Oncor OSK	79.37	-0.46	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
Lowe's LOW	86.14	-1.54	MidAmPmtd MID	89.47	0.13	OrbitaATK OA	132.12	-0.19	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
lululemon LULU	79.80	-0.53	MitsubishiMfg MTX	12.13	-1.19	OrbitaATK OA	132.12	-0.19	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
LyondellBasell LYB	110.34	-0.80	MitsubishiMfg MTX	12.13	-1.19	OrbitaATK OA	132.12	-0.19	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
M&T MTB	193.05	-1.86	MitsubishiMfg MTX	12.13	-1.19	OrbitaATK OA	132.12	-0.19	Ryanair RYAA	123.57	0.59	Verizon VZ	123.20	-1.04	WesternGasEquity WGP	36.24	0.13	WesternGasEquity WGP	36.24	0.13			
M&T MTB	193.05	-1.86	MitsubishiMfg MTX	12.13																			

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Open	High	hilo	Low	Settle	Chg	interest		
Copper-High (CME) -25,000 lbs.; \$ per lb.								
March 3,1005	3,1215	3,0930	3,1190	0,0150	2,532			
May 3,1210	3,1445	3,1025	3,1380	0,0140	143,741			
Gold (CMX) -100 troy oz.; \$ per troy oz.								
March 1,323,30	1,328,80	1,327,80	1,327,10	6,30	251,529			
June 1,329,30	1,334,60	1,320,00	1,333,00	6,30	159,324			
Aug 1,336,20	1,340,40	1,326,90	1,338,90	6,40	37,360			
Oct 1,343,60	1,345,50	1,341,20	1,344,70	6,40	5,721			
Dec 1,347,20	1,352,20	1,341,60	1,350,80	6,40	39,714			
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
March 974,53	995,35	2,295	12					
June 974,75	993,35	971,05	991,60	23,95	23,591			
Sept 967,90	985,20	967,00	985,50	23,35	1,009			
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
April 964,70	972,90	961,90	967,30	4,40	58,788			
July 969,70	977,70	967,80	972,20	4,20	20,278			
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
March 16,495	16,560	16,460	16,559	0,088	399			
May 16,535	16,690	16,465	16,627	0,091	143,810			
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
April 61,28	61,97	60,27	61,71	-0,65	228,921			
May 61,34	61,97	60,29	60,75	-0,58	420,060			
June 61,16	61,81	60,20	60,65	-0,51	329,166			
July 60,78	61,52	59,96	60,41	-0,46	122,261			
Sept 60,00	60,72	59,91	59,67	-0,39	141,990			
Dec 58,82	59,54	58,09	58,56	-0,31	242,264			
NY Harbor USD (NYM) -42,000 gal.; \$ per gal.								
April 1,867,2	1,8900	1,8466	1,8739	0,092	79,430			
May 1,870,0	1,8933	1,8511	1,8769	0,082	87,809			
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
April 1,8960	1,9077	1,8754	1,8863	-0,077	87,801			
May 1,9104	1,9218	1,8730	1,9000	-0,086	122,215			
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.								
April 2,785	2,811	2,776	2,786	,008	209,795			
May 2,808	2,831	2,797	2,809	,009	277,255			

Open	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
June 2,852	2,873	2,842	2,856	,010	86,540			
July 2,900	2,919	2,890	2,905	,011	119,809			
Sept 2,889	2,908	2,883	2,897	,011	78,502			
Oct 2,901	2,919	2,893	2,908	,010	128,953			

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.								
March 383,75	388,75	▲	383,50	385,50	1,25	2,686		
May 390,00	395,25	▲	389,75	391,75	1,00	731,483		
June 392,00	397,00	392,00	395,00	398,00	1,25	1,009		
Sept 395,00	400,00	395,00	398,00	401,00	1,25	1,009		
Oct 397,00	402,00	397,00	400,00	403,00	1,25	1,009		

Oats (CBT) -5,000 bu.; cents per bu.								
March 262,00	262,00	260,00	258,00	-0,75	1			
May 265,25	266,50	262,75	263,25	,50	4,738			
June 267,00	268,00	265,00	267,00	,00	2,000			
Sept 269,00	270,00	267,00	270,00	,00	2,000			
Oct 270,00	271,00	267,00	270,00	,00	2,000			

Soybeans (CBT) -5,000 bu.; cents per bu.								
March 103,50	104,35	103,50	104,50	7,25	1,629			
May 104,50	105,00	104,25	104,87	7,75	403,666			
June 105,00	105,50	104,25	105,00	8,00	403,666			
Sept 105,50	106,00	105,00	106,00	8,00	403,666			
Oct 106,00	106,50	105,00	106,50	8,00	403,666			

Soybean Meal (CBT) -100 tons; \$ per ton.								
March 371,80	374,40	369,70	372,30	5,20	195			
May 370,60	377,50	370,60	375,50	5,10	217,083			
June 372,00	379,00	372,00	379,00	5,10	217,083			
Sept 372,00	379,00	372,00	379,00	5,10	217,083			
Oct 372,00	379,00	372,00	379,00	5,10	217,083			

Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
March 31,92	32,02	31,88	32,02	,46	21			
May 31,75	32,25	31,68	32,22	,47	246,566			
June 31,75	32,25	31,68	32,22	,47	246,566			
Sept 31,75	32,25	31,68	32,22	,47	246,566</			

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Bars measure the point change from session's open

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Latest		Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
	High	Low			High	Low		
Dow Jones								
Industrial Average	25376.40	24947.50	25007.03	-171.58	-0.68	26616.71	20404.49	20.0
Transportation Avg	10837.51	10737.41	10758.38	51.45	0.48	11373.38	8783.74	17.9
Utility Average	681.19	671.25	677.62	2.28	0.34	774.47	647.90	-1.9
Total Stock Market	28996.83	28572.58	28635.48	-180.19	-0.63	29630.47	24125.20	17.0
Barron's 400	747.47	738.56	739.78	-3.06	-0.41	757.37	610.89	19.0
Nasdaq Stock Market								
Nasdaq Composite	7637.27	7492.98	7511.01	-77.31	-1.02	7588.32	5793.83	28.2
Nasdaq 100	7186.09	7025.83	7046.51	-84.61	-1.19	7131.12	5332.53	30.9
S&P								
500 Index	2801.90	2758.68	2765.31	-17.71	-0.64	2872.87	2328.95	16.9
MidCap 400	1960.21	1936.88	1940.47	-10.77	-0.55	1995.23	1681.04	13.7
SmallCap 600	979.52	969.29	970.47	-3.66	-0.38	979.57	815.62	17.0
Other Indexes								
Russell 2000	1609.05	1590.11	1592.05	-9.00	-0.56	1610.71	1345.24	16.9
NYSE Composite	12963.09	12809.07	12831.75	-66.65	-0.52	13637.02	11324.53	12.0
Value Line	572.09	565.82	566.66	-2.87	-0.50	589.69	503.24	10.5
NYSE Arca Biotech	4931.10	4852.24	4865.41	-33.75	-0.69	4939.86	3449.61	36.0
NYSE Arca Pharma	553.41	548.34	549.61	0.47	0.09	593.12	498.46	7.3
KWB Bank	116.07	113.88	114.18	-1.34	-1.16	116.52	88.02	18.3
PHLX® Gold/Silver	80.49	79.42	79.70	0.03	0.04	93.26	76.42	2.2
PHLX® Oil Service	140.81	137.50	138.18	-1.77	-1.27	171.55	117.79	-16.4
PHLX® Semiconductor	1464.61	1417.46	1423.46	-22.44	-1.55	1445.90	960.01	42.9
Cboe Volatility	16.98	15.03	16.35	0.57	3.61	37.32	9.14	32.9

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Energy Transfer Equity	ETE	12,586.6	15.34	...	unch.	15.35	15.25
SPDR S&P 500	SPY	11,049.7	276.16	-0.56	-0.20	278.48	267.17
Enterprise Pdts Partners	EPD	7,596.6	26.03	...	unch.	26.03	26.03
Endo International	ENDP	6,419.9	6.95	-0.06	-0.86	7.01	6.95
Blackstone Group	BX	5,843.3	34.11	-0.15	-0.44	34.29	34.10
Energy Transfer Partners	ETP	5,561.6	17.91	...	unch.	17.97	17.84
Pfizer	PFE	4,764.5	36.75	...	unch.	36.83	36.64
DowDuPont	DWDP	4,045.0	70.57	...	unch.	70.85	69.99

Percentage gainers...

RF Industries	RFL	55.2	4.55	1.10	31.88	4.65	3.40
Caleres	CAL	28.2	31.90	2.81	9.66	32.98	28.97
PetIQ CIA	PETQ	43.8	24.41	1.60	7.01	26.39	22.81
Diplomat Pharmacy	DPLO	5.9	23.70	1.25	5.57	23.89	22.45
Camping World CIA	CWH	14.7	38.50	1.91	5.22	38.50	36.36

...And losers

Silicom	SILC	887.6	35.29	-5.37	-13.21	41.39	28.20
Helix Energy Solutions	HLX	15.3	6.00	-0.53	-8.12	6.53	5.95
CatchMark Timber Trust	CTT	7.8	12.70	-0.91	-6.69	13.61	12.51
China Lodging Group ADR	HTHT	22.0	139.00	-8.35	-5.67	149.80	135.00
Commercial Metals	CMC	8.3	24.34	-1.02	-4.02	25.36	24.34

Trading Diary

Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume* 779,317,635 10,293,025

Adv. volume* 244,358,771 3,115,950

Decl. volume* 521,248,336 6,662,307

Issues traded 3,067 335

Advances 1,198 140

Declines 1,771 177

Unchanged 98 18

New highs 87 2

New lows 37 10

Closing tick 78 12

Closing Arms* 1.38 2.08

Block trades* 6,111 111

Nasdaq NYSE Arca

Total volume* 2,427,887,089 238,387,152

Adv. volume* 974,596,821 57,473,384

Decl. volume* 1,418,684,275 179,411,754

Issues traded 3,064 1,341

Advances 1,056 368</div

COMMODITIES

wsj.com/commodities

Bonds | wsj.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%)		
Latest	Low	High	Latest	Low	High
Broad Market Bloomberg Barclays					
1905.07	-2.0	U.S. Aggregate	3.170	2.380	3.180
U.S. Corporate Indexes	Bloomberg Barclays				
2719.87	-2.8	U.S. Corporate	3.780	3.030	3.780
2575.64	-1.7	Intermediate	3.450	2.530	3.450
3731.97	-5.2	Long term	4.470	3.990	4.680
554.85	-2.3	Double-A-rated	3.240	2.470	3.250
702.68	-2.6	Triple-B-rated	4.040	3.340	4.040
High Yield Bonds Merrill Lynch					
415.65	-0.5	High Yield Constrained	6.254	5.373	6.394
425.81	1.3	Triple-C-rated	10.447	9.640	11.091
2837.42	-0.8	High Yield 100	6.086	4.948	6.319
377.86	-0.3	Global High Yield Constrained	5.581	4.934	5.738
306.51	0.1	Europe High Yield Constrained	2.663	1.897	3.196
U.S. Agency Bloomberg Barclays					
1622.28	-0.9	U.S. Agency	2.590	1.690	2.610
1453.87	-0.6	10-20 years	2.470	1.490	2.480
3284.51	-3.0	20-plus years	3.270	2.730	3.400
2418.22	-1.8	Yankee	3.430	2.610	3.440

Total return close YTD total return (%) Index Yield (%) Latest Low High

Mortgage-Backed Bloomberg Barclays

1955.13 -1.7 Mortgage-Backed 3.360 2.660 3.400

1918.40 -1.8 Ginnie Mae (GNMA) 3.370 2.630 3.400

1147.24 -1.6 Fannie Mae (FNMA) 3.350 2.670 3.400

1767.01 -1.6 Freddie Mac (FHLMC) 3.370 2.680 3.410

514.69 -1.5 Muni Master 2.494 1.736 2.494

357.59 -2.2 7-12 year 2.611 1.744 2.611

403.38 -2.1 12-22 year 2.899 2.213 2.899

391.44 -2.2 22-plus year 3.292 2.716 3.447

Global Government J.P. Morgan

539.89 -0.8 Global Government 1.570 1.300 1.650

751.18 -0.5 Canada 2.220 1.570 2.340

371.50 0.3 EMU\$ 1.172 0.956 1.339

708.66 -0.3 France 0.930 0.690 1.190

504.09 -0.6 Germany 0.630 0.210 0.740

289.58 0.3 Japan 0.380 0.340 0.460

556.92 -0.6 Netherlands 0.720 0.390 0.830

915.48 -1.7 U.K. 1.680 1.340 1.830

790.59 -2.1 Emerging Markets** 6.005 5.279 6.077

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

**EMBI Global Index

†In local currency \$ Euro-zone bonds

Sources: Merrill Lynch; Bloomberg Barclays; J.P. Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Coupon (%)	Maturity, in years	Latest(○)-2	-1	0	1	2	3	4	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasury, in basis points	Latest	Prev	Year ago
2.250	U.S. 2	2.254	▼						2.262	2.114	1.376				
2.750	10	2.847	▼						2.868	2.829	2.626				
4.500	Australia 2	2.037	▲						2.042	1.993	1.902	-21.7	-22.0	52.6	
2.250	10	2.817	▼						2.828	2.862	2.945	-3.0	-4.0	31.9	
0.000	France 2	-0.470	▼						-0.469	-0.430	-0.466	-272.4	-273.1	-184.2	
0.750	10	0.863	▼						0.872	0.993	1.092	-198.5	-199.6	-153.4	
0.000	Germany 2	-0.569	▲						-0.569	-0.581	-0.816	-282.3	-283.1	-219.2	
0.500	10	0.619	▲						0.635	0.751	0.470	-222.8	-223.4	-215.7	
0.050	Italy 2	-0.239	▲						-0.241	-0.205	0.028	-249.3	-250.3	-134.8	
2.000	10	1.989	▼						2.000	2.079	2.370	-85.8	-86.8	-25.6	
0.100	Japan 2	-0.148	▲						-0.153	-0.150	-0.256	-240.2	-241.5	-163.2	
0.100	10	0.051	▲						0.050	0.070	0.088	-279.6	-281.8	-253.9	
1.400	Spain 2	-0.269	▲						-0.270	-0.361	-0.092	-252.3	-253.2	-146.8	
1.400	10	1.387	▼						1.397	1.517	1.895	-146.0	-147.1	-73.1	
2.000	U.K. 2	0.841	▲						0.841	0.718	0.098	-141.1	-142.1	-127.8	
4.250	10	1.488	▼						1.499	1.619	1.248	-135.0	-137.0	-137.8	

Source: Tullett Prebon

Corporate Debt

in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Current	Spread*, in basis points	One-day change	Last week	Stock Performance Close (\$)	% chg
Broadcom	AVGO	3.625	Jan. 15, '24	129	-21		144	261.22	-0.62
General Electric	GE	5.300	Feb. 11, '21	91	-19		94	14.43	-4.44
Qualcomm	QCOM	3.000	May 20, '22	69	-17		83	59.70	-4.95
Newell Brands	NWL	4.200	April 1, '26	167	-16		153	28.60	-1.35
Fifth Third Bank	FITB	2.250	June 14, '21	59	-14		n.a.	34.06	-0.58
HP	HPQ	6.000	Sept. 15, '41	234	-12		n.a.	23.62	-0.30
Intel	INTC	4.250	Dec. 15, '42	90	-12		n.a.	51.78	0.50
Sumitomo Mitsui Banking	SUMIBK	2.650	July 23, '20	71	-10		n.a.

Source: Tullett Prebon

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	Bond Price as % of face value	One-day change	Last week	Stock Performance Close (\$)	% chg
HSBC USA	HSBC	2.750	Aug. 7, '20	79	25		71
Toronto-Dominion Bank	TD	2.550	Jan. 25, '21	56	24		52	58.33	-1.10
Shell International Finance	RDSALN	2.125	May 11, '20	60	19		46
Societe Generale	SOC								

MARKETS

Netflix Stock Rally Brings Out Skeptics

BY BEN EISEN

Netflix Inc.'s stock-price surge is bringing out the bears.

The streaming-video giant's stock is down 4.7% in the first two days of the week to \$315.88, a rare pullback for shares that have more than doubled over the past 12 months and climbed 22% in the last month alone.

The recent drop followed remarks by short seller Andrew Left of Citron Research, who said in a tweet Monday that shares, "can be shorted back to \$300," after the company's market cap surged in the preceding week.

"I think the market has become overenthused by the product and not realistic about the economics," he said in an interview. Mr. Left said he is now betting against the stock.

Netflix shares have a long history of momentum-driven growth that has drawn passionate arguments from both bulls and bears. The company has posted consistently strong subscriber growth and invested heavily in original content. It has also been burning through cash and borrowing heavily.

Scott Devitt, an analyst at Stifel, recently dropped his rating on the company to "hold" from "buy." In a report to clients last week, he wrote that the "share price may have sprinted ahead of fundamentals in the short-term."

Netflix Chief Executive Reed Hastings has counted himself among the stock-price skeptics in the past. In summer 2015, when the stock was at about \$100, he said in response to a question about whether the stock was overpriced: "When the stock was half this price, I described it as euphoric. So it's a mystery to me."

A spokesman for the firm declined to comment.

The Netflix critics have had a tough run recently. The stock had an average short position—bets the price would fall—valued at \$5.5 billion so far this year, which has sustained paper losses of nearly \$3 billion in 2018 through the end of last week, according to financial analytics firm S3 Partners. They made back a bit of that on Monday and Tuesday.

The number of shorted shares has fallen recently as investors pared positions. Many have bumped up against limits on how much risk they can take as the stock price has risen, said Ihor Dusaniwsky, managing director of predictive analytics at S3. Short interest as a share of float hit a low of just under 5% last month, as the number of shares rose.

Gasoline Futures Tank After Deal

Bankrupt refiner, EPA agree to cut number of renewable-fuel credits firm has to buy

BY ALISON SIDER

Gasoline futures sank Tuesday, with traders citing a deal to ease a bankrupt refiner's obligation to buy credits to comply with environmental regulations.

Philadelphia Energy Solutions, a major East Coast refiner, and the Environmental Protection Agency on Monday struck a deal as part of the company's bankruptcy proceedings, slashing the number of renewable-fuel credits the company needs to buy.

The deal could relieve some buying competition for credits, and prices fell to an average of 37.5 cents Tuesday—a one-year low and down from 39.5 cents the previous day.

The price drop also has pulled down gasoline futures prices, traders and analysts said. Since the credits are a cost to refiners, when their prices fall, so does the price of gasoline that fuel makers sell. Gasoline futures settled down 0.4% at \$1.8863 a gallon Tuesday after falling as much as 1.9% earlier in the day.

The refiner's bankruptcy is just one of several woes for gasoline prices lately: Winter storms are keeping drivers at home, cutting into demand. Stockpiles of the fuel are high as refiners continue to churn out high volumes of fuel.

Renewable identification numbers, or RINs, are tradable credits for blending biofuels such as ethanol into gasoline supplies. Companies have to either buy the credits or blend ethanol into the gasoline they produce to comply with the Renewable Fuel Standard, which was established by Congress in

2005 and expanded in 2007. In recent weeks, prices for the credits have fallen, tumbling 40% after Philadelphia Energy Solutions' bankruptcy in January reignited debate over the program's future.

Philadelphia Energy Solutions said in its filing that the cost of buying the credits was the main reason it was in financial distress—at the time, it was on the hook for credits worth \$350 million.

"The RIN drop definitely seems to be contributing to the weakness" in gasoline futures, said Mark Anderle, director of supply and trading at TAC Energy.

"RINs are a cost to refiners, so the higher RINs go, the higher the crack needs to be to

'break even,'" said Mark Anderle, director of supply and trading at TAC Energy, referring to the "crack spread" between oil and fuel prices.

The price of the credits has at times topped \$1, and refiners have long complained that complying with the renewable standard is an unfair burden. But lawmakers from agricultural states have staunchly opposed any changes, fearing they would cut into demand for ethanol fuel made from corn.

Greg Gatta, chief executive of Philadelphia Energy Solutions, said the EPA deal would put the company "on a stable path towards emergence and future success" and would help the plant avoid closure.

Fuel Shift

Prices for ethanol blending credits have slid amid debate over a program that requires refiners to buy them. That weighed on gasoline prices Tuesday.

Ethanol blending credits (RINs)

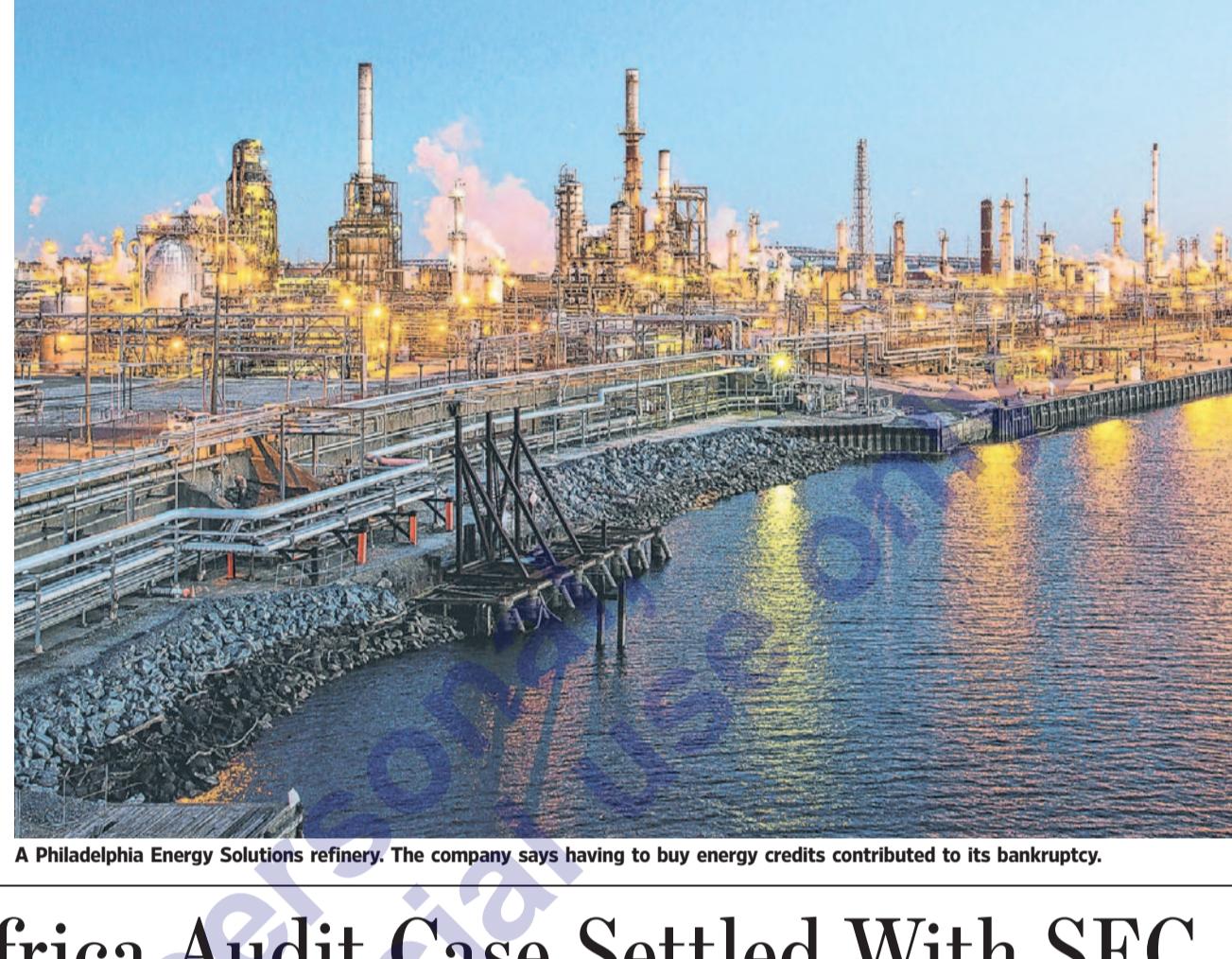


Sources: OPIS (ethanol); SIX Financial (gasoline)

Gasoline Futures



THE WALL STREET JOURNAL.



A Philadelphia Energy Solutions refinery. The company says having to buy energy credits contributed to its bankruptcy.

DAVID PARROT/REUTERS

South Africa Audit Case Settled With SEC

BY MICHAEL RAPORT

Foreign affiliates of accounting firms **KPMG**, **Deloitte Touche Tohmatsu** and BDO agreed Tuesday to pay a total of about \$390,000 to settle Securities and Exchange Commission allegations that they improperly used other firms to help them audit a South African company.

The case is the latest incident that raises questions about the unusual global setup of the major accounting firms, which are networks of legally separate affiliates in more than 150 countries, and allegations of wrongdoing by some of those affiliates.

According to the SEC, KPMG's South African affiliate and BDO's Canadian affiliate were the principal auditors of an unidentified South Africa-based company incorporated in Canada, but the two firms relied upon Deloitte and KPMG firms in Zimbabwe to audit the majority of the company's assets and revenue.

The Zimbabwe firms weren't registered with the Public Company Accounting Oversight Board, the U.S. audit regulator, and so there wasn't full proper regulatory oversight of the audits, the SEC said.

Deloitte said the firm was "pleased to have resolved this

matter" and is "committed to operating in accordance with the highest professional standards and in full compliance with regulatory requirements."

KPMG said that "following identification of the matter by KPMG quality controls, KPMG South Africa reported the matter timely to the SEC in May 2016."

BDO didn't have any immediate comment.

The firms didn't admit or deny wrongdoing in agreeing to the settlements.

KPMG South Africa agreed to pay a \$100,000 fine and BDO Canada agreed to pay a \$50,000 fine. Deloitte Zimbabwe

agreed to pay \$99,057 disbursement and interest and KPMG Zimbabwe agreed to pay \$141,305 disbursement and interest.

In the global accounting networks, the individual member firms aren't obligated to each other, and the global umbrella entities that head each network shy away from exercising control over their members.

That has drawn attention because of recent regulatory investigations and other actions involving major firms' affiliates in countries from South Africa to the U.K. to India.

Critics say the accounting networks' loose structure

helps insulate the global firms and their U.S. partnerships from liability when something goes wrong at a foreign affiliate and it limits what they can do to crack down on a bad-apple affiliate.

Tuesday's case also illustrates how affiliates of the same accounting network in different countries often work together on a company's audit, sometimes with a firm other than the lead auditor doing the bulk of the work. That had occurred out of the public eye until recently, but a new PCAOB rule requires accounting firms to disclose more information about those arrangements.

Shares Pulled Down by Tech, Financial Sectors

BY ALLISON PRANG AND DAVID HODARI

U.S. stocks dropped, fueled by declines in highflying technology and financial shares.

Major indexes opened higher, and the Dow Jones Industrial Average climbed as much as 197 points in morning trading after the latest round of inflation data showed consumer prices increased more modestly in February than in the previous month.

But shares turned broadly lower by midday, with eight of the 11 sectors in the S&P 500 ending the session in the red.

The Dow fell 171.58 points, or 0.7%, to 25007.03, while the S&P 500 declined 17.71 points, or 0.6%, to 2765.31. The tech-heavy Nasdaq Composite dropped 77.31 points, or 1%, to 7511.01, breaking a seven-session winning streak.

Tech stocks were the weakest performers in the S&P 500, falling 1.2%, after a big rally in 2018. Chip maker **Qualcomm** fell \$3.11, or 5%, to \$59.70, after President Donald Trump late Monday blocked Broadcom's \$117 billion hostile takeover bid on national-security grounds.

Dan Morgan, senior portfolio manager at Synovus Trust, said the Broadcom and Qualcomm deal intervention

Tech Under Pressure

Qualcomm was the biggest loser in the S&P 500 after President Trump blocked Broadcom's hostile takeover bid for the chip maker.



weighed on sentiment.

Mr. Trump's involvement in a possible Broadcom and Qualcomm deal "opens the door that any future merger or acquisition...could have intervention from the president," he said. "I don't remember a president ever doing that."

Meanwhile, financial stocks in the S&P 500, another top-performing sector this year, fell 1.1% alongside a decline in bond yields. Lower yields normally bode poorly for banks' net interest margins, a key measure of lending profitability.

The yield on the U.S. 10-year Treasury note settled Tuesday at 2.848%, down

from 2.870% on Monday. Yields move inversely to prices.

Before the opening bell, the Labor Department said the consumer-price index, which measures what Americans pay for everything from milk to shampoo, rose 0.2% in February after climbing a seasonally adjusted 0.5% in January. The results matched expectations from economists surveyed by The Wall Street Journal.

But Mr. Morgan of Synovus Trust said investors are growing wary of the long-running bull market and are nervous about the yield curve and "bigger-theme items."

Even when investors get good news like the latest inflation numbers, "it's almost like the tone is still somewhat down," he said.

Mr. Trump also said Tuesday he would nominate Central Intelligence Agency Director Mike Pompeo as secretary of state to succeed Rex Tillerson. Some traders played down the impact of the recent turnover in the administration.

"This is now what is expected to be normal," said Matt Miskin, market strategist at John Hancock Investments.

A lack of inflationary jitters during 2017 allowed U.S. stock indexes to leap to multiple records early in 2018, while investors kept long-term bond yields subdued.

Since the start of February, however, rising inflation in both the U.S. and Europe has prompted investors to second-guess central-bank guidance, fueling speculation about tighter monetary policy.

The inflation data were released against a fraught trading backdrop, with the Trump administration's announcement of tariffs on steel and aluminum imports having provoked rebukes from China and the European Union in recent days. How those trading partners now respond may have broader implications for global economic growth, analysts said.

"The chances of a global re-

cession in the next year or two are already rising, and if you add to that a slowdown in the rate of trade—not just a slowdown in trade growth—it could have repercussions for global economies," said Edmund Shing, global head of equity derivative strategy at BNP Paribas.

Elsewhere, the Stoxx Europe 600 slipped 1%, after Asia-Pacific indexes shrugged off early pressure.

In Asian trading early Wednesday, Japan's Nikkei Stock Average was down 0.98%, and Hong Kong's Hang Seng was down 1.15%.

—Kenan Machado

contributed to this article.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$167,522,959,000
Accepted bids	\$65,000,659,000
"noncompetitively	\$611,149,000
"foreign noncompetitively	\$100,871,667 (L650%)
Auction price (rate)	99.871667 (L650%)

Coupon equivalent

1.675%

Bids at clearing yield accepted

75.88%

Coupon number

912796PA1

The bills, dated March 15, 2018, mature on April 12, 2018.

29-YEAR, 11-MONTH BONDS

Applications

\$30,985,725,700

Accepted bids

\$13,000,001,700

"noncompetitively

\$4,430,700

"foreign noncompetitively

MARKETS

Treasurys Rise as Inflation Fears Cool

U.S. economy is exhibiting few signs of overheating despite a tight labor market

By DANIEL KRUGER
AND AKANE OTANI

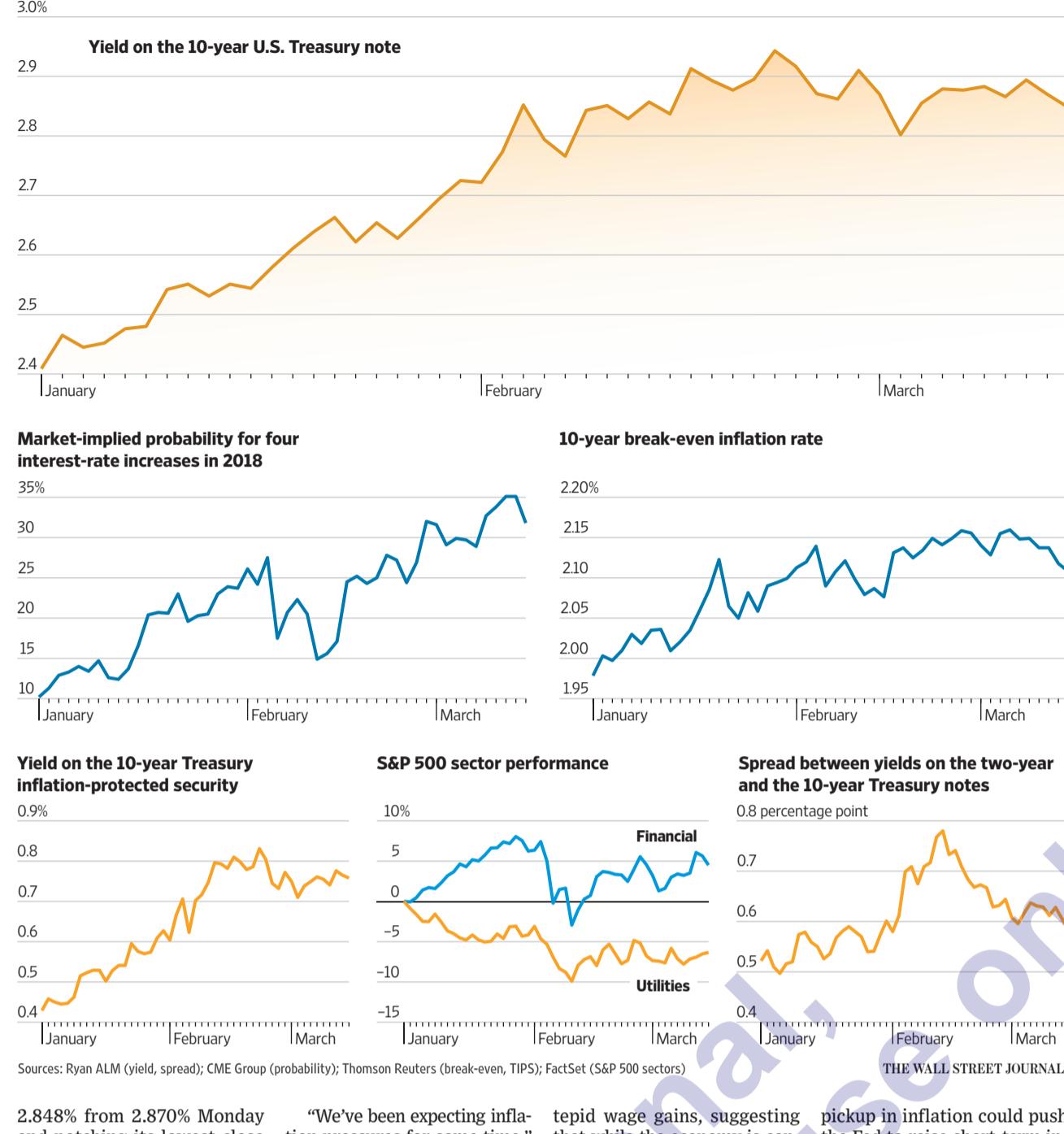
U.S. government-bond prices bounced Tuesday after closely watched data on consumer prices signaled inflation remains muted, easing concerns among investors that rising prices could spark a fresh wave of volatility in financial markets.

The yield on the 10-year Treasury note, which serves as a reference rate for corporate debt, mortgages and consumer loans, shot up by roughly half a percentage point in about five weeks earlier this year as investors piled into bets that prices were primed to rise. Many anticipated that a \$1.5 trillion tax-cut package and a budget agreement expected to increase spending by roughly \$300 billion would help lift prices and could cause the Federal Reserve to accelerate the pace of interest-rate increases.

Tuesday's data were the most-recent sign that those expectations, which helped spur swings in financial markets earlier this year, may have been premature.

The Labor Department said the consumer-price index, which measures what Americans pay for everything from washing machines to airline fares, rose 2.2% for the 12 months to February, below the 2.3% estimated by economists surveyed by The Wall Street Journal. Core prices, which exclude energy and food, rose 1.8% for a third straight month, also below economists' expectations, suggesting that inflationary pressures are still soft.

Bonds strengthened following the report, with the yield on the benchmark 10-year U.S. Treasury note dropping to



Sources: Ryan ALM (yield, spread); CME Group (probability); Thomson Reuters (break-even, TIPS); FactSet (S&P 500 sectors)

"We've been expecting inflation pressures for some time," said Tom Stringfellow, chief investment officer at Frost Investment Advisors. "They've not lived up to expectations."

The price data came after last week's jobs report showed

tepid wage gains, suggesting that while the economy is continuing to grow, tight labor markets aren't generating signs of overheating.

Throughout the year, investors and analysts have been asking whether signs of a

pickup in inflation could push the Fed to raise short-term interest rates four times this year, rather than the three it has penciled in. Minutes of the central bank's January meeting, which suggested policy makers were becoming in-

creasingly hawkish, helped send the yield on the 10-year note to a multiyear closing high of 2.943% toward the end of February.

But by Tuesday afternoon, federal-funds futures, used by traders to place bets on the course of interest rates, showed a 32% chance of the Fed raising short-term interest rates four times by year-end, according to CME Group, down from 35% Monday but up from 17% one month ago.

And the 10-year break-even rate, a gauge that measures the bond market's expectations for inflation over the next decade, edged lower: The difference in yields between Treasurys and the equivalent maturity of Treasury inflation-protected securities fell to 2.1081% on Tuesday from 2.1177% Monday, according to Thomson Reuters.

In another sign of investor doubts about inflation picking up, bondlike stocks—which have been among the worst-performing sectors in the S&P 500 in 2018—rose Tuesday, bucking a broader market decline.

Shares of utilities, regarded as bond proxies because of their relatively hefty dividend payouts, edged up 0.2% Tuesday, while the S&P 500 fell 0.6%. Meanwhile, shares of financial companies, whose net-interest margins rise with interest rates, slid with bond yields, with the S&P 500 financial sector ending the day down 1.1%.

Despite the day's data, some investors warn that numerous factors could still fuel inflation, including a weaker dollar, which affects prices for commodities including oil, and rising tensions over trade.

"What we're most worried about right now is a trade war," said Maura Murphy, who manages inflation-protected bond portfolios for Loomis Sayles. Ms. Murphy said she is betting that inflation-protected Treasurys will outperform conventional government debt.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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Qualcomm's Rescue Has a Cost

Catch Up

Qualcomm and Broadcom market values



*Broadcom was called Avago before 2016.

Source: FactSet

early 2017 and Broadcom's first unsolicited offer later that year. The PHLX Semiconductor Index rose nearly 40% over that time.

Mr. Trump's intervention may have saved Qualcomm from getting picked off in a time of weakness. But it may also limit options for the future, as the order appears to make it harder for any company to buy or merge with Qualcomm.

That means Qualcomm is on its own, and it will need to make a credible case to investors why it is better to stay that way. Closing its pending acquisition of chip maker **NXP Semiconductors** is vital, as well as eventually reaching a settlement with Apple and **Huawei**—which is also withholding licensing payments.

In the longer term, Qualcomm may also need to figure out how to run its licensing business in a way that involves less courtroom warfare. Mr. Trump solved one of the company's problems. It is on Qualcomm to solve the rest.

—Dan Gallagher

OVERHEARD

Rex Tillerson had a bad day Tuesday, but a glance at the share price of **Exxon Mobil** might make the day of his firing a tad better.

One bright spot for the former CEO is a law that makes it more financially attractive for people joining the executive branch and comply with conflict-of-interest rules.

The law allows an individual to sell his or her shares and put them into assets such as a diversified mutual fund while deferring taxes indefinitely.

Mr. Tillerson's appointment proved to be an excellent time for him to diversify his \$52 million stake.

Exxon Mobil shares have lagged behind an S&P 500 index fund by more than 29 percentage points since his confirmation in February 2017, leaving Mr. Tillerson \$15 million better off than he otherwise would have been.

On the other hand, he did have to forfeit an Exxon credit card that would have given him discounted gas for life.

Price Rises Wouldn't Be Bad for Fed

Inflation is dead, at least for now, and that is making life more difficult for the Federal Reserve.

By all rights inflation should be accelerating, driven by a tight job market strengthening further, a big stimulus hitting the economy and a weak dollar. But it isn't. The Labor Department on Tuesday reported consumer prices rose 0.2% in February from a month earlier, putting them 2.2% higher than a year ago.

Prices excluding food and energy—the so-called core that better reflects inflation's trend—rose 0.2%, leaving them up 1.8% on the year. Fed policy makers won't hesitate to raise rates when they meet next week.

But if inflation remains quiescent and the fiscal stimulus propels asset prices higher instead, the Fed could face some tough decisions. The housing and credit bubbles that led to the financial crisis came about in a period of unexpectedly low inflation and good economic growth.

The Fed, and economists in general, now think asset-price excesses can cause real economic problems. But acknowledging this isn't the same as knowing what to do. At the moment, the stock market seems pricey, but doesn't seem like a bubble. But where would the line between the two be?

If the economy and job market keep doing well but inflation stays low, the Fed probably will raise rates four times this year. But even if it is worrying about asset prices, it could have a hard time justifying raising rates any more than that. As far as the central bank is concerned, a little more inflation might be a welcome thing.

—Justin Lahart

Gun Stance Could Hurt Other Merchandise Sales at Dick's

Slumping

Dick's Sporting Goods same-store sales change



Source: The company

fourth-quarter earnings on Tuesday, said same-store sales fell 2%, double the decline analysts expected. Profits was \$1.22 a share, 2 cents above estimates, yet

revenue of \$2.66 billion trailed estimates of \$2.74 billion. Shares fell as much as 8% Tuesday morning before rebounding.

The decision didn't affect the quarterly results just released, but it will weigh on the future. In a call with analysts, Chief Executive Ed Stack acknowledged that the new policy is "not going to be positive from a traffic and sales standpoint."

It is difficult to say just how extensive the impact will be. Assault rifles were previously sold at three dozen of the company's Field & Stream stores. Mr. Stack says the company already

has seen pushback. "Some of those customers that buy firearms [from Dick's] buy other things also." They may not shop at Dick's at all anymore, he said.

That loss is reflected in the company's outlook. It expects same-store sales will range from flat to single-digit decline this year.

The retailer also said that it will no longer provide analysts and investors with a quarterly outlook, underscoring the sense that the company is troubled.

Much of that is unrelated to guns, of course. Although Dick's looked poised to enjoy its status as the last national

sports retailer after Sports Authority's collapse in 2016, it has struggled to compete with **Amazon.com** and non-specialty retailers. Meanwhile, brands such as **Nike** and **Under Armour** have focused on selling directly to consumers, undercutting Dick's. Shares have fallen more than 37% from a year ago.

Despite some praise the company has received for its new gun policy, it is only likely to hurt Dick's further. Long after the glow of a socially conscious move fades, investors' focus on the bottom line remains.

—Elizabeth Winkler

In the wake of the shooting at Marjory Stoneman Douglas High School, investors seemed eager to distance themselves from gun sellers while rewarding socially conscious firms. But now comes the real test: Will they stick by a retailer that is suffering as a result of its new gun policy?

Dick's, which reported

CIO NETWORK

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THE WALL STREET JOURNAL.

Wednesday, March 14, 2018 | R1

The Rising Risks of Hacks

With cyberattacks increasing in number and intensity, companies are learning just how vulnerable their operations really are



NIKKI RITCHIE FOR THE WALL STREET JOURNAL (2)

ful state actors?

MR. ROBERTS: There is definitely a huge bleed-over. The other thing to add is that years ago, if we wanted to break into your environments, we had to do the intelligence, the gathering of the data, the analytics, the attack vectors, and then understand how to execute.

Nowadays all I do is go online and buy half of those tools. I buy that as a service. So the only difference now between the nation-states and somebody like ourselves is the financial resources at hand.

MR. BAKER: This is obviously an area where there's a tremendous amount of activity going on in startups. Given the scale of the threats, is there a commensurate increase in investment opportunities in defensive technology?

MS. GOOW: What people are investing in has moved from companies that are defending enterprises to companies that are providing intelligence and analytics so that enterprises can more quickly identify the

breaches, whether they're breaches or patches that weren't made that make you susceptible.

The doomsday question

MR. BAKER: How vulnerable are the core elements of infrastructure in this country? It has been put to me that if North Korea or China or Russia wants to take down the grid or cause havoc in the U.S. financial system, it has the capability to do it. Do you think that's true?

MR. ROBERTS: I've done a bunch of work abroad—Ukraine and a couple of other places. Taking something down, that's fairly easy to do. Keeping it down is where the hard work comes in.

MR. BAKER: Just how vulnerable are we, in the context perhaps of a broader conflict, a broader war? We used to think about the razing of cities by aerial bombing. Is now the taking down of our industrial or energy or financial infrastructure a plausible consideration

in these circumstances?

MR. KURTZ: Let's put this into context—the NotPetya [cyberattack that affected the computer systems of multinational corporations]. You can't use videoconferencing. Your phone call doesn't work. It's really, really bad. So if you look at that attack, that's an attack that went sideways or collateral damage spread.

I look at it and go, "OK, that's really a wake-up call for a lot of companies." There is a fine line between being one of those companies in the headlines and not. There are a lot of companies, I guarantee you, because we talk to them a lot, that basically wiped their brow and said, "That could have been us."

Even Merck was down for months. Your email doesn't work for months at a time. It's one where boards of directors have really woken up and when we look at the issue, it's no longer just stealing data and looking around the network.

If your entire operation is

now taken out, that's a massive risk, particularly from a shareholder perspective. And we're seeing a lot more attention at the board level on this because of those attacks.

MR. BAKER: Equifax was obviously a big story. What made that company so vulnerable? What were the mistakes it made that CIOs can learn from?

MR. KURTZ: If you look at the attacks, a lot of them used something called a web shell, which is a basic 101 sort of attack. You get on. You put up a web shell. Then you can move laterally.

If no one looks at the system, or you don't have any instrumentation on those systems, they're going to be in there for 200 days plus.

You have to mind the shop or have someone mind it for you. The level of sophistication of that attack was low. But you have to care. You have to be involved. You have to take some action.

And what we saw is a lot of

companies a number of years ago before this became sort of more popular were like, "Eh, you know, if we don't know what's going on, it's better not to know." And they didn't bother to look at it.

The political question

MR. BAKER: CrowdStrike investigated the hack into the Democratic National Committee in 2016, the implications of which continue to reverberate in politics and around the world. How vulnerable still is the U.S. political system?

MR. KURTZ: There's not a lot of sophistication or protection. So I think it's a real big challenge both in that arena around elections, that general topic. And we also see a lot of activity around the think tanks constantly getting attacked and hammered.

So overall, I think there's going to be a heightened awareness of what's happening. But with all the bickering and lack of funding, I don't know that anything's going to change.

Why CIOs May Take On Greater Leadership Roles

Vinod Khosla says chief information officers are positioned to take the lead on some of the biggest challenges companies face

The road ahead

MS. WALLER: What is the future of the CIO?

MR. KHOSLA: I'm very bullish about the role of the CIO. Structurally, the nature of work will change, and that change will be technology driven. If you ask the question in an organization today, who's best equipped to lead to change? It's the CIO.

How can you make a sales force twice as effective? Customer support, twice as effective? Computer programmer, twice as effective? Almost ev-

ery function in a company can get dramatically enhanced. And that's the opportunity for CIOs. All these jobs that will be eliminated by AI, the CIOs are going to drive that change.

MS. WALLER: How do you measure the impact of a CIO?

MR. KHOSLA: In the end, every industry is different. But within an industry, the CIO's role is economic efficiency. There's a very simple metric.

If you look at Walmart before the days of Amazon, they had productivity metrics that were far better than anybody else, so they were winning. And then Amazon came along, and Bezos now has better productivity metrics. His warehouses are more automated. His customer support is more automated. Every aspect of selling, he has a technology advantage. There is nobody other than the CIO qualified to judge that. And within an industry, it's simple, productivity metrics, it's numbers.

MS. WALLER: Are we going to see more transitions from CIO to CEO?

MR. KHOSLA: Yeah. I put it the following way. CIOs play two types of roles. One is a maintenance role: Is my Oracle or SAP running? People care if it's not running, but if it's running, nobody cares. There's that maintenance role. Then there's a different job where a CIO can lead with a new vision to give the company a large economic advantage. Those CIOs are going to be very well equipped to be CEOs.

Moving toward machines

MS. WALLER: When we talk about automation and jobs going to machines, this is going to be something a lot of the people in this room are implementing. Can you talk about the process of that adoption, and what should they be looking for as they do that?

MR. KHOSLA: I did a talk last September, on the economic implications of AI, to the National Bureau of Economic Research. I looked at the top 20 job categories. It was clear to me in most categories greater than 50% of the jobs will go away. If I'm the CIO, I want to be driving that, because the

first one to drive it will have an economic advantage over every competitor in their industry.

That makes this job really exciting, if you take this forward-looking, non-maintenance view of the world. Where can we have AI and robotics? And AI and robotics are different things, but both are really important. I'm almost certain, for example, 10 years from now, the supply chain will invert. Nobody will want to make anything in China. Because robots will assemble stuff, it'll be \$3 robot labor. They'll be more precise and more accurate. And then you have supply chains that are

three days long, not three months long. You don't want a three-month supply chain.

You don't want, if you're in

the apparel business, to order everything you need for Christmas in July and August. You don't know what fashion will work, what colors, what sizes. You want to do this on two days' notice. With automation, you can invert that supply chain. A small company 3-D printed a shoe for me in a day that was exactly the shape I need. I have a low arch, and normal shoes aren't comfortable. They made it exactly to my foot, and in one day.

That supply-chain contraction, that extreme customiza-

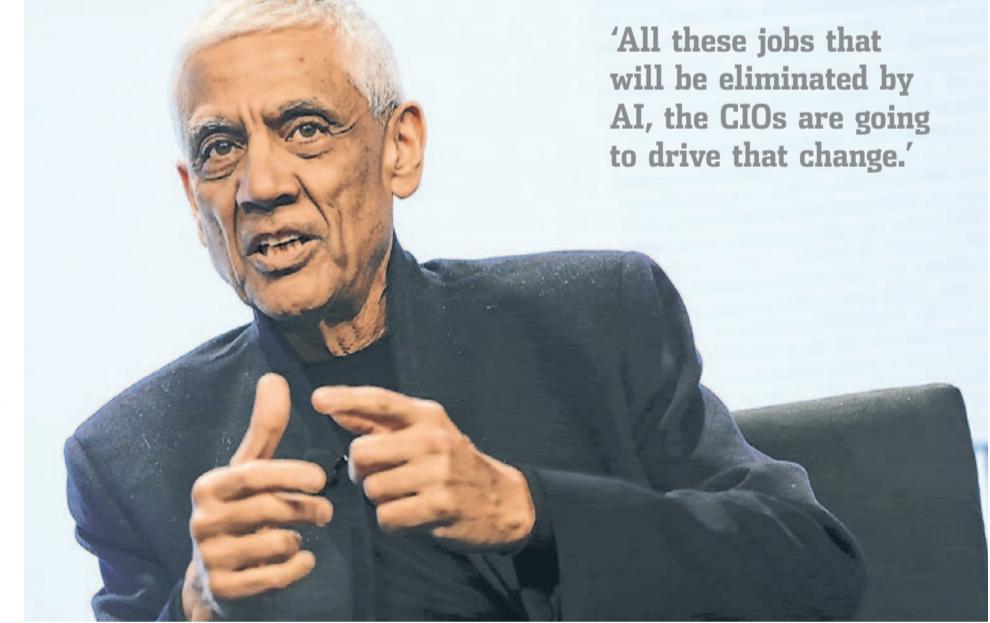
tion, takes out inventory, costs, wastage, unsold product, it's just a radical change.

MS. WALLER: We talk about automation, there are some mixed feelings. Obviously, there's efficiency, but there's also putting a lot of people out of work, and disruption to what we have understood as a career.

MR. KHOSLA: This will drive economic disparity. I think the nature of capitalism will have to change, for the following reason. Capitalism is by permission of democracy. We are starting to see pockets of re-

volution of capitalistic free-

Please turn to the next page



INSIDE

LinkedIn's **Rosanna Durruthy** and Paradigm's **Joelle Emerson** on the role of data analytics in workplace diversity

R2

Bob Myers of the Golden State Warriors talks about the ingredients of a winning team

R2

Box's **Aaron Levie** and TaskRabbit's **Stacy Brown-Philpot** offer their take on how artificial intelligence can transform a business

R4

The White House's **Chris Liddell** talks about how the Trump administration is working with

the private sector to enhance cybersecurity

R4

Michael Casey of the MIT Media Lab and **Caitlin Long**, former president and chairman of Symbiont, say blockchain can make many industries more efficient

R4

Alexis Ohanian, co-founder of Reddit and Initialized Capital, tells how a new, decentralized internet will be better than the old internet

R5

Ben Fried of Google and **Prof. Vijay Gurbaxani** of the University of California, Irvine,

on the CIO's responsibility to adapt to a fast-changing environment

R6

PLUS: Lyft's **Jill Wetzer** on the challenges of scaling up and scaling down, R4; Microsoft's **Kevin Scott** on why you probably won't own a quantum machine

R6

JOURNAL REPORT | CIO NETWORK

The Key to More Workplace Diversity

Much of it begins with data analytics, say Rosanna Durruthy and Joelle Emerson



Rosanna Durruthy (left) and Joelle Emerson discuss diversity issues.

NIKKI RITCHIE FOR THE WALL STREET JOURNAL (2)

It's a perennial question for business leaders: How to make the workforce more diverse—and ensure that it stays that way? To get insights into this topic, The Wall Street Journal's Laura Stevens spoke with Rosanna Durruthy, head of diversity, inclusion and belonging at LinkedIn, and Joelle Emerson, founder and chief executive of diversity and inclusion-strategy firm Paradigm. Here are edited excerpts.

MS. DURRUTHY: The word often evokes a code or a sense for the "other." All too frequently, the term implies, for many, women and underrepresented minorities. In reality, diversity is inclusive of each and every one of us. Diversity is about the uniqueness that each of us represents and brings into the environment to create alchemy. To create something valuable. To create outcomes.

former language rather than the latter, you're going to get far more women applying, and your job will actually fill faster.

It turns out, qualified people from all sorts of backgrounds are more interested in jobs that frame the challenges around growing, learning and development, than jobs that say, "We just want to hire rock stars, brilliant engineers."

MS. STEVENS: You'd said that some aspects of this are also just figuring out what kind of pictures you have on your website.

MS. EMERSON: We were working with a company recently and did an overview of their career site to take a look at what signals might be showing up in imagery.

They had helpfully laid out all these great benefits that they had. And one of the benefits was professional development opportunities. Opportunities to attend conferences, things like that. And the little icon next to that benefit was a little man with a suit and a tie.

So you talk about things like learning, development, challenging yourself, or things like, "We want to hire people who are brilliant. We want to hire rock stars." If you use the

thinking about our workforce more in terms of being male.

Keeping people around
MS. STEVENS: Have you seen any good techniques to retain diverse talent?

MS. EMERSON: The techniques that work to retain anyone. Which is building systems and processes that are fair, that are objective, that grow people, that give people opportunities. Companies should also be

measuring objective outcomes. What's actually happening to talent in our company, and are there disparities emerging along demographic lines.

Some of you may have heard of what's going on in people analytics—using data science to make sense of your workforce the same way you would to make sense of your product, your users. Let's use data science to understand what's happening across our organization and how people are advancing. I think a lot of companies have started measuring compensation and noticing disparities there. But compensation is a lagging indicator of whether you're actually growing and developing people.

Let's look at promotion rates, let's look at performance scores. Let's look at how work is distributed.

Starting by looking at some of those outcomes, and looking at how they might differ based on people's identities, is a really helpful first place to start.

MS. DURRUTHY: The power of that data is it really allows you not only to see the gaps that emerge, but those insights are really fairly instrumental, and we've seen it in

how you create a community. One of the things that we often see with blacks and Latinos is a reason why they might leave is that sense of isolation or being alone.

Certainly, many organizations may have employee resource groups. But what I think companies often mistake is that the resource group is really a great opportunity for growing talent and developing talent. When you treat it as a volunteer organization that is effectively responsible for coordinating happy hours, you're not really going to be able to retain your talent.

But when you leverage your resource groups, what you'll find is the individuals who lead those resource groups, whatever their day job, they may have responsibility now for a volunteer workforce of several hundred individuals.

They interact with the leaders in your organization. It's an excellent way for your managers to learn about those constituencies in a safe environment and space.

And so your resource groups really give you pathways for developing talent, for growing talent, without all the development being inside the day job.

Lessons From the Court

Bob Myers of the Golden State Warriors talks about the ingredients that make a winning team

'You want to create an environment that you can enjoy and be free to express what you believe.'

How do you build a winning team? No one in sports knows better than Bob Myers, president of basketball operations/general manager of the Golden State Warriors. Jason Gay, sports columnist for The Wall Street Journal, spoke with Mr. Myers about his team's success winning National Basketball Association championships. Edited excerpts follow.

Valley influence

MR. GAY: There's this belief that the Warriors are somehow influenced by Silicon Valley. Can you point to a way in which Silicon Valley thinking has shaped the way the Warriors do business?

MR. MYERS: I'm an example. Joe Lacob [majority owner of the team and a partner with venture-capital firm Kleiner Perkins Caufield & Byers] would bet on people in business that had no experience. He'd bet on their ideas. He'd bet on unproven managers. That's a skill. Ability to identify leadership talent.

Secondly, what he brought was a collaborative mentality. In the 2015 NBA finals, we were down 2 games to 1 in Cleveland, and [head coach] Steve Kerr suggested that we change starters, that we take our center—usually that guy's 7 feet tall or 6'10"—and put in a guy that's about my height, 6'6" - 6'7", and just play small. [Golden State won the game.]

But that's not the best part. You're at the podium after the game, and the media asked Steve Kerr, "How'd you come up with the idea to sit Andrew Bogut, our center, and start Andre Iguodala?" And he said,

"Well, there's a young man named Nick U'Ren." [He was

an assistant to Mr. Kerr.]

You could see all the reporters, "Who's Nick U'Ren?"

He wasn't anybody. But he was a guy that had a good idea. So when you talk about what Joe Lacob brought, we basically broke down walls that, in my business and

maybe some of yours, you sit there and go, "Why aren't I talking to that department?"

And the answer can't be, "Because we never did."

He got rid of that thinking.

MR. GAY: You guys, at least in terms of your public presentation, are relaxed. Why do you think that's a good cultural fit for your club?

MR. MYERS: Because we all want to have fun going to work. You want to create an environment that you can enjoy and be free to express what you believe.

Secondly, what he brought was a collaborative mentality. In the 2015 NBA finals, we were down 2 games to 1 in Cleveland, and [head coach] Steve Kerr suggested that we change starters, that we take our center—usually that guy's 7 feet tall or 6'10"—and put in a guy that's about my height, 6'6" - 6'7", and just play small. [Golden State won the game.]

But that's not the best part. You're at the podium after the game, and the media asked Steve Kerr, "How'd you come up with the idea to sit Andrew Bogut, our center, and start Andre Iguodala?" And he said,

"Well, there's a young man named Nick U'Ren." [He was

an assistant to Mr. Kerr.]

You could see all the reporters, "Who's Nick U'Ren?"

He wasn't anybody. But he was a guy that had a good idea. So when you talk about what Joe Lacob brought, we basically broke down walls that, in my business and

it was a little bit of, "What are we doing? This is serious. We shouldn't be playing music."

It took me until the NBA finals in June, guys are shooting half-court shots and the music's playing. By the time June comes around, you are going to be exhausted and you won't even understand why.

So, in Cleveland, I'm sitting

there and they're playing music. And I finally clicked. I said,

"I get it. It's June, it's the 98th game of the season, and they're still having fun."

That's the challenge. It can't be too much fun that we don't listen to the coach. People lose their

jobs. But it's a simple thing. Just try and have fun.

Share the credit

MR. GAY: How do you get two terrific talents, like Kevin Durant and Steph Curry, to coexist on the same team?

MR. MYERS: That is so unique in our society today, to have that kind of humility. I think our ability to share credit is diminished. John Wooden, an old basketball coach, said, "It's amazing what you can accomplish, when no one cares who gets the credit."

MR. GAY: We're in very tumultuous times, and your team has been very public with its opinions about political and social issues. Why is it OK in Warrior world? Why do you guys seem to navigate that area really well?

MR. MYERS: There was no meeting. The best decisions sometimes are organic and it just occurs. But I will say that the idea of muzzling our players just feels way wrong. I think our messaging internally is, let's just get educated, be authentic, speak your voice. Understand that not everybody's going to agree.

We didn't go to the White House. In this market, everybody loved it. I'm sure there were many markets that didn't like it. But for us, that was the authentic decision and it felt right.

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Read ambitiously

Khosla

Continued from the prior page dom, which is geared toward economic efficiency in business. But if people are left behind, when we look at the full implications of AI over 20, 30 and 40 years, you're going to see elimination of so many jobs. I don't think there's a solution. I don't think education solves the problem.

MS. WALLER: What is the obligation of the CEO to benefit society?

MR. KHOHLA: Capitalism will be

by permission of democracy, and hence, capitalism will have to adjust to democracy, so people aren't left behind. But we'll have enough GDP growth to allow for taking care of people who are left behind. Much more so than just in health care. It'll be in every aspect. But there's also this increasing notion, and it's a little harder to explain. Younger audiences understand this when I talk to them. People under the age of 35 have a very different ethic. When I talk to my kids, they won't buy from brands that aren't socially responsible.

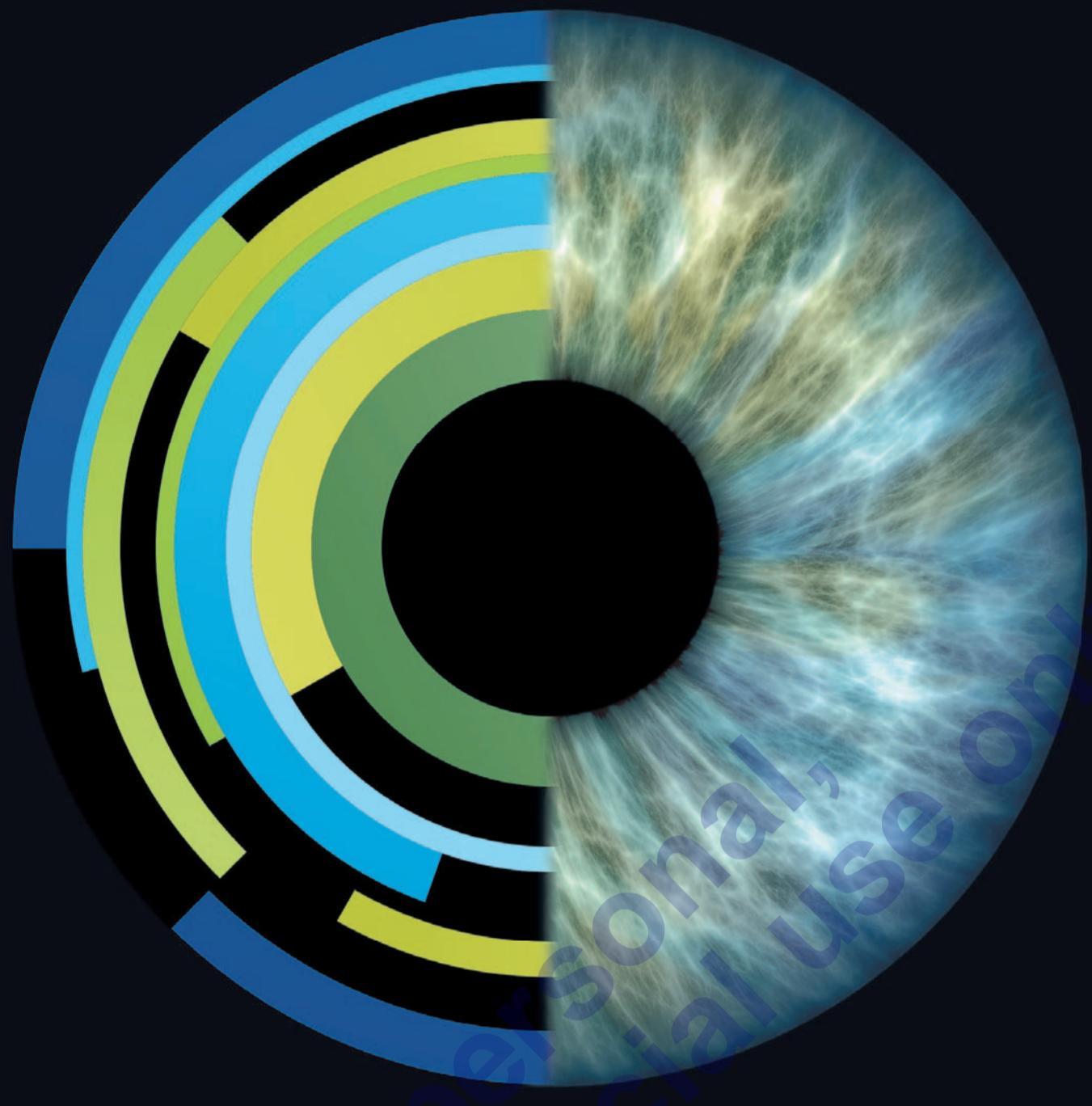
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JOURNAL REPORT | CIO NETWORK



Stacy Brown-Philpot and Aaron Levie discuss AI at The Wall Street Journal's CIO Network conference

NIKKI RITCHER FOR THE WALL STREET JOURNAL (\$)

The Power of AI

How can artificial intelligence transform a business? Aaron Levie and Stacy Brown-Philpot offer their take.

Artificial intelligence is expected to transform how companies in almost every industry do business.

Aaron Levie, chief executive of **Box Inc.**, and **Stacy Brown-Philpot**, CEO of **TaskRabbit**, sat down with Jason Dean, The Wall Street Journal's global technology editor, to discuss how they're taking advantage of machine learning.

Edited excerpts follow.

MR. DEAN: Aaron, where is AI making a difference right now for your business?

MR. LEVIE: Box helps companies manage and share, and collaborate around their information. If you think about all of the unstructured data in the enterprise—every document, every media asset, every email, every proposal, every contract—all of this data you work on for one second and then it goes into an archive or repository, and you never get or extract value from it in the future.

At Box, we have tens of billions of files stored in the platform, and some customers have billions of files in their own instance. We want to be able to help customers make more sense of their information, and hopefully that begins to change the very business processes they run. For example, we want to make it so you can go into a meeting and instantly get the notes from the last meeting. We want to be able to bring machine learning into the everyday business experience that our customers have with their information, and eventually use it to just make work a little bit simpler.

MR. DEAN: Stacy, your company is at the nexus between technology and tasks that are hard to automate because they involve manual labor. How do you see AI playing a role in your business?

MS. BROWN-PHILPOT: The biggest thing that we're doing

with machine learning today is how we match the client who wants a chore done with the tasker. We're collecting information and using data and machine learning to help us do a better match. Which customers should we spend more time with? How do we make sure the tasker who shows up for the job has the right skills and tools? And someday we won't have to actually talk to the person in the house. We're building machines that will talk to TaskRabbit, and then the tasker will show up and know what needs to be done.

MR. DEAN: Are you developing the technology internally or working with outside companies to provide it?

MS. BROWN-PHILPOT: The matching experience is the most important thing that our technology is doing today, and we built that. The person who shows up to do your job for TaskRabbit has to be the right

person for the job, on time, every time. So we're going to own that.

We'll need to be able to talk to the machines, the refrigerator that makes a call to TaskRabbit to tell us a filter needs to be replaced. We built in API [application programming interface], and we hope other companies are also building those APIs, so we can partner with them on that technology.

We're already integrated with Echo, so if you have the TaskRabbit app on your

TaskRabbit app on your

phone, you can ask Alexa to

order a tasker.

MR. DEAN: Aaron, you plan to use your own technology, as well as technology from the big tech giants, right?

MR. LEVIE: Yes. We're an open platform, so we want to bring in the best-in-class technology from wherever that innovation is coming. And as we looked at the AI and machine-learning space about two or three years ago, we realized that there was going to be this massive, competitive battle between all of the big technology giants,

Google, **Amazon**, Microsoft,

IBM and others around building machine learning, or in

some cases narrow AI services

that can solve specific tasks.

We said to ourselves, if we compare our R&D budget to Google's, we aren't going to win that battle. We would rather take advantage of all of the thousands of people on Google's team who are going to be doing advancements in natural-language processing, or artificial intelligence.

We're going to build some

of the underlying way of making sense of all of your unstructured information, the relationships between how

people are working together.

But then we want to bring in the best-in-class AI services from any of the major tech companies.

MR. DEAN: The big tech companies have data, which allows them to train their AIs much more effectively than a startup could. Is there a concern that they will use this to extend their dominance?

MS. BROWN-PHILPOT: We collect a lot of data. All of our transactions happen inside of an app, so we know exactly what's happening on a job. Recently we were acquired by **IKEA**, and we could tell them exactly how long it takes to assemble a bookcase.

We have real-time data from what's happening inside people's homes, and that's powerful. That kind of data will help us use AI to teach people how to do jobs better, how do our taskers do jobs better. That's unique.

MR. LEVIE: The key point is you have to really understand what is your competitive advantage for machine learning.

That informs what data you need to own and what types of algorithms you need to invest in versus what can you let Google or whoever else build for you.

VOICES FROM THE CONFERENCE



"Scale is the No. 1 thing that keeps me up at night. Last year, we averaged over a million rides per day. And that was more than double what we did in 2016. All of our infrastructure has to be prepared to scale for this incredible growth. On top of that, we have to be able to scale with really unpredictable traffic patterns. There's sort of the predictable, spiky traffic that we have around commute hours or weekends, when people are going out. But then there's also this sort of unpredictable, spiky traffic that happens when there are interesting weather patterns or other things that catch us by surprise. Our systems have to be able to automatically scale up and scale back down."

Jill Wetzer, Director of Engineering, Lyft

The Trump Tech Agenda

Chris Liddell on how the administration is working with the private sector to enhance cybersecurity

How is the Trump administration getting along with the tech industry? And how is it hoping to strengthen its ties?

For insight into the issue, The Wall Street Journal's executive Washington editor, Gerald F. Seib, spoke with Chris Liddell, assistant to the president and director of the American Technology Council at the White House. Here are edited excerpts of the conversation.

The security question

MR. SEIB: What are the government and the private sector together doing well and what are they not doing well in terms of cybersecurity?

MR. LIDDELL: I think it's a moving target. The cyber inside the government is, generally speaking, good, although there have been some lapses in the past, which have been well noted. What we're trying to do is create a framework and work with the private sector and say, "OK, you have the best of breed in terms of cyber. Help us think about how we might take that approach." What they helped us do is refine the series of actions that the government has to take.

MR. SEIB: When it comes to hiring people, you're fishing in the same talent pool that CIOs are fishing from. And my guess is, they've got a better shot of getting the good people than the federal government does, given the sense that the government's ossified in this area to a certain extent. Can you play that game, or do you have to get cooperation from these kind of people to get the personnel the government needs?

MR. LIDDELL: I've been really pleasantly surprised with the quality of people we can attract.

The great thing about tech people, one of the things that drives them the most, is a sense of purpose. We're actively talking to companies and saying, "Send us people for six to 12 months. We will send them back with incredibly good experience." From a personal point of view, a lot



'I've been really pleasantly surprised with the quality of people we can attract.'

of people are saying, "I want to do something for the country."

vene every part of the government, to all commit to their respective part of doing that.

Lessons to learn

MR. SEIB: What do you think you can learn from the private sector in your efforts to do what you're trying to do with the government's tech systems, and what can they learn from the government's experience?

MR. LIDDELL: I probably have learned all the things that I've learned because I've been in the private sector most of my life.

The one thing that I've learned that hopefully I am applying now is, how do you break large-scale problems down into digestible bits. If you think of most large-scale problems, there are three stages to it. Conceptualizing the problem, figuring out what the plan is to solve it, and then implementing it and following up.

In the government, a lot of people have done some good work on conceptualizing the problem. Where they'd run into problems was in the second and third. It was exactly the same approach they take in the private sector, but in the government, implementing and really holding people accountable is harder than in the private sector.

What can the private sector learn from the public sector? I think some of the things that we will do over the next little while, if we do them correctly, will be as good as anything in the world.

The Benefits of Blockchain

Michael Casey and **Caitlin Long** say the technology can make a host of industries more efficient

Blockchain, the technology behind bitcoin, is coming of age. It's being applied in a lot of new realms. To explore its potential to cut costs, Deepa Seetharaman, a reporter with The Wall Street Journal, spoke with Michael Casey, senior adviser at the MIT Media Lab's Digital Currency Initiative, and Caitlin Long, the former president and chairman of Symbiont, a platform for institutional uses of blockchain technology. Edited excerpts follow.

MS. SEETHARAMAN: What could be some new uses for blockchain?

MR. CASEY: When companies think about it, they need to think about their industry or their partners, and how do they come together. Certainly logistics. And the financial sector, just because of all of this reconciliation, all of this multiple backtracking and everything else. The back office processes we have are incredibly cumbersome.

MS. LONG: Think about all of the places in business where you share information with counterparties and then you go and reconcile. The financial industry, the health-care industry, the supply-chain industry and government are the obvious places where there's tremendous duplication of information. We could pull efficiencies out by allowing everyone to share infrastructure.

MS. SEETHARAMAN: How much money could be saved doing that?

MS. LONG: Well, it's interesting, because when I was at Morgan Stanley, as a side interest, I got into bitcoin very early. And I remember when Accenture first came out with an estimate of potential cost savings in the financial industry from using blockchain. Everyone around me laughed and said, "Oh my gosh. There's no way there's that much cost in the industry." I was thinking that number was way, way, way, too low. There is so much duplication.

This is about radical business-process re-engineering, which is going to take 20 years to completely work its way through the system. And I think whole institutions will end up significantly changing the role that they play. We have central intermediaries that were created for historical reasons that don't need to exist anymore and they just add cost. And they add risk.

'The absence of a common record is a very costly problem.'



'This is about radical business-process re-engineering.'

tants actually will play, hopefully constructively, a role in the design of all the new systems that emerge. Then there will be auditing of systems themselves.

The absence of a common record is a very costly problem, precisely because we end up with the kinds of results that Caitlin's talking about. And that creates a lack of trust. Whether this is fraud or accident or whatever, we don't trust each other. So we build massive systems of reconciliation, which cost a lot of money.

If blockchain does resolve that challenge, I'm going to say it's worth quite a bit, right now. There's a lot of work that needs to go into making these things scalable. But it's not a static technology. There's thousands and thousands of open-source developers who are working around the world collectively in a kind of a wisdom-of-the-crowd way to develop this stuff.

The Old Internet Vs. The New Internet

Alexis Ohanian talks about the potential benefits of having decentralized networks

The internet was founded on the notion of openness and universal access. That is now being rethought and redefined as startups increasingly focus on building a new wave of apps that will run on decentralized networks, giving users more control over their data and privacy. Alexis Ohanian, the co-founder of the venture-capital firm Initialized Capital and Reddit Inc., sat down with Steven Rosenbush, the editor of CIO Journal, to discuss what companies need to know about how the internet is changing. Edited excerpts follow.

MR. ROSENBUSH: You've been talking for a while about the new internet. What is wrong with the old internet?

MR. OHANIAN: Don't get me wrong, I like the old internet. It has been very good for my career. But we're learning the lessons of this one version of the internet that started before there was global connectivity, smartphones in everyone's hand and high-speed bandwidth. We're thinking about how to apply what we learned to a decentralized world, where individuals will have more control over their data, over their privacy, more security and potentially a more fluid transfer of things because they can be digitally encrypted.

MR. ROSENBUSH: Why didn't we do this the first time around?

MR. OHANIAN: The potential for a decentralized internet wasn't viable until you had millions and millions of computers with quality connections all connected and networked. Only now is it possible.

And I want to be clear that this isn't some magic wand. As an early-stage investor at Initialized, we're going to see tons of pitches this year that are going to have blockchain in the deck, and most of them will be worthless. In fact, the first question we ask is does this really need the blockchain? Does this really need a distributed ledger to make it work, or can a regular centralized database do the job?

MR. ROSENBUSH: But you think that some of it is worth investing in it?

MR. OHANIAN: I really do. We were the first seed investor in Coinbase back in 2011, which is a centralized exchange that hopefully many of you have used to get your first bitcoin. And we actually want to announce that we've now invested in our first decentralized exchange, DDEX, [which lets buyers and sellers of cryptocurrencies trade without having to deposit any assets into an exchange].

MR. ROSENBUSH: How much are you investing?

MR. OHANIAN: I don't know if it's fully public, but we've led the round. This is a seed-stage investment, and what was really important to us was that we're now at a point where a decentralized exchange makes sense. The problem with a centralized exchange is you are trusting the exchange to basically manage your money. By having it decentralized, you control the transaction entirely from your browser.

MR. ROSENBUSH: So I'm not depositing money?

MR. OHANIAN: You aren't risking your money being held by a third party and thus being hacked.

MR. ROSENBUSH: And there's nothing to steal.

MR. OHANIAN: Precisely. There's nothing to steal. So it's an added level of security.

MR. ROSENBUSH: What are the other technologies, the other foundational tools that you find really essential?

MR. OHANIAN: We're still early. And I'll be the first to admit, we're still waiting for that first Netscape to kind of help all of us get online in an easy, frictionless way. It's still a pain to buy your first Crypto-Kitty [digital cats that can be collected and traded as part of

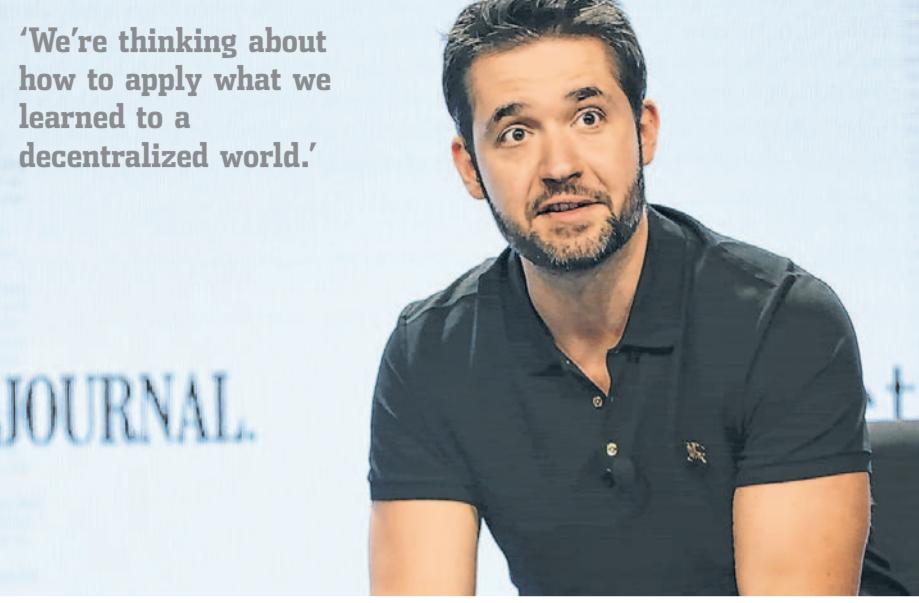
a blockchain game]. And I know it seems absurd, but that will actually be a milestone.

MR. ROSENBUSH: The Crypto-Kitty is a milestone?

MR. OHANIAN: Yes. It sounds silly. But that browser for this decentralized world, with these decentralized apps,

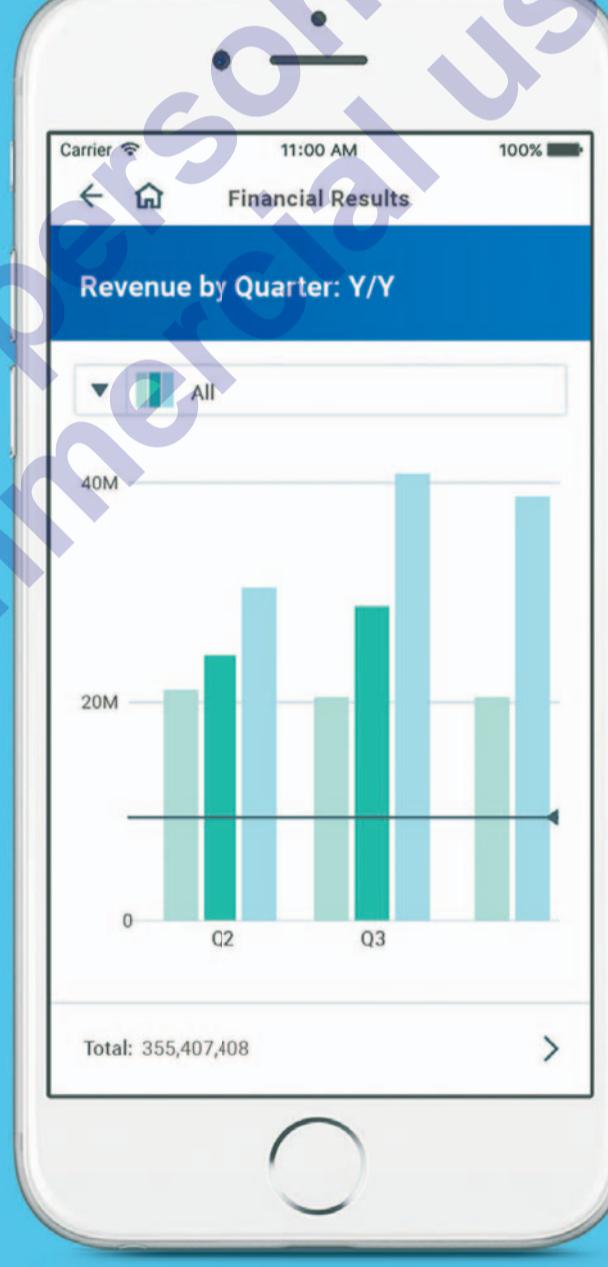
something is going to solve that friction point so that it will become really easy for you to take out your phone, load up a browser, search an app store and participate in this new internet.

These are the foundational tools in which we want to invest.



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JOURNAL REPORT | CIO NETWORK

The CIO Isn't Just About Technology

Ben Fried of Google and Prof. Vijay Gurbaxani on the responsibility of the chief information officer to adapt to a fast-changing environment

Ben Fried is the chief information officer at Google Inc., and Vijay Gurbaxani is a professor of business and computer science at the University of California, Irvine.

They sat down with Nikki Waller, editor of live journalism at The Wall Street Journal, to discuss the expanding role of the chief information officer and why companies today need to commit fully to technology to remain competitive.

Edited excerpts follow.

Importance of leadership

MS. WALLER: I think it's safe to say that the main business objective for most of the CIOs here, whether they admit it or not, is outrunning Google or Amazon. Do they have what it takes?

DR. GURBAXANI: I run a CIO round table with about 28 members and I think some of the capabilities we need in old-line companies to beat the platform companies are, for the most part, lagging behind in a variety of dimensions. So the short answer is, we have a lot of work to do at more-traditional companies to outrun

the Googles and Amazons.

MR. FRIED: I'm a CIO, and I'd like to think that we don't have to outrun each other so much. There's an awful lot of universality in being a CIO, whether you work at Google or somewhere else.

But in terms of skills, there may be this perception that the role of the CIO is one that requires solely deep understanding of technology. And while that's incredibly important, CIOs are business leaders, as well.

As a business leader, especially in an era where there's such a great demand for talent, you have to be able to inspire followership. You have to be able to design and change organizations. You have to be able to communicate really, really well. You have to put the business first and how you think about the mission of your organization. Those are universal skills for business leaders.

In addition, as a CIO, you are the person responsible for the shape and quality of technology in the company you work in, so you need to own that.



Ben Fried



Vijay Gurbaxani

NIKKI RITCHER FOR THE WALL STREET JOURNAL (3)

MS. WALLER: Ben, how do you ask for resources for projects you need, especially if they're risky or unproven?

MR. FRIED: I look at investment through a number of lenses. I have one set to keep the business running. What I want to do is invest and drive down unit costs, drive down marginal costs, allow us to scale better. And because an awful lot of my problems come from a growing business in every dimension—it's a first-class problem to have—unit cost reduction is incredibly important.

There's another set of conversations around improving efficiency and automation among the functions that we support. How do we partner with the finance organization

to develop more efficient finance processes and create more opportunity and automation and so on. We also have a pretty big team focused on what we can do to make all of Google more productive.

MS. WALLER: What's the No. 1 thing you've done to make all of Google more productive?

MR. FRIED: Everyone complains about meetings, but no one does anything about them. So we made a bunch of technology investments starting with computer/human interaction, user-experience research, and understanding, "Well, what goes on in meetings? What's an effective meeting? What's not? And what are the tools actually doing versus what could they do?"

So to give you an example of a crazy "only at Google" thing we've done to make people more productive is we have a batch optimizer that runs every night. It looks at everyone's schedules and where they'll be through the course of the day, and optimizes the meeting schedule to reduce walk time between meetings. And we actually have metrics for how much walk time we've saved over the course of the day.

MS. WALLER: It's like a reverse FitBit.

MR. FRIED: Well, I did get some snide remarks about driving up health premiums. But I like to say it allows people to be more intentional about exercise and prevents meetings from running late or starting late because people need to come from far away.

Huge gap

MS. WALLER: Let's talk about machine learning and AI. Vijay, how can people learn what they need to know and bring it into their organizations right now?

DR. GURBAXANI: The chief competitive resource that we all have today is know-how. When you start getting into what distinguishes your company from other companies, it has to be based on what you know how to do that is better than how your competitors know how to do it. Traditional software has codified what we know how to do because you have to specify the rules, the policies, the procedures.

The harder part is developing new knowledge, and that's where machine learning comes in. But new knowledge actually comes from data. If you look at how many hours of self-driving cars Waymo has data on, it's in the hundreds of thousands, and if you look at the next best, it's in the four digits. The company with the

most data wins. And I have found that many companies struggle with how to acquire more data, [whether it be on their own or through partnerships and acquisitions].

In terms of skills, getting the right talent around machine learning is a challenge. It's the hottest field there is. Every graduate student in machine learning stops their Ph.D. and makes a few hundred thousand going to work for companies like Google.

MR. FRIED: I've been working in technology since around 1980, and I've seen many, many times when a technology revolution upended what we do. But never has there been one like machine learning, because of the depth of experience it requires on the part of participants.

As a result, the difference between the people who can take advantage of the leading edge of what's happening in that field and the rest is the greatest I've seen in any of these technology revolutions.

DR. GURBAXANI: If you fall behind your competitors in developing this new know-how and leveraging, you're going to fall further and further behind. And we've seen that the platform companies are winning and they're winning big. So my message to you would be get out there in a hurry.

VOICES FROM THE CONFERENCE



"A few things to keep in mind about these quantum machines. You probably won't be buying them. They are unbelievably expensive. And difficult to maintain because the quantum system itself needs to be chilled down to 30 or 40 millikelvin. And even the control system that connects into the quantum environment and runs the quantum system has to be cryogenically chilled."

Kevin Scott, Chief Technology Officer, Microsoft

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