

# THE WALL STREET JOURNAL.

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DJIA 24801.36 ▼ 82.76 0.3% NASDAQ 7396.65 ▲ 0.3% STOXX 600 372.71 ▲ 0.4% 10-YR. TREAS. ▼ 2/32, yield 2.883% OIL \$61.15 ▼ \$1.45 GOLD \$1,326.00 ▼ \$7.60 EURO \$1.2411 YEN 106.07

## What's News

### Business & Finance

**Cigna** is nearing a deal to buy Express Scripts, in an acquisition that could be valued at more than \$50 billion. **A1**

◆ **Univision's CEO** will step down this year, as the board undertakes a business review that could lead to severe cost cuts. **B1**

◆ **Home sales this spring** are expected to weaken, due in part to rising mortgage rates and the new tax law's cap on deductions. **A3**

◆ **The Dow closed down** 82.76 points at 24801.36 as Cohn's exit renewed fears of a trade war. **B1**

◆ **The banking industry** is pressing to break up the government's near monopoly on the \$100 billion-a-year student loan market. **B1**

◆ **Iran's energy sector** is languishing, with international oil firms reluctant to invest as the Trump administration threatens to reimpose sanctions. **A8**

◆ **Coke's Japan unit** plans to introduce a fizzy drink that contains alcohol, a first for the company. **B1**

◆ **Amazon is expanding its discounted Prime program** as it competes with Walmart for low-income shoppers. **B2**

◆ **Airbus plans to cut production of its A380 super-jumbo and its A400M military transport aircraft.** **B3**

◆ **National Indemnity** must pay over \$68 million of Montana's asbestos settlement, a judge ruled. **B5**

◆ **Snap plans to lay off** about 10% of its engineers as the firm's growth slows. **B3**

### World-Wide

◆ **Trump is expected to** sign a proclamation imposing new tariffs on steel and aluminum, but sparing Canada and Mexico, ushering in a policy that could recalibrate relations with allies and trading partners. **A1**

◆ **An ex-Russian spy** and his daughter were poisoned with a nerve agent, U.K. officials said, an attack that threatens to escalate tension between London and Moscow. **A1**

◆ **Florida lawmakers** approved the first notable gun curbs in the state in decades, three weeks after the Parkland school shooting. **A6**

◆ **McMaster is set to meet** with South Korea's security chief to discuss Pyongyang's offer for talks on giving up its nuclear program. **A7**

◆ **Many U.S.-backed forces** fighting Islamic State in Syria have departed, leaving Washington without a plan to finish the battle. **A8**

◆ **The Saudi crown prince** began a three-day visit to Britain in an effort to sell his vision for social change and court investors. **A8**

◆ **Democrats say** Education Secretary DeVos is breaking the law by approving plans that don't measure minority students' performance. **A4**

◆ **Sessions traded** bars with California Gov. Brown over a Justice Department effort to strike down the state's immigration laws. **A2**

◆ **A winter storm** brought over a foot of wet snow to parts of the Northeast, canceling thousands of flights and closing schools. **A2**

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## Tariffs to Be Set Amid GOP Dissent

By MICHAEL C. BENDER  
AND PETER NICHOLAS

WASHINGTON—President Donald Trump is expected to sign a decree this week laying out his plan to impose new tariffs on steel and aluminum, sparing both Canada and Mexico, after people on both sides of the issue made final pleas to either scuttle the measure or ensure he doesn't back off.

At the White House on Wednesday, aides began preparations for the ceremony ushering in a turn in trade policy that could recalibrate relations between the U.S. and its allies and trading partners.

The moves came as more than 100 Republican House members sent an urgent letter



*'We urge you to reconsider the idea of broad tariffs to avoid unintended negative consequences to the U.S. economy and its workers.'*

Letter to President Trump from Rep. Kevin Brady and 106 other Republican House members

*'We are definitely going to end up with these tariffs, and we're going to roll this out very, very quickly.'*

Treasury Secretary Steven Mnuchin

Wednesday to the White House pressing for Mr. Trump to change course. In their letter, the GOP lawmakers urged the president to reconsider "broad

tariffs to avoid unintended negative consequences to the U.S. economy and its workers."

They added that "tariffs are taxes that make U.S. busi-

nesses less competitive and U.S. consumers poorer." The GOP missive followed a similar one from members of a business-friendly House Democrats

group urging hearings on the shifting trade policy.

The proclamation signing, which could happen as soon as Thursday afternoon, would cap a tumultuous few weeks in the White House, where advisers have been sparring over the direction of U.S. trade policy, with the tariffs handing a victory to the protectionist wing led by adviser Peter Navarro and playing a part in Tuesday's resignation of Gary Cohn, director of the National Economic Council.

Mr. Navarro said Wednesday that the plan would ex-

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- ◆ Greg Ip: Trump may be missing a trade opportunity..... A2
- ◆ Blue chips fall as Cohn exit adds to concerns..... B11



British officials said former spy Sergei Skripal, shown shopping in Salisbury, England, last month, and his daughter were poisoned with a nerve agent. The former colonel in Russian military intelligence has lived in England since a 2010 spy exchange with Moscow.

## Nerve Agent Felled Russian Ex-Spy

Britain threatens sanctions if Moscow had a role in attack in southwestern England

By WIKTOR SZARY  
AND ALAN CULLISON

LONDON—The poisoning of a former Russian spy and his daughter was carried out with a nerve agent, British officials said Wednesday, in a targeted attack on British soil that threatens to escalate tensions between London and the Kremlin.

Sergei Skripal, a 66-year-old former colonel in Russian military intelligence who has lived in Britain since a 2010 spy ex-

change, and his 33-year-old daughter, Yulia, were in critical condition after being found unconscious on a bench outside a shopping mall in southwestern England on Sunday afternoon. A police officer who was one of the first on the scene is also seriously ill, authorities said.

Police said they were treating the case as attempted murder and had identified the nerve agent used, which would help them identify its source.

They declined, however, to name the specific substance. On Tuesday, U.K. Foreign Secretary Boris Johnson said that if Russia was behind the poisoning, it would face sanctions. Russia's government has denied any involvement.

Relations between London and Moscow have suffered since the 2006 poisoning of Alexander Litvinenko, a former Russian intelligence agent who had become a Kremlin critic and a British citizen. He suffered a slow, painful death after meeting his killers in a London bar and drinking tea laced with polonium, a rare and deadly radioactive isotope.

A high-level British investigation concluded in 2016 that the killing of Mr. Litvinenko was likely an operation of the Russian domestic security service, the FSB, approved by Russian President Vladimir Putin. Russia denied the claim.

The use of a nerve agent in Sunday's attack strongly sug-

gests state involvement. "It's a bit of a giveaway. In itself, it's a signal," said Lawrence Freedman, an emeritus professor of war studies at King's College, London.

Nerve agents—which can be inhaled or absorbed through the skin—disrupt signals from nerves to muscles and other body parts and can lead to death by asphyxiation. The nerve agent VX was used to kill the half-brother of North Korean leader Kim Jong Un by alleged assassins last year.

Experts cautioned it could be too early to point the finger at the Kremlin, which seeks to have Western sanctions lifted.

"A lot of Russian officials

Please see SPY page A9

## Secretive Firm Wants To Pour America's Coffee

Europe's JAB is building an empire out of a disparate group of beverage brands

Here's a question with billions of dollars riding on the answer: What do these American brands have in common? Peet's, Panera Bread, Krispy Kreme, Dr Pepper and Stumptown.

By Zeke Turner in Ludwigshafen, Germany, and Julie Jargon in Los Angeles

They are all owned by JAB, a secretive European holding company that 50 years ago was making industrial chemicals for swimming pools. Through multiple deals, the firm has stumped its publicly traded rivals with what seemed like a mildly eccentric and expensive shopping spree. "I'm sure there's some towering strategic logic," PepsiCo

Inc. CEO Indra Nooyi said during a recent earnings call, "but we are still searching for it."

Interviews with JAB executives, directors and portfolio companies offer an answer. The company is mashing together a fragmented industry to create a caffeine-fueled global powerhouse.

JAB today sells coffee in nearly every form and venue. It distributes brands it doesn't own such as Dunkin' Donuts and Starbucks for its Keurig coffee maker in single-serve K-cups to brew at home and at work. It sells its own brands of bottled cold coffee and bags of beans, such as Peet's and Green Mountain. With its own bakeries and coffee shops, it competes directly with America's biggest coffee chains.

Please see COFFEE page A10

## Tuba Crime Wave Sweeps America

Stranger than swiping one is how often it happens

By JENNIFER LEVITZ

The shiny brass Mario Corso tuba stood out for 12 years as one of the largest members of the Preservation Hall Jazz Band in New Orleans.

It is roughly 4 feet long and weighs 38.5 pounds, which makes what happened last month sound like someone blowing hot air. A thief ran off with it, presumably slowly.

"What were they thinking?" says Ben Jaffe, the band's creative director, who owned and played the sousaphone, a deep-pitched marching-band-style tuba. "What are they going to do with it?"

The horn heist unfolded

Please see TUBA page A10

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

Oracle Autonomous Database

No Human Labor – Half the Cost  
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Human labor refers to tuning, patching, updating, and maintenance of database.

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## Cigna Near Deal for Express Scripts

By DANA MATTIOLI  
AND DANA CIMILLUCA

Health insurer Cigna Corp. is nearing a deal to buy Express Scripts Holding Co., according to people familiar with the matter.

A deal could be announced as soon as Thursday, the people said. As of Wednesday, Express Scripts had a market value of \$41 billion, meaning that with a typical premium, the transaction could be worth \$50 billion or more.

Terms of the expected deal couldn't be learned.

St. Louis-based Express Scripts is a pharmacy-benefit manager. Such companies serve as middlemen that help negotiate discounts with drug makers.

The combination would be the latest in a flurry of proposed tie-ups in the rapidly changing health-care-services

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## INSIDE

UNIVISION CEO FALCO TO MAKE EARLY EXIT

### BUSINESS & FINANCE, B1

A NEW ANTIDOTE FOR NOISY PLANES

### LIFE & ARTS, A11

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

Oracle Autonomous Database

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

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Human labor refers to tuning, patching, updating, and maintenance of database.

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## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Trump's Strategy on Trade Alienates Allies



The U.S. isn't the only country that has a chip on its shoulder about trade.

When it comes to China, so do countless others.

For President Donald Trump, this could be an opportunity to lead a coalition against China's predatory trade behavior. Instead, he is threatening a trade war with the countries that would make up such a coalition, over commodities that are much less vital to the U.S.'s economy and national security than the sectors threatened by China's expropriation of intellectual property.

This comes at a crucial time. President Xi Jinping's recent elevation to de facto leader for life may have finally buried the doctrine, subscribed to by previous American presidents, that drawing China into the global economy would liberalize its economy and politics.

When Mr. Trump took office, he already possessed a resentment of China due to its huge trade surplus with the U.S. Many of his advisers consider the obsession with trade imbalances misplaced,

yet agree China is a unique menace.

"Every year, competitors such as China steal U.S. intellectual property valued at hundreds of billions of dollars," his national-security strategy declared in December. "China is gaining a strategic foothold in Europe by expanding its unfair trade practices and investing in key industries, sensitive technologies, and infrastructure."

In its annual economic report, Mr. Trump's Council of Economic Advisers extolled free trade while singling out the harm to the U.S. from intellectual-property theft and economic espionage, which it puts at \$227 billion to \$599 billion a year. (By comparison, the total U.S. trade deficit in steel and aluminum is just \$30 billion.)

The report also noted the large number of disputes other countries have brought against China at the World Trade Organization.

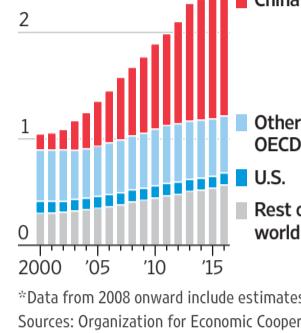
But Mr. Trump has consistently rejected collective action in favor of going it alone. In January 2017, former President Barack Obama's administration launched a case at the WTO against China for subsidizing

## The China Syndrome

Almost all of the increase in global steel and aluminum production and capacity since 2000 has been in China.

## Global steel capacity

3 billion metric tons

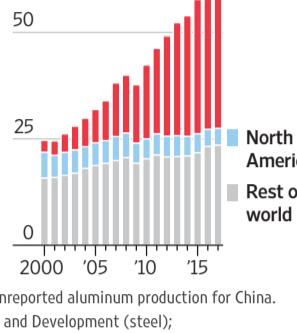


\*Data from 2008 onward include estimates of unreported aluminum production for China.

Sources: Organization for Economic Cooperation and Development (steel); International Aluminum Institute (aluminum)

## Global aluminum production\*

75 million metric tons



\*Data from 2008 onward include estimates of unreported aluminum production for China.

Sources: Organization for Economic Cooperation and Development (steel); International Aluminum Institute (aluminum)

of third markets, and they then ship to the U.S.

Nonetheless, this means the pain of Mr. Trump's tariffs would fall not on China but on actors that play by the rules, including Canada, Japan and the European Union. On Wednesday, the EU unveiled potential retaliatory measures, to which Mr. Trump has threatened counter-retaliation.

Chinese misbehavior has thus brought the U.S. to the brink of a trade war with its own economic and strategic allies. Some policy makers worry this makes global cooperation harder where the stakes are far higher: Chinese forced technology transfer, commercial espionage and intellectual-property theft, all aimed at creating Chinese champions in key industries by 2025.

These pose a far greater threat to U.S. technological leadership and the enormous value it adds to U.S. exports than do growing imports of steel and aluminum.

The U.S. is preparing a sweeping penalty against China, but it would be more effective if done jointly; otherwise, Beijing may retaliate by favoring U.S. competitors—Airbus, for

example, instead of Boeing.

A coordinated response has worked before. In 2012, the U.S., EU and Japan launched a joint WTO complaint against China for restricting exports of "rare earths," which are vital to many advanced technologies. In 2014, they won and China lifted its restrictions. One former U.S. trade official says the U.S. could create a similar united front against Chinese takeovers of technology companies: "That would get their attention." Nor would it violate WTO rules, which are less restrictive on investment than tariffs, he said.

This would require the WTO and other countries to share the U.S. sense of urgency. But most of all it requires Mr. Trump to understand where leverage comes from.

"Chinese misbehavior with respect to intellectual property and economic espionage is a real problem that requires a response," Patrick Toomey, a Republican senator from Pennsylvania, said in an interview. "We are much more likely to get our allies to work with us if we aren't punishing them for selling us steel that our consumers want to buy."

## U.S. WATCH

## JUSTICE DEPARTMENT

## Immigration Suit Targets California

The simmering battle between California and the Trump administration escalated Wednesday, with Attorney General Jeff Sessions and Gov. Jerry Brown trading barbs over a new Justice Department lawsuit that seeks to strike down the state's immigration laws.

"California...is using every power it has—powers it doesn't have—to frustrate federal law enforcement. So you can be sure I'm going to use every power I have to stop them," Mr. Sessions told a gathering of law-enforcement officers in Sacramento on Wednesday.

Mr. Sessions used his speech to announce a new Justice Department lawsuit that challenges a trio of state immigration laws that impose various restrictions on federal and local law enforcement.

Mr. Brown, a Democrat, fired back Wednesday. "This is basically going to war against the state of California, the engine of the American economy," the governor said. "It's not wise, it's not right and it will not stand."

—Alicia A. Caldwell

The U.S. trade gap in goods and services expanded 5.0% from the prior month to a seasonally adjusted \$56.60 billion in January, the Commerce Department said Wednesday. It was the fifth straight month of a rising level in more than nine years.

Imports were unchanged from December, with a rise in petroleum imports offset by declines in other categories.

Exports fell 1.3% in January, including reduced shipments of capital goods and industrial supplies. The overall trade deficit in January was the largest since October 2008. Excluding services, the trade gap for goods alone was the largest since July 2008.

—Ben Leubsdorf

## ECONOMY

## Productivity Growth Stalled in Late 2017

U.S. productivity growth stalled late last year while the cost of labor grew more quickly than previously thought.

Productivity—a measure of the goods and services Americans produced per hour worked—was flat in the fourth quarter of 2017, the Labor Department said. That replaced the prior estimate of a 0.1% decline, at an annual rate, for nonfarm business productivity.

Productivity has grown at a sluggish pace throughout the current expansion, continuing a decadeslong slide. But it picked up last year. Productivity grew 1.1% in the fourth quarter compared with a year earlier.

—Josh Mitchell

## Trade Deficit Widens To a Post-2008 High

The trade deficit widened further in early 2018, a deteriorating backdrop to President Donald Trump's ramped-up efforts to close the gap with the help of tariffs.

**DEAL**

Continued from Page One

business.

Late last year, CVS Health Corp. signed a nearly \$70 billion deal to buy Aetna Inc. In 2015, Aetna agreed to buy fellow health insurer Humana Inc. in a \$37 billion deal that was later terminated following regulatory scrutiny. That same year, Cigna agreed to combine with Anthem Inc., a deal that was also blocked by regulators.

Heavy snow fell in New York City and continued into the night, with 8 to 12 inches expected. The National Weather Service predicted up to 24 inches of snow for parts of Connecticut, and areas from northern New Jersey to Maine were forecast to re-

ceive as many as 18 inches.

The accumulation on the ground was lower in some areas, where surface temperatures remained above freezing for much of the day. The warm temperatures meant that much of the snow was heavy and wet, and some areas had thunder and lightning, according to the NWS.

In Connecticut, Gov. Dannel Malloy directed all nonessential state workers to go home early Wednesday and warned that whiteout conditions would make travel dangerous.

New Jersey Gov. Phil Murphy declared a state of emergency, and many districts in

the state closed schools.

An eighth-grade teacher was struck by lightning while supervising dismissal at a Manchester, N.J., middle school, police said. The teacher, a 33-year-old woman, was holding an umbrella and standing with two other teachers when "they saw a flash, she felt a tingle," Manchester Police Capt. Todd Mallard said. The woman was taken to a hospital as a precaution, Capt. Mallard said.

Airlines canceled almost 2,700 flights nationwide, according to FlightAware. The most affected airports were in the New York area.

Amtrak reduced services in the Northeast. It said reduced service would continue Thursday.

The conditions in New York threatened more misery for thousands of homeowners and businesses still without power following Friday's storm. As of Wednesday morning, New York Gov. Andrew Cuomo said during a telephone news conference, there were still 26,000 homes without power.

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## U.S. NEWS

# Battle Brews Over School Data

By MICHELLE HACKMAN

WASHINGTON—Education Secretary Betsy DeVos has been approving state plans that don't specifically measure the performance of minority students, arguing there is no requirement for the plans to do so but prompting Democratic allegations that she is violating a 2015 law.

The law, passed on a bipartisan basis, contains several provisions championed by Democrats that require states to collect data on the academic performance of minority students and include them in school-ratings systems. Those ratings systems, in turn, help determine which schools require intervention or aid.

Under plans submitted to the Education Department last year, 41 states crafted ratings systems that omit the performance of some or all minority groups, such as black students, children with disabilities, or English-language learners. Mrs. DeVos has so far approved plans from 33 states, many of which include those ratings systems.

Mrs. DeVos has defended her actions, saying the agency is returning more autonomy to the states. A department spokeswoman said the law's requirements aren't as specific as Democrats say they are.

"I'm not signing any plan that doesn't meet the tenets of the law," Mrs. DeVos said this week.

The dispute over a single rule in a sweeping education



**Education Secretary Betsy DeVos has rejected criticism that she isn't following the law.**

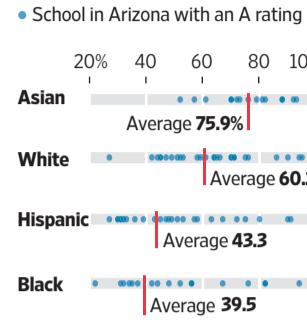
law reflects a partisan split over the federal government's role in education policy, and particularly its level of responsibility for civil-rights issues. While both Democrats and Republicans supported the 2015 law, Democrats are more supportive of the provisions regarding the monitoring of minority students' performance.

Democrats and civil-rights advocates fear that if states don't collect data on subgroups, it will shield schools where students with minority backgrounds or lower incomes perform worse than their peers.

Under Arizona's plan, which Mrs. DeVos approved in September, the state retained a school-rating system in which,

## Pass Fail

Percentage of students who passed a statewide English achievement test in top-rated Arizona high schools



Note: Some schools didn't have enough students in certain races/ethnicities to be statistically significant and therefore weren't charted.

Source: Alliance for Excellent Education

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on average, 40% of black students read at grade level in high schools that received an A grade, compared with 60% of white students and 76% of Asian students. Under Florida's system, 58% of black students at A-rated elementary schools could read on par with their peers.

The partisan tensions have been brewing since the summer, but they are now spilling into public view. Fifty House Democrats—representing the Congressional Black Caucus, Congressional Hispanic Caucus, and Congressional Asian and Pacific-American Caucus—sent Mrs. DeVos a letter on Wednesday accusing her of "[violating]" the letter and

spirit" of the law, known as the Every Student Succeeds Act.

"The U.S. Department of Education should be implementing [the law], not unravelling it," the Democrats wrote.

On Monday, Mrs. DeVos criticized state education officials for crafting plans that she said "meet the bare minimum required by the law" but don't lay out a sweeping vision to help struggling students.

Civil-rights advocates took issue with Mrs. DeVos's comments, saying it was an attempt to shift blame from the Education Department.

"The problem isn't a lack of innovation," said Phillip Lovell, vice president of the Alliance for Excellent Education, a D.C.-based advocacy group. "The problem is a lack of adherence to the law's protections for historically underserved students."

Mrs. DeVos said that signing off on the plans didn't mean she endorsed them, but rather that she was certifying that they complied with the law.

"If we wanted to dictate from D.C., I'd claim the mantle of our nation's 'choice chief' and reject plans because they don't give parents more quality choices," she said. "But I haven't done that."

Congress passed the 2015 law to supplant the widely unpopular "No Child Left Behind" statute, which many Republicans and Democrats viewed as heavy-handed. Lawmakers intended the rewrite to lift most federal mandates off states and school districts.

# Lawyer Won Order To Silence Actress

By MICHAEL ROTHFIELD AND JOE PALAZZOLO

day that the arbitration order has no force because the underlying nondisclosure agreement is void. He also said Ms. Clifford hadn't been served with any notice of the proceeding or been given an opportunity to respond.

"We don't believe the order is worth the paper it's printed on," he said.

Mr. Cohen didn't respond to a request for comment.

Ms. Clifford said in her lawsuit that "the Hush Agreement" she signed is "null and void" because Mr. Trump

*The former adult-film star alleges she had a sexual relationship with Mr. Trump.*

never signed it, noting that he was listed as party to it under a pseudonym. Ms. Clifford's lawsuit also alleged that Mr. Cohen breached the agreement when he publicly acknowledged the existence of the pact with Ms. Clifford and that he had "facilitated" the \$130,000 payment in a Feb. 13 statement to news media.

White House press secretary Sarah Huckabee Sanders said Mr. Trump has "made very well clear that none of these allegations are true."

# Democrats Offer Tax Plan That Would Repeal Much of New Law

By RICHARD RUBIN

WASHINGTON—Senate Democrats on Wednesday proposed repealing major pieces of the just-passed tax law, in a plan that would raise taxes on corporations, estates and high-income households to pay for \$1 trillion in new infrastructure spending.

The plan will likely go nowhere with Republicans in charge of Congress and the White House. But it provides a first clear signal about Democratic priorities on tax policy and establishes a clear contrast for the 2018 midterm elections.

The proposal would set the corporate tax rate at 25%, up from today's 21% but still well

below the 35% that was in place until President Donald Trump signed the tax law in December.

Democrats also propose to cut the estate-tax exemption from \$11.2 million per person back toward the \$5.6 million in effect under the old tax law.

They would set the top individual tax rate back at 39.6%,

up from 37%, and would expand the alternative minimum tax, a parallel tax system for top-earning households. The GOP law narrowed the AMT's scope.

Democrats said their infrastructure plan, which would put money into a variety of projects, including roads, bridges and airports, would generate far more investment

than the plan Mr. Trump has backed.

"We are closing specific and major loopholes," said Sen. Ron Wyden (D, Ore.), the top Democrat on the Senate Finance Committee.

Senate Majority Leader Mitch McConnell (R, Ky.) and the White House dismissed the Democrats' plan.

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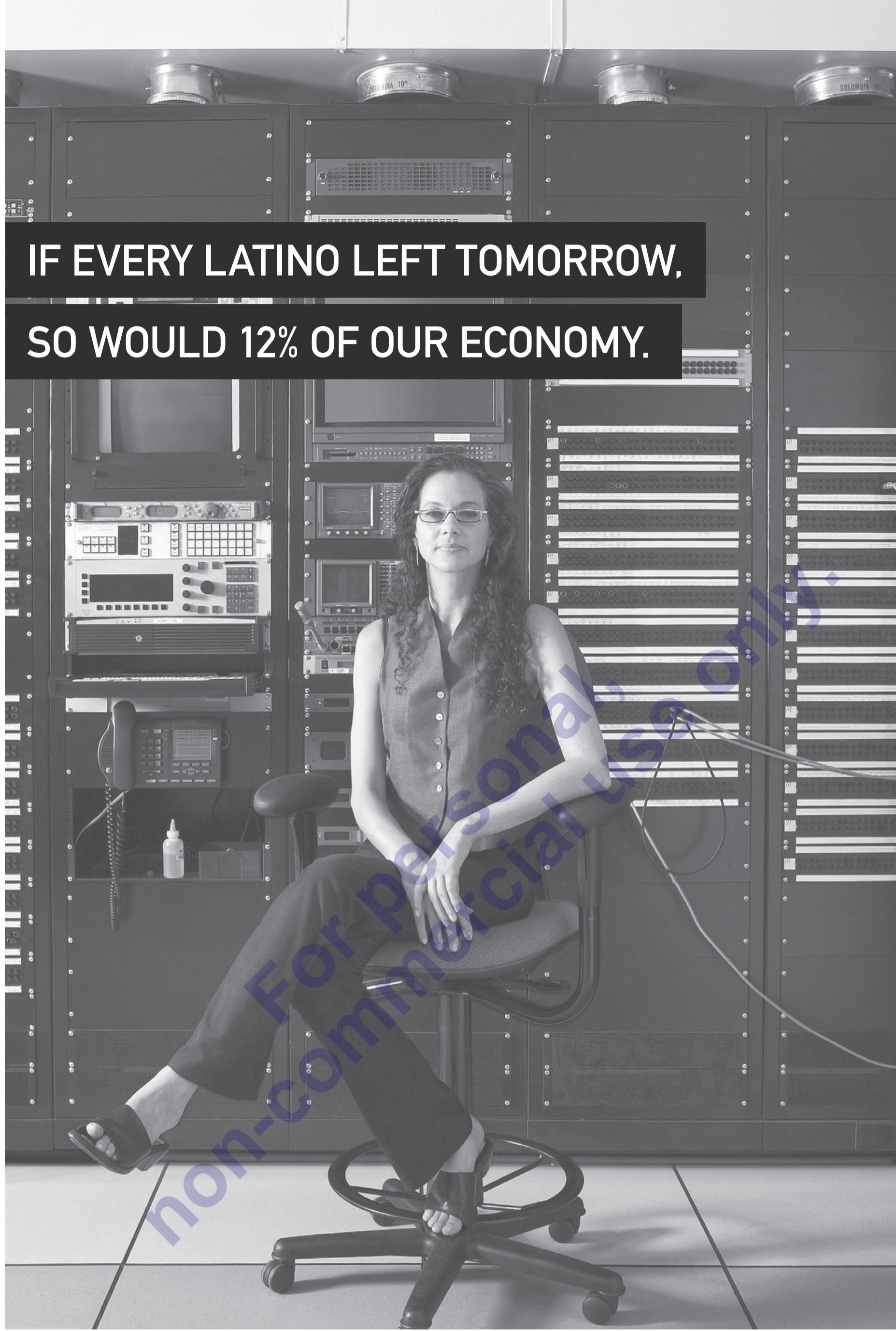
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## U.S. NEWS

# Florida Lawmakers Approve Gun Curbs

State legislators were under pressure to act after school shooting that left 17 dead

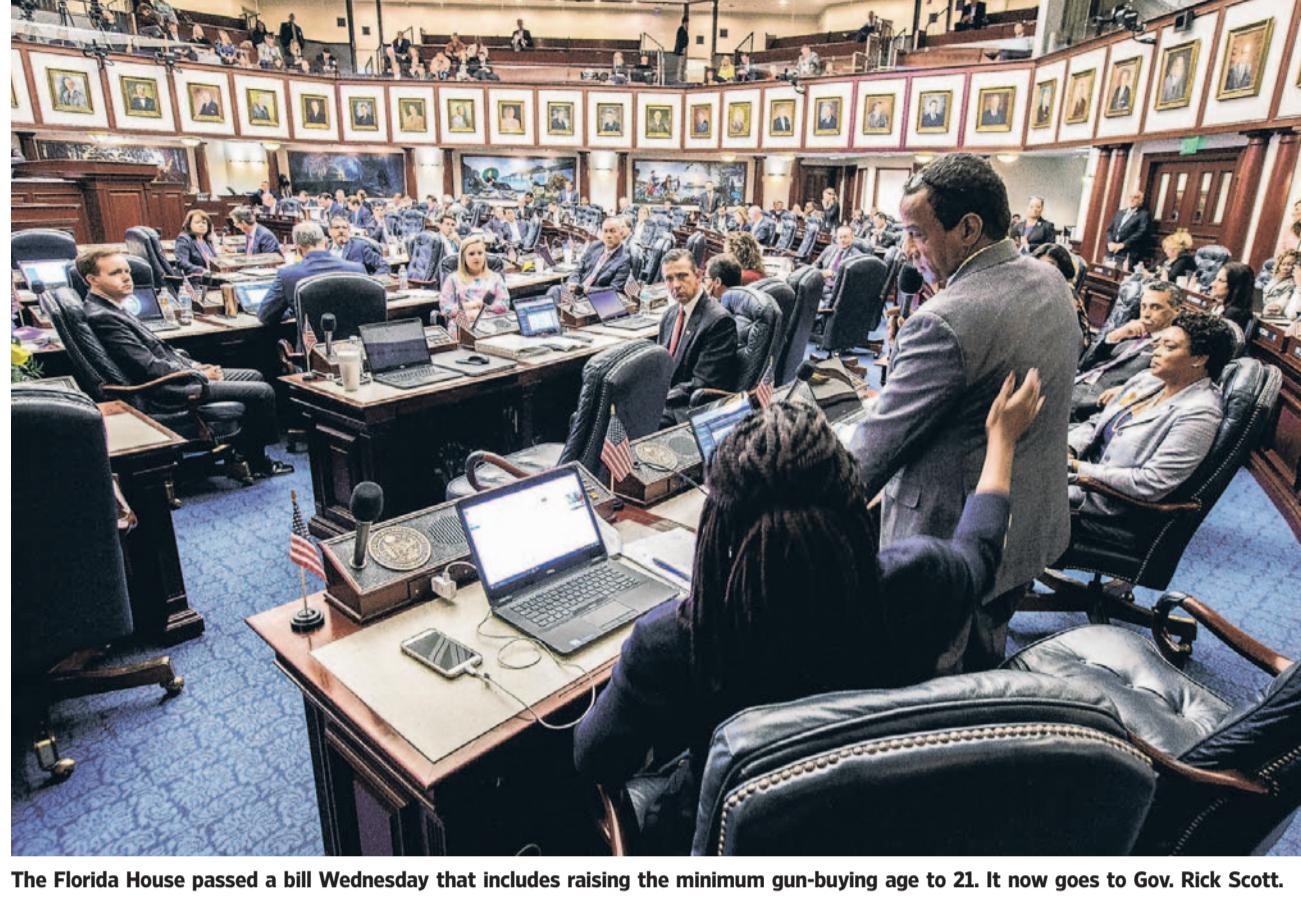
BY ARIAN CAMPO-FLORES

Florida lawmakers approved a bill Wednesday that adds the first notable gun restrictions in the firearm-friendly state in decades, three weeks after the deadly school shooting in Parkland, Fla.

The measure passed after lengthy, emotional debate in the state House and Senate. Lawmakers faced intense pressure to act from Republican Gov. Rick Scott and family members of those killed in the Feb. 14 massacre at Marjory Stoneman Douglas High School that left 17 people dead.

On Tuesday, family members of all the shooting victims sent a letter to House members urging them to pass the bill. "This issue cannot wait," they wrote.

The 67-to-50 vote Wednesday in the House came as the legislative session nears its end on Friday and two days after the state Senate narrowly passed the bill in a 20-to-18 vote. Support came mostly from Republicans, who control both the House and Senate, but also some Democrats. The measure now goes to Mr.



MARK WALLACE/ASSOCIATED PRESS

**The Florida House passed a bill Wednesday that includes raising the minimum gun-buying age to 21. It now goes to Gov. Rick Scott.**

Scott, who backs some of its provisions and opposes others, for his signature.

"Both sides are having to give on this," said Republican Rep. George Moraitis Jr. on the House floor Wednesday before

members voted. "We're voting to protect children."

Meanwhile, a Broward County grand jury on Wednesday indicted the accused shooter, 19-year-old Nikolas Cruz, charging him with 17

counts of premeditated murder and 17 counts of attempted murder. Mr. Cruz has pleaded not guilty.

The school-security bill would increase the minimum age to buy any type of gun to

21, from 18, with some exceptions, and requires a three-day waiting period before a buyer can receive a firearm. It bans the sale of bump stocks—devices that allow semiautomatic rifles to perform like fully au-

## Cohn's Departure Leaves Big Policy Shoes to Fill

BY NICK TIMIRASOS

Gary Cohn's resignation from his post as director of the National Economic Council leaves a big opening in President Donald Trump's economic team that could be a challenge to fill.

The White House is losing an official with Wall Street credibility, given Mr. Cohn's long tenure at Goldman Sachs Group Inc., but whose views on trade clashed with the president's.

The administration must now balance demands to find someone Mr. Trump trusts, who can speak convincingly to investors and the business community and who can defend the president's policies.

"It's going to be hard to find a smart economic mind who supports the current agenda on tariffs," said Paul Winfree, who served as deputy director of the White House Domestic Policy Council last year until he resigned in December.

Mr. Trump's willingness to stir conflict among staffers and to rebuff officials he believes haven't demonstrated loyalty could complicate the search.

A White House official said

Mr. Cohn was frustrated with the decision-making process that led to Mr. Trump's announcement last week that he would impose U.S. tariffs on imported steel and aluminum.

Unlike cabinet agencies such as the Treasury Department or the Office of Management and Budget, the NEC has no formal responsibility for carrying out legislation or regulations.

The policy-making body has little authority beyond whatever power the president places in it. Since it was created by President Bill Clinton in 1993, it has served as a weigh station for forging policy positions and resolving disputes that cut across multiple agencies in the executive branch.

Mr. Cohn assembled a team of policy specialists who are well-regarded by business groups and congressional Republicans.

"Gary attracted outstanding people, and it's not obvious that they stay," said Tony Fratto, who served in the White House and Treasury under President George W. Bush.

The White House hasn't outlined a timetable to name a successor.

Potential candidates include CNBC commentator and former Trump campaign adviser Lawrence Kudlow; Council of Economic Advisers Chairman Kevin Hassett; and Peter Navarro, a trade adviser who won out over Mr. Cohn in the White House battle over steel tariffs, according to an administration official.

Officials are also considering Andy Puzder, a fast-food executive who withdrew his labor secretary nomination.

Mr. Puzder's confirmation was in doubt after he disclosed a failure to pay taxes for an undocumented housekeeper and decades-old domestic-abuse allegations from an ex-wife surfaced. Mr. Puzder, who has denied the claims, would be willing to serve in the administration, a spokesman said Wednesday.

Other possible candidates include private-equity investor Thomas Barrack Jr.; budget director Mick Mulvaney; and one of Mr. Cohn's deputies, Shahira Knight.

Current and former administration officials predicted most of the NEC staff would leave if Mr. Navarro takes the post.

Counts of premeditated murder and 17 counts of attempted murder. Mr. Cruz has pleaded not guilty.

The school-security bill would increase the minimum age to buy any type of gun to

21, from 18, with some exceptions, and requires a three-day waiting period before a buyer can receive a firearm. It bans the sale of bump stocks—devices that allow semiautomatic rifles to perform like fully au-



Treasury Secretary Steven Mnuchin told lawmakers on Tuesday that Mexico and Canada probably would be exempted from the tariffs if a new North American Free Trade Agreement is negotiated.

## TRUMP

### Steel and Aluminum Makers Fire Up Mills

Continued from Page One

empt Canada and Mexico at the outset, and they would remain free of the new tariffs if they successfully concluded negotiations rewriting the North American Free Trade Agreement.

"There's going to be an opportunity for Canada and Mexico to successfully negotiate a fair new Nafta, but if that is unsuccessful then tariffs will be imposed," Mr. Navarro said. He added that the two nations would be spared the tariffs—which are slated to hit other countries within 30 days—even if the Nafta negotiations took many more months.

He said the proclamation would be written in a way that would invite other countries to also seek to offer concessions in return for exclusion from the tariffs. But he added that for each country excluded, tariffs would have to be raised on those remaining to offer the same level of protection to the domestic industry.

"The president is well aware that anytime you remove someone from the universe for a good reason, in order to continue to defend those industries you have to make an upward adjustment to the tariffs on the remaining countries," Mr. Navarro said.

On Wednesday, about a dozen White House officials were consumed by the final details of the proclamation, rushing in and out of offices, and cutting short phone calls as changes were approved.

House Ways and Means Committee Chairman Kevin Brady (R., Texas), the lead signature on the House GOP letter, was preparing to meet with Mr. Trump, according to a person familiar with the matter. White House chief of staff John Kelly had arranged the meeting to give Republicans a last chance to make their case to the president, according to a House GOP aide.

For their part, pro-tariff forces took steps to show that Mr. Trump's rationale for the tariffs was sound. U.S. Steel said Wednesday that it would call back 500 workers in anticipation of the tariffs.

Some U.S. steel and aluminum makers are restarting idle mills and boosting capacity to make up for imports that face being priced out of the market if President Donald Trump's proposed import tariffs take hold.

United States Steel Corp. said Wednesday it would fire up a blast furnace in Granite City, Ill., and call back 500 workers. Century Aluminum Co. said last week it will restart lines at a smelter in Kentucky that have been curtailed since 2015, doubling its workforce there to 600.

"Our Granite City Works facility and employees...have suffered too long from the unend-

ing waves of unfairly traded steel products that have flooded U.S. markets," U.S. Steel Chief Executive David Burritt said. The company had idled the furnaces and laid off hundreds of workers in 2015 as a flood of cheap imports pushed down domestic prices.

U.S. Steel shares rose 2.6% Wednesday to \$45.69, making for a 28% increase in the past 12 months.

American steel and aluminum makers could still lose out to foreign competitors if they can't make enough metal to meet demand, even at higher prices.

Producers have struggled for years to compete with foreign mills, particularly in China, that ramped up production at lower prices.

—Bob Tita  
and Andrew Tangel

also, however, spark retaliatory measures from countries hit by the tariffs, potentially affecting trade in a wide range of imported and exported goods.

Among the remaining hang-ups in the White House is how to give the president flexibility to approve exemptions. One concern was that creating exemptions would undercut the national-security rationale for the new tariffs, one official said.

"Let's be very clear. We're not looking to get into trade wars," Mr. Mnuchin said.

Mr. Trump announced his decision to impose tariffs last week at a meeting surrounding by U.S. steel and aluminum executives, but left several key details, including the scope and duration of the tariffs, to be finalized. The move came amid an intense internal debate among his top advisers.

Divisions remain within Mr. Trump's cabinet. Agriculture Secretary Sonny Perdue said Wednesday he is concerned about potential retaliation against U.S. agricultural exports, adding that the U.S. should "maintain relations with our allies that make sense."

—Siobhan Hughes, Louise Radnofsky, William Mauldin and Jacob M. Schlesinger contributed to this article.

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# WORLD NEWS

## U.S., South Korea to Discuss North's Offer

McMaster, counterpart to meet amid search for signs Pyongyang is sincere on disarming

White House national security adviser Lt. Gen. H.R. McMaster will meet his South Korean counterpart as Washington weighs Pyongyang's offer to discuss giving up its nuclear program, administration officials said.

By Felicia Schwartz and Michael R. Gordon in Washington and Andrew Jeong in Seoul

The high-level meeting comes as administration officials look for signs that indicate whether Pyongyang is serious about taking steps toward denuclearization.

Those could come Thursday when South Korea's national-security adviser, Chung Eui-yong, and intelligence chief, Suh Hoon, brief Gen. McMaster and a team of State Department and other Trump administration officials on their meetings with North Korean leader Kim Jong Un and others in Pyongyang.

U.S. officials will be looking to see if the South Korean officials reaffirm that North Korea has promised to refrain from nuclear and missile tests and to engage in negotiations on giving up its nuclear arsenal if its security is guaranteed.

If the South Koreans provide such confirmation, the Americans' next step likely will be to ask the North Koreans directly to reiterate that position. The U.S. has a number of channels to communicate with the North Koreans, including through the country's ambassador to the United Nations.

If North Korea reaffirms that stance, that probably would represent a sufficient basis for the U.S. to begin talking with North Korean representatives, officials said.



A news broadcast in Seoul on Wednesday showed Kim Jong Un, left, meeting South Korea's national-security adviser, Chung Eui-yong.

### President Moon Won't Ease Stance

military exercises with the U.S. He added sanctions could only be eased when talks with the U.S. produce results.

On the military exercises, which would be happening as the summit takes place in late April, South Korea's national-security adviser, Chung Eui-yong, said "the North has promised not to raise issues with this."

Mr. Moon said there also had been no secret meetings

between Seoul and Pyongyang to engineer the inter-Korean summit, and Mr. Chung added that the South hadn't promised to provide any compensation to North Korea.

South Korean conservatives were outraged after a special counsel found that the first inter-Korean summit in 2000 was made possible through a transfer of hundreds of millions of dollars to the North.

Even with Seoul's assurances, skepticism about the North's intentions remained.

"This isn't the first time they said they would aim for denuclearization," Hong Jun-pyo, leader of the main conservative opposition party, told Mr. Moon on Wednesday, according to the presidential office. "But all of that was a lie."

—Andrew Jeong and Jonathan Cheng

Precisely what form those initial talks might take is unclear, but officials said they have worked hard to develop a U.S. negotiating proposal, which they declined to detail. The North Koreans have talked before about giving up their nuclear arsenal once the threat to the regime is removed and some U.S. officials have been wary that Pyongyang might insist on the re-

moval of American troops and severing the U.S.-South Korean military alliance.

Chinese officials have welcomed North Korea's offer to talk to the U.S. state media reported. China's support could add impetus to some form of negotiations, as the U.S. needs Beijing to carry out its campaign of maximum economic and diplomatic pressure against Pyongyang.

South Korean President Moon Jae-in on Wednesday said his country would stick with tough economic sanctions against North Korea until "real progress" is made toward ending its nuclear-weapons programs, in an attempt to blunt skepticism over Seoul's efforts to kick-start dialogue between Washington and Pyongyang.

On Tuesday, South Korean officials who met with Mr. Kim

said the North Korean leader had expressed a willingness to negotiate with the U.S. and signaled an openness to abandoning nuclear weapons in exchange for security guarantees. Seoul also announced plans for a summit meeting with the North.

Gen. McMaster and officials at the State Department have been consulting with Japan's ambassador to Washington,

Kenichiro Sasae, U.S. officials said. Japanese officials have expressed skepticism about the North Korean offer.

The Trump administration faces pressure from lawmakers who are eager to see tensions with North Korea subside, though they, too, have reservations about the North Korean overture.

"Direct negotiations between the United States and North Korea are the only feasible way to denuclearize the Korean Peninsula," said Sen. Ed Markey (D., Mass.). "However, there are many unanswered questions at this point. The devil is in the details and North Korea will use this time to perfect its weapons."

North Korea hasn't issued any statement confirming the South's account of the inter-Korean talks, though it did report on the delegation's arrival and a dinner with Mr. Kim on Monday evening.

Instead, North Korea's main daily newspaper devoted part of its front page Wednesday to government efforts to increase cement production for a tourist resort that it is building.

The North's silence added to skepticism in Washington and among conservatives in Seoul, who say Mr. Moon, who favors engagement with the North, may have moved too quickly to embrace Mr. Kim.

Rep. Mac Thornberry (R., Texas), chairman of the House Armed Services Committee, said North Korea's offer for talks is part of an effort "to divide us from our allies in South Korea. They are trying to get sanctions eased...trying to weaken our resolve to stand up to them."

The venue for the proposed summit, a building on the South Korean side of the line at the truce village of Panmunjom, was offered by the South as one possible option, along with Pyongyang and Seoul. The North chose Panmunjom, Mr. Moon said.

—Jonathan Cheng in Seoul contributed to this article.

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## WORLD NEWS

# Iranian Oil Resurgence Yet to Appear

BY BENOIT FAUCON

TEHRAN, Iran—Iran's oil-and-gas industry was supposed to take off after the country agreed in 2016 to limit its nuclear-power program in exchange for sanctions relief. Instead, one of the world's largest energy industries is languishing.

International oil companies are staying on the sidelines as the Trump administration threatens to rip up the pact and reimpose oil sanctions.

Iranian officials had predicted the deal would result by now in \$10 billion a year in fresh foreign spending in the oil and gas sector. But only about \$1.3 billion has been injected over two years, mostly from China, said Homayoun Falakshahi, an analyst at the oil consultancy Wood Mackenzie who focuses on Iran.

After an initial uptick, oil-production capacity has plateaued at 3.85 million barrels a day, according to the International Energy Agency, far below the varying estimates that Iranian officials have predicted over the years. France's Total SA signed a \$1 billion deal on President Donald Trump's election day that was touted as heralding a rush of Western investment, but it remains the only oil giant to forge ahead.

French auto maker Peugeot and aircraft producer Boeing Co. have found ways to make deals in Iran, but the energy sector has lagged behind because these investments would be multibillion-dollar, potentially decadeslong operations

with high visibility to the U.S. government. In Iran, hard-liners opposed to foreign investment have pushed back against President Hassan Rouhani's plans to sweeten the pot for oil companies.

A conference this past weekend in Tehran was supposed to be a showcase of the country's energy potential. British oil business BP PLC, French energy company EDF Group and Germany's Wintershall AG sent representatives, people familiar with the matter said.

But these companies are hesitant because they or their parent companies have U.S. operations that could be affected if sanctions were reimposed, the people said.

"It's depressing," said an Italian executive whose company has been trying for years to sign an oil deal in Iran.

BP declined to comment. EDF didn't respond to requests for comment. Wintershall said it is "closely following the developments" in Iran and follows all laws.

The oil industry was expected to be the easiest piece of Iran's economy to fix after almost a decade of sanctions curbed its crude exports. Iran has the world's fourth-largest reserves of oil and the largest natural-gas assets—much of them still untapped. Big oil companies like BP had long experience in Iran, the expertise to unlock oil from its sometimes difficult geology and the willingness to go back in under the right terms.

Iranian officials acknowledged that foreign investment was coming in more slowly



An Iranian tanker last year. The oil industry was expected to be the easiest piece of Iran's economy to fix after years of sanctions.

than expected, blaming the U.S. for sowing fear and uncertainty.

"I am not satisfied," said Iranian Oil Minister Bijan Zanganeh in an interview. "But we are trying and I am optimistic."

Mr. Trump has set a May 12 deadline for amending the nuclear deal or setting a course that could revive sanctions on Iranian oil sales. A U.S. State Department official said the U.S. was upholding its side of the deal "while holding Iran strictly accountable to its commitments."

U.S. officials are concerned about Iran's support for groups like Hezbollah and its

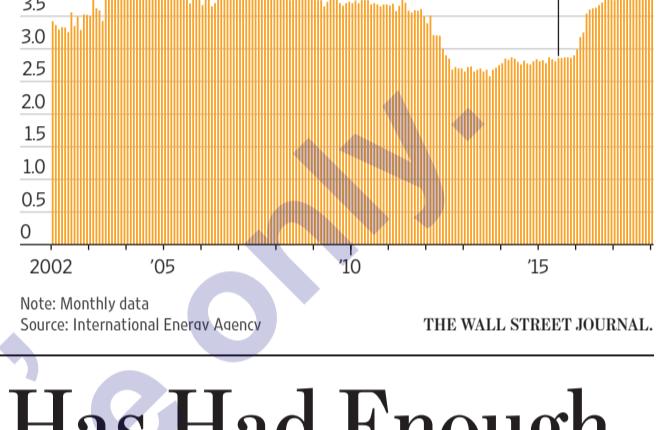
ballistic-missile technology, among other things.

Iran did get economic relief after sanctions were lifted, with oil exports rising by almost a million barrels a day and investments pouring in from China. Those barrels helped stave off a financial collapse, got Iran's economy growing again and eased rampant inflation.

But its anemic comeback since has helped foster widespread disappointment among average Iranians. Economic concerns were the initial focus of widespread demonstrations this year that transformed into a broader condemnation of Iran's ruling system.

## Plateauing

Iranian crude-oil production has stagnated after a surge following the end of sanctions.



THE WALL STREET JOURNAL.

# After Seven Years, a Kurdish Fighter Has Had Enough

BY RAJA ABDULRAHIM

HEMO, Syria—At 19-years-old, Berivan Ali is already battle-weary.

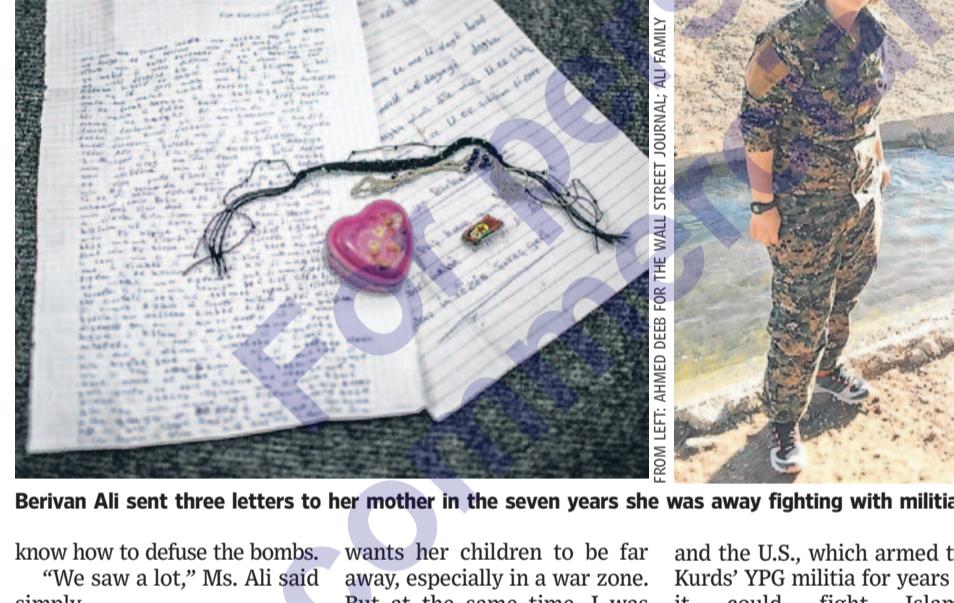
Four years ago, she joined the war against Islamic State as part of a Kurdish militia allied with the U.S. She has been wounded twice and has shrapnel lodged in her head. During the battle for Raqqa last year, she braved land mines near the front lines.

Now, Ms. Ali is done fighting. "I'm tired," she says, curled up on a sofa in her parents' home in northeastern Syria.

As the seven-year, multi-sided conflict drags on, families like hers must reckon with the war's terrible toll, especially on the young.

During the grinding fight against Islamic State in Raqqa, Ms. Ali risked her life daily to deliver weapons, ammunition and other supplies to Kurdish units, and ferried the wounded—and the dead—to the rear.

Once, she said, she and her comrades were forced to abandon panicked civilians trapped in a house because it had been booby-trapped with explosives by Islamic State and they didn't



Berivan Ali sent three letters to her mother in the seven years she was away fighting with militias.

know how to defuse the bombs. "We saw a lot," Ms. Ali said simply.

Ms. Ali's mother, Ahin Ali, winces at the details. "It hurts a lot, that she witnessed all this pain," she said. But even as she mourns the cost to her daughter, she doesn't regret the sacrifice she made in allowing her to fight.

"No mother in the world

wants her children to be far away, especially in a war zone. But at the same time, I was proud that my daughter is fighting for a cause she believes in."

Amid the chaos of the war, the Kurds have been fighting for self-rule in Syria. But their aspirations are increasingly under threat. Turkey is determined to reverse Kurdish gains

and the U.S., which armed the Kurds' YPG militia for years so it could fight Islamic State, hasn't come to the group's defense.

A year ago, Ms. Ali was severely wounded by shrapnel during a battle with Turkish-backed rebels near Al-Bab in northwest Syria. Her mother visited her at a field hospital. In the beds around her were

other young fighters missing arms and legs.

Ahin Ali raised her daughter and two younger brothers steeped in militant Kurdish beliefs. A portrait of Abdullah Ocalan—the jailed leader of the PKK Kurdish separatist movement in neighboring Turkey and founder of its many affiliates, including what evolved into the YPG—hangs in the family's living room.

The PKK has been accused of kidnappings, murder and drug trafficking and is designated a terrorist group by the U.S., EU and Turkey. And though the YPG and its political wing have banned minors from getting married in areas under its control, in keeping with Mr. Ocalan's Marxist-inspired feminist ideology, it nevertheless sends teenagers to fight—and boasts of using suicide bombers in battle.

Ms. Ali joined the YPG when she was just 12, dropping out of seventh grade after two weeks.

At first, her father, who had been arrested several times by the Syrian government because of his membership in a Kurdish political party, resisted because of her age. But her mother knew she couldn't stop her daughter from joining a cause

they had trumpeted all her life.

Ahin Ali didn't know if she would ever get her daughter back. All over northern Syria are banners with images of the YPG's "martyrs"—some of them not much older than Ms. Ali. Ahin Ali used to spend hours scrolling through the official social-media accounts of the female wing, the YPJ, hoping to catch a photo or video of her daughter.

Once, her daughter drove by her family's house, honked the horn and greeted her parents outside the front door before heading off again. When her mother found out that her daughter had spent the night in a nearby village, she said, "Why didn't you come last night and sleep in my lap?"

In the years she was away, Ms. Ali only wrote three letters, sending them home by pick-up truck. Her mother keeps them carefully folded up in a leather wallet. One she wrote before participating in battle for the first time. The other is a poem of yearning:

"My mother is my heart, but what can I do?" she asked. "It's a difficult situation and the wound in my heart is so deep, but what can I do? Being away from you is so difficult."

# Saudi Prince Courts Investors in U.K.

Saudi Arabia's Crown Prince Mohammed bin Salman is selling his vision for social change back home while reassuring investors that the kingdom remains open for business after a corruption crackdown.

By Margherita Stancati in Dubai and Jason Douglas in London

A three-day trip to the U.K. that began Wednesday is the young royal's first visit to a Western country since he ousted a powerful cousin to become heir to the throne in June, a bumpy political transition that led to the arrests of critical clerics, princes and journalists.

Prince Mohammed's tour, which follows a short trip to Egypt and comes ahead of a visit to the U.S. this month, aims to bolster Saudi Arabia's ties with some of its closest allies after months of political uncertainty at home.

For British Prime Minister Theresa May, who is hosting the Saudi prince at her country house, the visit is a chance to burnish commercial ties. Expanding economic links with countries outside the European Union is a critical goal as



Queen Elizabeth II with Mohammed bin Salman.

business community that there is rule of law in the kingdom, after an anticorruption campaign that led to the arrest of prominent businessmen—and even members of the royal family.

"He will have to reassure potential investors that the way forward will be different," said Kristian Ulrichsen, an expert on Gulf politics at the Baker Institute for Public Policy at Rice University in

Houston.

But Prince Mohammed and Mrs. May will also have to address difficult issues like the war in Yemen, where a Saudi-led coalition has intervened to fight Houthi rebels aligned with Saudi Arabia's chief regional rival, Iran.

Both leaders are under pressure to address the humanitarian consequences of that conflict. The U.K. supplies weapons to Saudi Arabia.

# U.S. Faces Syria Void As Rebels Quit Fight

BY NANCY A. YOUSSEF

WASHINGTON—On the threshold of victory over Islamic State, hundreds of U.S.-backed local forces key to defeating the group have abandoned the fight, as U.S. military officials on Wednesday offered no plan to finish the war without them.

A day earlier, the U.S.-armed Syrian Democratic Forces, which is largely ethnically Kurdish, said it was redeploying 1,700 of its fighters from the war against Islamic State to Syria's Afrin region, where Turkish government troops are battling local Kurdish forces for control. That represents nearly half the roughly 4,000 SDF fighters who once fought Islamic State, according to the Deir Ezzor military council, an SDF-allied group.

The exodus is potentially risky, experts say, because Islamic State still has hundreds of fighters and is still a potent threat despite having lost 98% of the territory it had seized, according to the U.S. military.

The Trump administration will have to act to prevent a "jihadist resurgence," said Jennifer Cafarella, a Syria expert at the Washington-based Institute for the Study of War.

"An ISIS resurgence is not a far-off threat," she said, referring to Islamic State. "ISIS remnants are already regrouping in Iraq and ISIS still holds terrain in Syria from which it is attacking" U.S.-backed forces.

Neither Pentagon nor White House officials Wednesday had a proposal for winning back the fighters or a plan for how to retain territory recovered from Islamic State without the fighters who fled. Pentagon officials on Monday called the halt in fighting an "operational pause."

U.S. military officials said some SDF fighters, notably Arab members, are still in once-Islamic State controlled areas and American forces also remain nearby. There are roughly 2,000 U.S. troops in Syria.

"We are going to continue to support the SDF and local Syrian civil and military councils in liberated areas as long as they focus on the defeat-ISIS fight," a U.S. official said. "The coalition will still achieve our goals, but this is a complex situation."

## WORLD NEWS

# Antimigrant Mood Swells in Italy

BY ERIC SYLVERS  
AND PIETRO LOMBARDI

**BOFFALORA,** Italy—Luca Mazzeo, a 29-year-old university student, says he has watched many families in this small town struggle to make ends meet during Italy's long economic downturn.

At the same time, he says he is angered that the government in Rome has sent tens of thousands of migrants to be settled in the surrounding towns and cities of Lombardy—so many that the northern region now hosts more new arrivals than any other in Italy.

Boffalora has resisted pressure to accept any migrants, and Mr. Mazzeo wants it to stay that way. So he cast his vote on Sunday for the anti-immigrant League party.

"First we have to take care of our people," he said. "The priority should be to help the unemployed and struggling families, not accepting people who have come here illegally."

Such sentiment helps explain how the League, formerly called the Northern League, has returned from the political wilderness with an "Italians first"

**Party returns from political wilderness with an 'Italians first' message.**

message that resonated strongly in the party's wealthy northern strongholds, but also in Italy's center and even in the deep south—a region the party once vilified.

Unease over immigration, along with promises to slash taxes and lower the retirement age, powered the League to its best-ever performance in a national election, giving it nearly 18% of the popular vote and tripling its parliamentary representation.

That success puts the League at the helm of its conservative

coalition, which drew 37% of the popular votes. If the alliance drafts enough support from other parties to form a government, party leader Matteo Salvini could claim the premier's seat.

"There is a prime-minister candidate—and it's me—and there is a program that will pull Italy out of the quicksand," he said Tuesday.

Mr. Salvini's nativist message echoes that of other European nationalists such as France's Marine Le Pen and Hungary's Viktor Orban. For millions of Italian voters, it fell on open ears.

The face of Italy has changed enormously in recent years. The country is on the front lines of Europe's migration crisis. Nearly 750,000 seaborne migrants have landed on its shores since 2011, hundreds of thousands of whom have swelled Italy's population of undocumented migrants.

That influx is just a part of a general rise in Italy's foreign population, which has tripled since 2000. Especially in recent years, those newcomers have landed in a country with a sluggish economy and sharply rising poverty.

Mr. Salvini's anti-immigration rhetoric dovetailed with his skepticism about the European Union, which many Italians say abandoned them in the face of huge waves of arrivals. Mr. Salvini calls the single currency a mistake destined to disappear, and the League has promised to rewrite EU treaties on migration, monetary policy and other issues that it says penalize Italy.

Sunday's victory marks a dramatic comeback for a party that won just 4% of the national vote in parliamentary elections in 2013, after which Mr. Salvini took over.

The League has held on in part thanks to the grass-roots organization previous League leaders built in small towns and cities across Italy's north. It anchored its initial success there by promising to pursue the independence of the north, which the League's founders dubbed a separate nation called Padania.

Syria. In the speech last week, he underlined his goal that the Kremlin's voice be heard in the West on security matters.

As relations have worsened since Russia annexed Crimea and began military interventions into eastern Ukraine in 2014, the West has accused Moscow of using various tools to probe weak points and undermine democratic institutions, from cyberattacks to an online army, to sow discord.

If it turns out Russia is the culprit in Sunday's attack, it would represent a violation of unwritten rules of espionage. Mr. Freedman, a longtime scholar of state strategy, said an attack on an individual who had been exchanged in a spy swap appeared to have few, if any, precedents and could undercut the future value of such trades.

Russia has been accused of other such breaches of spy protocol in the past. FSB operatives seized an Estonian security officer at gunpoint on Estonian territory in 2015 and took him to Russia, where he was convicted of espionage. He was later swapped for an Estonian who had been convicted of spying for Russia.

Hundreds of detectives, forensics specialists and intelligence officers were working "around the clock" on the Skripal case, said Mark Rowley, the U.K.'s top counterterrorism officer. His knowledge, however, was somewhat dated, since he hadn't seen any service for more than 14 years.

At a briefing for U.K. special forces two years ago, Mr. Skripal "was not really up to speed with the latest targeting methods" used by Russia and developing-world security services, said one official who attended.

On Wednesday, speaking before the U.K. announcement about the use of a nerve agent, Russian Foreign Ministry spokeswoman Maria Zakharchova said she expected Russia to be wrongly accused in the case.

"Once again, there will be absolutely baseless, unfounded accusations [and] then everything will be kept secret," Ms. Zakharchova said. "We don't have information on what could have been the cause...of this 'story.'"



Matteo Salvini, whose League drew 37% of the vote on Sunday, could become prime minister.

"Roman Thieves!" was a common refrain at rallies to denounce the high taxes imposed by the central government in Rome.

The League has held on to the governorships of Lombardy and the Veneto, home to almost a quarter of Italy's population, and has local control of many small towns and cities there. Those footholds gave it a base for launching its restart.

Mr. Salvini's message also resonated in southern areas such as Rosarno in Calabria, where undocumented immigrants living in dire conditions pick fruit for as little as €15 (\$18.50) a day.

"We face the problems stemming from [immigration] every day," said Antonio Recupero, a local League activist. Echoing a favorite refrain of Mr. Salvini, he said, "We want to help them in their countries."

U.K. inquiry found that the polonium was intentionally administered to Mr. Litvinenko by Andrei Lugovoi, a former FSB colleague, and Dmitry Kovtun, a Russian businessman.

The U.K. has attempted to extradite Mr. Lugovoi and Mr. Kovtun, but Russia has refused. Mr. Lugovoi is regarded as a national hero inside Russia and holds a seat in Russia's parliament. He has denied any role in Mr. Litvinenko's death.

Like Mr. Litvinenko, Mr. Skripal in the years following his flight to the U.K. had offered his expertise to the U.K. government. His knowledge, however, was somewhat dated, since he hadn't seen any service for more than 14 years.

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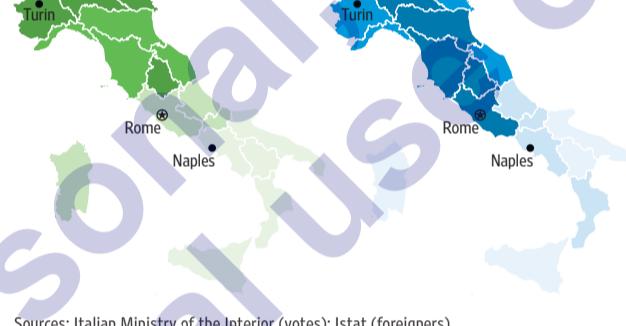
## Migrant Fatigue

The anti-immigrant League did best in Italy's regions with the highest concentrations of resident foreigners.

### Share of vote won by League in Chamber of Deputies

Lombardy region 8 17 20 33

Resident foreigners as a share of population, January 2017



Sources: Italian Ministry of the Interior (votes); Istat (foreigners)

THE WALL STREET JOURNAL.

## WORLD WATCH

### JAPAN

#### Economic Growth Outstrips Estimate

The economy grew at a much faster pace than initially estimated in the October-December quarter, as companies accelerated their capital spending on the back of an improved global economic outlook.

The nation's gross domestic product grew at an annualized pace of 1.6% from the previous three months, also buoyed by stronger-than-initially-estimated domestic consumption, according to government data released Thursday.

The figure confirmed that the world's third-biggest economy extended its growth streak to eight quarters for its longest expansion in 28 years.

A preliminary figure had estimated October-December growth at 0.5%. In non-annualized terms, the economy expanded 0.4% from the previous quarter, compared with an initial figure of 0.1%.

—Megumi Fujikawa

### VATICAN

#### Sainthood Is Closer For Slain Archbishop

Pope Francis took the last major step toward sainthood for the late Archbishop Oscar Romero of El Salvador, an outspoken advocate for the poor who was killed during his country's civil war.

The pope recognized a miracle attributed to the intercession of Archbishop Romero, who was shot while celebrating Mass in 1980, at the beginning of El Salvador's civil war that lasted until 1992. He has since become an icon for progressive Catholics around the world.

The pope must still formally declare Archbishop Romero a saint at a ceremony whose date wasn't indicated.

Also on Tuesday, the pope recognized a miracle credited to the intercession of Pope Paul VI, pontiff from 1963 to 1978, opening the way for his canonization.

—Francis X. Rocca

## SPY

*Continued from Page One* have assets in Britain," said Olga Oliker, director of the Russia and Eurasia program at the Center for Strategic and International Studies in Washington. "Do they really want to see tighter travel rules? I don't think this would be in the Russian government's interest."

Mr. Skripal was part of a group of three intelligence officers and a nuclear scientist convicted of treason in 2006 in Russia. In 2010, 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.

Mr. Putin greeted the Russian agents personally when they arrived back in Moscow. After singing patriotic Soviet songs with them, the Russian leader said he knew who had betrayed them and suggested they would suffer the consequences. "Traitors always end badly," he said. "They finish up as drunks, addicts, on the street."

The attack in Salisbury came days after Mr. Putin sharpened rhetoric against the West in a speech to top officials, boasting of nuclear weapons that could penetrate U.S. defenses and showing an animated video of a missile heading toward the U.S.

Mr. Putin has mobilized Russia's limited resources in recent years to burnish its status as a global power, particularly through its intervention in

Syria. In the speech last week, he underlined his goal that the Kremlin's voice be heard in the West on security matters.

As relations have worsened since Russia annexed Crimea and began military interventions into eastern Ukraine in 2014, the West has accused Moscow of using various tools to probe weak points and undermine democratic institutions, from cyberattacks to an online army, to sow discord.

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**MATT CARDY/GETTY IMAGES**



Police in Salisbury, near the mall where Sergei Skripal and his daughter were found critically ill.

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## IN DEPTH

## COFFEE

*Continued from Page One*

The group's approach to the coffee business amounts to an expensive bet that the U.S. beverage industry is on the cusp of a reorganization that has been half a century in the making, ending an era in which hot drinks only competed against hot drinks and soft drinks against other soft drinks.

"JAB wants to become the largest coffee company in the world," Starbucks Chairman Howard Schultz said at an investment conference last year. In its sights is the industry leader, Nestlé SA.

The scale of JAB's ambitions became clear only in late January, when it emerged seemingly out of nowhere through its Keurig company to make a \$26 billion deal to buy Dr Pepper Snapple Group Inc., the third-biggest soft-drink company in the U.S. That gave the company a national network to distribute its cold-brew coffees.

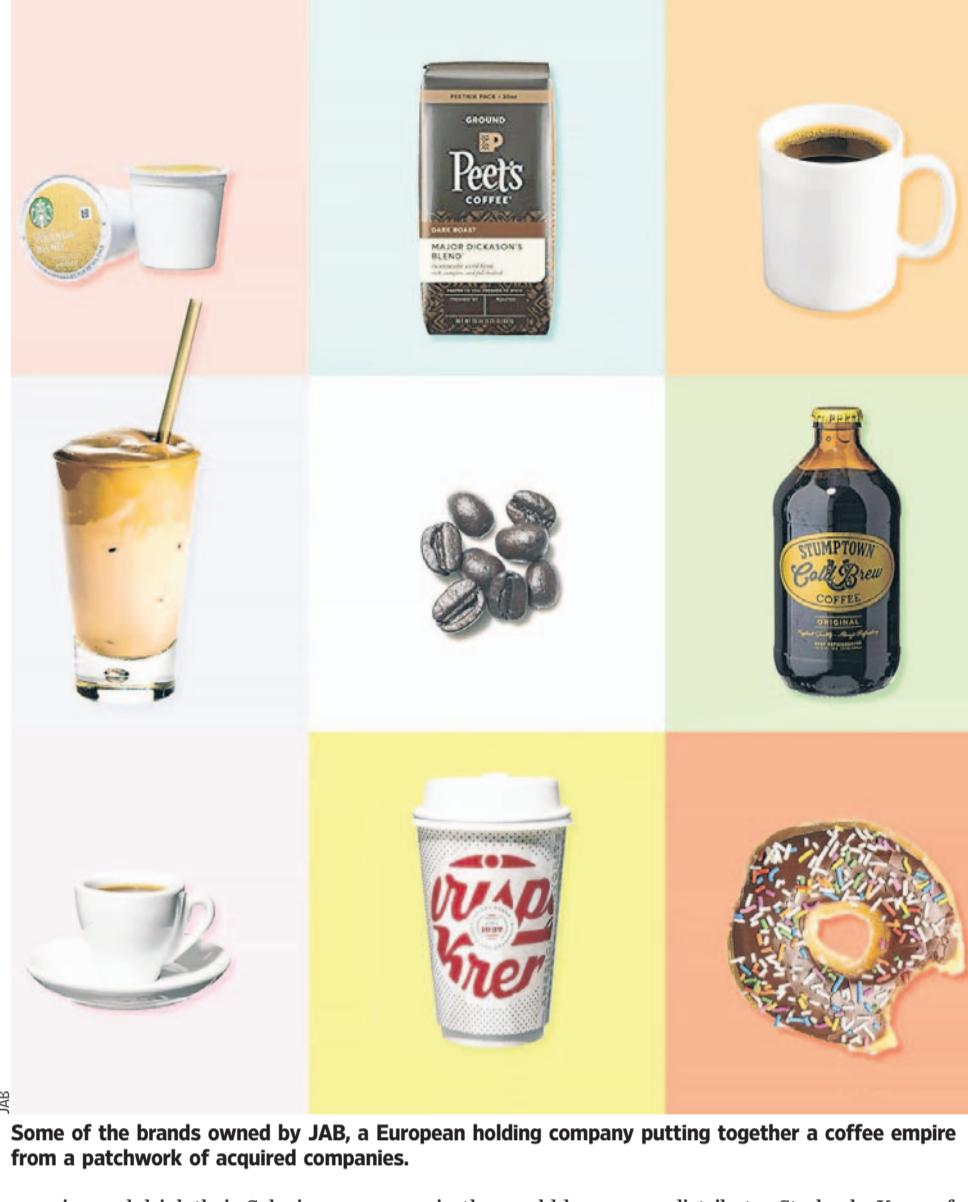
In January, in Plano, Texas, Dr Pepper CEO Larry Young stood in front of employees packed into the town hall eager to understand what the purchase meant.

"I've never seen this many people in here—I know there's gotta be a brisket in here somewhere," Mr. Young said.

He told the crowd that merging with Keurig would make the company bigger and more competitive. "And they're also looking at going to ready-to-drink coffees, cold coffees," he told employees. "We are a perfect fit for that. We're the guys who know how to get that out."

JAB's name derives from the initials of 19th-century German businessman Johann Adam Benckiser. Half a century ago, it was family run and making industrial chemicals used for water treatment and to clean the outside of merchant ships. Today, the company is controlled by three partners—one Dutch, one German and one French—with a combined 90 years of experience selling products from candy to condoms.

"The consumer wants choice," Bart Becht, a Dutch national and the chairman of JAB, said in an interview about the



**Some of the brands owned by JAB, a European holding company putting together a coffee empire from a patchwork of acquired companies.**

morning and drink their Coke in the afternoon," Mr. Becht said. "That has changed today."

Millennials weaned onto coffee with drinks like the Frappuccino have entered the workforce en masse and are the best coffee drinkers ever, Mr. Becht said.

Sales of ready-to-drink coffee sold in cans or bottles at supermarkets and convenience stores have taken off in just the last couple of years. Bottled coffee has become a popular drink with young consumers, in particular, because it is convenient and often cheaper than the specialty coffee drinks sold in coffee shops, according to market research firm Mintel.

JAB traces its roots to when its founder Mr. Benckiser bought by chance a hydrochloric acid and ammonium chloride laboratory in Pforzheim, Germany, from its owners in 1823. He gave a chemist, Ludwig Reimann, full control of the lab. Mr. Reimann had discovered and named nicotine with a partner at the University of Heidelberg. By World War I, the firm had become the top producer in the world of citric acids, the sour ingredient in soda and candy that tickles the tongue and makes the eyes water.

Four generations of Reimanns, most of them chemists, ran the company until passing it off to professional managers in 1978, when the business began to morph into an investment vehicle.

Since its three partners, all M.B.A.s with backgrounds in consumer goods, began steering JAB into the coffee business in 2012, JAB has more than doubled its equity value—a measure of holdings plus cash, minus debt—to \$20 billion, Mr. Becht said. As of the start of the year, JAB had \$70 billion in assets under management.

The Dr Pepper deal positions JAB to compete more strongly with Nestlé, the biggest coffee

company in the world by revenue and volume. It owns Nescafe, the top-selling coffee brand in the world, and the Nespresso machine, the European answer to the Keurig single-serve brewer.

Since JAB got into the space, Nestlé has been shoring up its position with its recent acquisition of American coffee company Chameleon Cold-Brew and a majority stake in Blue Bottle Coffee, both makers of ready-to-drink coffee.

"The fight is not with Starbucks," Mr. Becht said. "The competitor...is Nestlé."

While Starbucks is a powerful brand, it is primarily limited to its own shops and sales in grocery stores. JAB, through a licensing deal with Starbucks,

distributes Starbucks K-cups for its single-cup coffee makers.

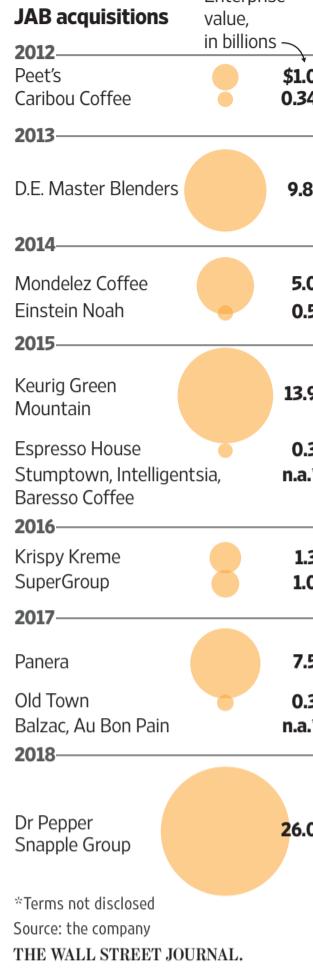
Nestlé reported 2017 total sales of \$96.9 billion, up 0.4% from 2016—its slowest sales growth in decades.

Privately held JAB doesn't release total sales figures for all the companies it owns, however Keurig Dr Pepper would have had combined sales of \$10.83 billion in 2017, according to company filings. The new company will be publicly traded, but JAB and its minority partners in Keurig including Mondelēz International, Inc. will own 87% of the shares.

Nestlé executives haven't commented on JAB in public and declined a request for an interview. In a written statement, Carsten Fredholm, the

## Coffee Crush

European holding company JAB has been on a coffee-buying spree in recent years, and hopes its latest Dr Pepper deal will help with distribution of bottled coffees



\*Terms not disclosed

Source: the company

THE WALL STREET JOURNAL.

of coffee beans to extract the flavor. Multiple players are involved in the supply chain, each taking a cut of the profit, from the co-packers that make the concentrate to the bottling companies that package it, and the refrigerated trucks that ship them to stores. By controlling both the brands and the distribution, Peet's was able to make and get the products to stores more efficiently.

When JAB bought Peet's, it had \$385 million in annual sales. By the end of 2016, that was \$850 million.

JAB bought Keurig Green Mountain in 2016 for \$13.9 billion, and set about expanding the Waterbury, Vt., coffee company's roster of brands to brew in its machines.

As a publicly traded company, Keurig had faced slowing growth of its K-cups as patents expired and copycats entered the market, and had poorly managed Wall Street expectations.

But Keurig had deals with dozens of brands—some through partnerships with other companies—including Swiss Miss, Dunkin' Donuts, McDonald's McCafe brand and Gevalia. Its brewer could also make tea from Lipton, Twinings, Tazo and Tetley.

JAB hired Bob Gamgort from the packaged foods industry to run Keurig. He discounted the price of capsules to encourage a growth in sales and focused on adding more brands to the company's brewer system. Following the same approach as Peet's, he fine-tuned payment periods to maximize Keurig's cash flow.

Mr. Gamgort began showing up at coffee shops at 5:30 in the morning to watch how and what coffee drinkers were ordering.

To sweeten the deal for its K-cup brands, the company has begun selling the first Wi-Fi connected home coffee makers—15,000 have been sold so far—that can feed data back to companies such as Starbucks so they can learn which roasts consumers drink at what time of the day in which part of the country.

"It allows you to educate your partner," Mr. Becht said. "What size do they drink, which flavor do they drink in Boston versus Los Angeles," he said.

Keurig is offering distribution services to an increasingly broad network of outside brands through its Dr Pepper Snapple deal. It will also be able to sell its coffee, part of an armada of 125 beverage brands, to new customers.

Peet's distribution system is a regional one that doesn't cover certain retailers such as convenience stores, popular stops for consumers who don't want to wait in line at larger stores. Dr Pepper's larger fleet will enable Peet's ready-to-drink beverages to get into more stores.

Once the Dr Pepper takeover closes later this year, the new company will also distribute Fiji Water, Vita Coco coconut water and AriZona ice tea—brands not owned by JAB.

Mr. Gamgort, who will be CEO of the merged company, told investors in January: "We're indifferent as to where the consumer goes because we're there to be able to deliver products to our consumers everywhere."

—Saabira Chaudhuri in London and Cara Lombardo in New York contributed to this article.

## JAB is betting the U.S. drinks industry is on the cusp of reorganization.

group's beverage strategy "both in terms of beverage and location. We're simply going to where the consumer is or wants to be."

At his 14th-floor offices near London's Paddington Station, Mr. Becht takes meetings in a room decorated with one piece of art: a photo of a coffee farmer raking beans to dry in the sun. JAB's two other leaders, Olivier Goudet and Peter Harf, and their eight junior partners shuttle between London, Amsterdam and New York.

JAB is betting the industry is in the midst of realignment as it catches up with drinkers who consume coffee throughout the day.

"If you go back in the U.S. 20 or 30 years ago, people would have their hot coffee in the

the band room. Someone had broken into the school at 2:30 a.m., according to surveillance video he viewed. Leaving other instruments untouched, the burglar wheeled out carrying cases holding two marching-style tubas, he says.

"Whoever stole them knew what they were coming for," he says, noting that the snatched sousaphones remain at large.

The tuba, the biggest and lowest-pitched among the brass family, can run from around \$2,000 for beginner band models to more than \$20,000 for specialized professional versions, says Martin Erickson, a past president of the International Tuba Euphonium Association.

People with "nefarious" intentions, he says, probably try to resell tubas or use them in other bands. "You don't expect tubas to fall into that sort of thing."

Kenneth Amis, assistant professor of tuba at the Boston Conservatory at Berklee, imagines thieves assuming something so big would be valuable, not realizing how tough it is to unload one. "Few people are looking to buy tubas from a pawnshop."

The man who swiped Robert Cooley's horn found out just how hard a tuba is to fence.

Mr. Cooley, 24, who plays with the Minnesota Brass Drum & Bugle Corps, says he returned to his Minneapolis home after Fourth of July performances in 2016 and left his encased System Blue tuba in his car. A bandit smashed a window and carried off his 30-plus pound horn, which he values at \$12,000.

The next day, 20 minutes away in Woodbury, Minn., a man entered Schmitt Music, an instrument store that does some consignment sales, and popped a tuba on the counter.

Store manager Dave Strong says he found it off-tune that the customer seemed to know nothing about the silver-plated marching tuba. He turned the man away, then hit Google. "Oh crap," he says he muttered. It matched a report of Mr. Cooley's poached treasure.

Mr. Strong alerted police and a nearby music store where the man had headed. Police later nabbed him and he confessed to the heist, says Woodbury Police Chief Lee Vague. Mr. Cooley reclaimed his horn.

"Musical instruments are

certainly stolen from time to time," says Mr. Vague, but "they are not giant marching tubas."

In Tacoma, Wash., Pat Van Haren returned from vacation last summer to find a burglar had lifted his 1928 King tuba from his garage, ignoring power tools and audio equipment.

"I was crushed," says Mr. Van Haren, who plays in the Tacoma Concert Band, drives a van with tuba-themed vanity plates and works for a musical-instrument company. He had refinishing his tuba after acquiring it about five years ago. "How did they

walk down the street with this thing without anyone noticing?" says Mr. Van Haren, 60.

He blanketed the city with missing-tuba posters, asking for tips. About seven weeks later, he says, he got a text from a "guy named Bill." The tipster refurbished old instruments and believed someone had dropped off the hot tuba.

It was Mr. Van Haren's, with a few new scratches. When he got home with it that night, he paraded through the neighborhood playing "When the Saints Go Marching In."

The Preservation Hall Jazz Band, formed in the early '60s and named after the legendary French Quarter music venue, opened a tuba tip line and is offering an undisclosed reward.

New Orleans detectives are on the tuba beat. Musicians in New Orleans and beyond are mobilizing on social media to recover the hot horn, which has the band's name hand-lettered in black on the bell.

Mr. Jaffe is confident, given the police investigation and an outpouring of support, "that the tuba is going to come back to me."

His wife, Barb, says she stopped in: "I said, 'people are trying to sleep, Sweetie!'"

In New Orleans, Mr. Jaffe, 47, bought his tuba to replace one damaged in Hurricane Katrina. He likens it to "an extension of your soul."

That night, the band had finished a thrilling guest performance with legendary drummer Tony Allen. "Needless to say," Mr. Jaffe says, "my head was kind of in the clouds."

Between the hubbub of backstage photos and packing up, he didn't realize until later the tuba had disappeared.

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Ben Jaffe in happier times with his Mario Corso sousaphone, now missing, during a Preservation Hall Jazz Band tour last year.

PATRICK MELON

## TUBA

*Continued from Page One*

while the band was loading equipment into a van, which at some point was unattended, after a Feb. 24 New Orleans performance. There were no apparent witnesses. "It just never really occurs to you," he says, "that someone is going to walk off with your tuba."

About the only thing stranger than tuba thefts is how often they happen.

There was a rash of tuba burglaries in Los Angeles-area high schools around 2012 that music teachers suspected stemmed from the growing popularity of *banda*, a Mexican style of music that showcases the tuba.

"Then they just kind of quietly stopped," says Ruben Gonzalez, music teacher at the county's South Gate High School, which suffered several stolen tubas that have never been retrieved.

In Greensboro, N.C., Walter Hines Page High School music instructor Eddie Deaton says he arrived one May morning in 2016 to find police tape across

# GREATER NEW YORK

## Renting in the City Gets More Affordable

By JOSH BARBANEL

What will New Yorkers do if they can't bemoan the cost of housing at every cocktail party and youth-soccer match? Signs are emerging that the city's perpetual housing worries may be easing.

Housing costs are taking a smaller bite out of the typical household's monthly budget, according to a new U.S. Census Bureau survey. The survey also shows a record amount of new housing and the third-highest rental-vacancy rate since the bureau's first survey in 1965.

Driving the changes are a surge of construction in the past few years and a strong economy in which the growth of jobs has outpaced the increase in rents. The economic gains are beginning to benefit lower-income groups, economists said.

"A nearly decadelong rising economic tide really is starting to lift all boats," said James Parrott, an economist at the Center for New York City Affairs at The New School. Some groups of New Yorkers, such as the mostly elderly tenants in rent-controlled apartments, aren't sharing in the prosper-

ity, he added.

The Census Bureau survey, conducted in the first half of last year, found a record 3.47 million housing units in New York, an increase of 117,000 since 2011. More than 35,000 additional rental apartments and 15,000 condominiums are due to open in 2018 and 2019, according Nancy Packes Data Services.

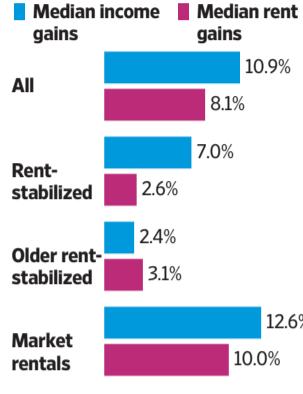
The vacancy rate was 3.63% across the city, the report found. The two higher vacancy rates recorded since 1965 included a peak rate of 4.01% in 1996, as the city was recovering from a steep local recession. By contrast, the current figure comes amid a sustained period of economic growth.

The vacancy rate in Manhattan for all types of housing was 4.73%, the highest in at least a decade. In the city as a whole, the rate was 6.07% for market-rate housing.

"Rising vacancy rates city-wide are a sign that, overall, the housing supply is starting to catch up with demand, helping to relieve the upward pressure on housing costs," said Mark Willis, a senior policy fellow at the NYU Furman Center. But, he noted, the effects were uneven, with vacancy rates falling to 2.71% in the Bronx.

### Shifting Fortunes

New York City income gains between 2014 and 2017 have mostly outpaced increases in rents.



Note: Incomes from 2013 and 2016, rents from the first half of 2014 and 2017.  
Source: NYC Housing Vacancy Survey, U.S. Census Bureau

THE WALL STREET JOURNAL



The housing vacancy rate in New York City hit 3.63%, according to a new U.S. Census Bureau survey.

Household income among New York renters rose 11% over a recent three-year period in constant dollars, while rents rose 8.2%.

The city's housing commissioner, Maria Torres-Springer, said that despite rising incomes "the city is still facing a dire affordability crisis." She said the administration would continue to build and preserve

affordable homes and push to strengthen rent laws.

Rent laws require localities to abandon rent regulation if the overall vacancy rate exceeds 5%. The City Council is due to take up legislation on March 21 to extend the regulations for three more years.

Landlord groups, citing the rosy housing data, said they would urge the City Council to

remove certain categories of housing from rent regulation—namely Manhattan apartments and apartments renting for \$2,000 or more.

Jack Freund, executive vice president of the Rent Stabilization Association, which represents 25,000 owners and managers of rent-regulated housing, noted that the 5% standard is within the survey

margin of error of the 4.73% vacancy rate in Manhattan. The vacancy rate for apartments renting for \$2,000 to just under \$5,000 is 5.2%.

The City Council is all but certain to continue regulation in full, housing experts say, in part because of the longstanding voting power of more than one million rent-regulated tenants.

## Blacks, Latinos Still Struggle to Make It Into Exam Schools

By LESLIE BRODY

About 10% of the 5,067 students offered places for next fall at New York City's eight public "exam" high schools are black or Latino, despite the city's efforts to increase diversity with outreach and free test-preparation programs.

The admissions data released by the Department of Education Wednesday looked much like the numbers last year.

The majority of accepted students at Stuyvesant High School, for example, are Asian. Offers for next fall went to 10 students who are black, 27 who are Latino, 151 who are white and 613 who are Asian. It is unclear how many will accept. Spots are in such demand that 23,063 students applied to Stuyvesant.

Admission is determined by scores on a single exam, called the Specialized High Schools Admissions Test. Some educators object to judging teenagers by a single score. They are pushing for applications to include measures such as grades. Others say a single exam is the most objective method. Changing it would threaten the schools' excellence, they say.

The city revised the exam for this year's applicants, in hopes of aligning questions more closely to what students learn in class.

The department said 28,333 students took the exam, slightly more than the previous year. Among all the offers, 4.1% went to black students, 6.3% to Latino students, 26.5% to white students, and 51.7% to Asian students, with the rest going to teens of other backgrounds. Systemwide, 67% of students are black or Hispanic.

While almost 30% of the Asian students who tested were offered places, just 3.6% of black test-takers got seats, 4.9% of Latino test-takers, and 26.2% of white test-takers.

The student bodies of the schools are economically diverse, and the schools offer an important leg up for many striving immigrant students who study for years for the test, educators who support the test say.

For the almost 77,000 eighth-graders citywide who applied in the December round of applications, 44% got their first pick, and 72% got one of their top three choices. About 5% got no match and will have to try again in a second round of applications this month.



Stuyvesant High School students on the first day of class in 2015.

## Second Storm Pummels the Region

By JOSEPH DE AVILA  
AND MELANIE GRAYCE WEST

Another winter storm hit the New York metro area Wednesday, bringing near-blizzard conditions to Long Island, hampering power-recovery efforts in Westchester and reducing regional transit service.

NJ Transit canceled bus service out of the Port Authority Bus Terminal on Wednesday and suspended service on all or part of commuter-rail lines due to overhead wire problems and downed trees. Metro-North had delays on several lines, and power issues caused westbound Amtrak trains to be held at Penn Station on Wednesday afternoon for an hour, Amtrak said.

During the evening, weather-related signal problems and fallen utility wires caused service suspensions on many Long Island Rail Road lines.

"Today is a day that is going to test us," said George Latimer, county executive for Westchester, where up to 18



KEVIN HAGEN FOR THE WALL STREET JOURNAL

inches of snow was forecast to fall. He said this storm, on the heels of Friday's nor'easter, created challenges for the county where thousands have been without electricity for days.

Mr. Latimer called on the heads of two local power companies, Consolidated Edison Inc. and New York State Electric and Gas Corp., to step down. "I listened to enough, and we have

put up with enough," he said.

About 26,000 homes—mostly in Westchester, Dutchess, Sullivan and Putnam counties—still lacked electricity Wednesday afternoon, according to Gov. Andrew Cuomo.

When asked for comment, a Consolidated Edison spokesman said: "We remain focused on the recovery and restoration from both storms."

Consolidated Edison said in a news release Wednesday it had nearly 2,000 people in Westchester County working to restore electricity. A spokeswoman for NYSEG didn't respond to a request for comment. The company said in a news release that it had restored power to more than 173,000 customers in New York's Hudson Valley and Catskills region.

Mr. Cuomo also criticized the power companies for their response to Friday's storm in a telephone news conference Wednesday. While the utility companies say they met the 90% goal for power restoration, Mr. Cuomo said, "if you are one of the 26,000, it's meaningless."

Edigio Farone, from Harrison, N.Y., was still without power Wednesday. "Last night I was on the phone with the supervisor who guaranteed me that power would be back by 11 p.m. That never happened," he said. "Con Ed keeps moving the goal post."

—Paul Berger contributed to this article.

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## GREATER NEW YORK

# Cuomo Faces GOP Harlem Rival

By MIKE VILENSKY

When Joseph Holland campaigned for a New York state Senate seat in 1985 as a conservative hoping to represent liberal Manhattan, a panhandler offered to give the real-estate developer his bucket of coins. "You need this more than I do," Mr. Holland recalled him saying.

He lost and has shied away from politics in recent years.

Now, Mr. Holland is resurfacing his political profile—"Harlem's lonely Republican," he joked—for the 2018 New York governor's race, seeking to position himself as the most electable candidate in a race against Democratic Gov. Andrew Cuomo.

Behind in endorsements, name recognition and fundraising, Mr. Holland is a long shot to win the GOP nomination. But the 61-year-old, who was once an aide to Gov. George Pataki, is urging New York Republicans to keep downstate in mind this year amid an expected surge in Democratic turnout, and is touting his New York City connections.

Mr. Holland, who has never held elected office, pointed to three consecutive defeats for New York's Republican gubernatorial candidates who won much of upstate but lost New York City overwhelmingly. "I have the relationships and networks to move those numbers, so there's a formula for victory," he said.

He stands in contrast to Sen. John DeFrancisco, the other declared Republican candidate. While Mr. Holland has never held office, Mr. DeFrancisco has been a legislator



**Republican Joseph Holland, an ordained minister, will challenge Democratic Gov. Andrew Cuomo.**

for more than two decades. Mr. Holland lives in Harlem, Mr. DeFrancisco in Syracuse.

Both men hold standard Republican policy stances, but they have different positions on President Donald Trump. Mr. DeFrancisco is a Trump supporter and has defended the president against Democratic attacks; Mr. Holland said he stayed home on Election Day and reacted negatively to Mr. Trump's campaign-trail comments.

Some Republican leaders are pushing for Mr. Holland to run for lieutenant governor, saying he could boost the ticket without leading it.

Mr. Holland may never have

held office but he has deep roots in the GOP. His father served as ambassador to Sweden under President Richard Nixon.

Meanwhile, at Cornell University, Mr. Holland became an All-American football star before heading to Harvard Law and becoming a lawyer, real-estate developer, and community activist in Harlem.

This isn't the first time he has tried to defeat a Cuomo. In 1994, Mr. Holland was co-chairman of Mr. Pataki's winning gubernatorial campaign against then-Gov. Mario Cuomo, Mr. Cuomo's father. From there he became Mr. Pataki's housing commissioner but left amid personal finan-

cial problems including debts and judgments against him. He said all his financial issues were "resolved long ago."

An ordained minister, Mr. Holland said he would run on issues including lowering taxes, loosening regulations, and allowing hydraulic fracturing, a process Mr. Cuomo banned in 2014.

Mr. Cuomo, the front-runner, has a \$30 million campaign account in his bid for a third term, and Democrats outnumber Republicans 2-1 in the state. The Cuomo campaign has described the Republican hopefuls as extremists whose policies are out of sync with New Yorkers and has called the GOP field "Trump Mini-Mes."

## BROOKLYN

## Mayor Wants Driver In Fatal Crash Jailed

Mayor Bill de Blasio said Wednesday that the driver who struck and killed a 20-month-old boy and a 4-year-old girl in Brooklyn's Park Slope neighbor-

hood this week should be in jail. "I wish she was under arrest right now," the mayor said of 44-year-old Dorothy Bruns, who hasn't been charged in Monday's crash. "It's just terrible what happened to these children and it should never happen again."

Ms. Bruns couldn't be reached for comment. She told police she

had a seizure at the time of the incident, which killed Joshua Lew and Abigail Blumenstein. Abigail's mother, Ruthie Ann Blumenstein, a Tony-award winning actress who was pregnant at the time of the accident, was critically injured. Lauren Lew, Joshua's mother, also was hurt.

—Zolan Kanno-Youngs

## Parkland Students Visit 9/11 Museum

A group of about 60 students from the Florida high school where a gunman killed 17 people visited the Sept. 11 museum on Wednesday.

# Pay What You Wish At the Joyce Theater

By PIA CATTON

It's a version of "pass the hat," but there's more than a beer run at stake.

On Saturday, for the first of the three "Pay What You Decide" matinees, the Joyce's 472 seats had sold out for Company Wayne McGregor, a British troupe. As theatergoers exited, they could pay with cash in an envelope or by credit card—or after mulling it over pay online within 24 hours. Standard tickets to Company

the Joyce. The remaining performances will be held on March 18 and April 8.

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*A new plan lets the audience decide how much to pay after the performance.*

Wayne McGregor's other five shows, starting Feb. 27, cost between \$10 and \$65.

The open question, though, is how to measure success? Income, yes, but the data collected may be of longer-term value. Of the 226 pairs of tickets sold, half of the purchasers weren't previously in the Joyce's email system. A typical show can bring in up to 30% new buyers, Ms. Shelton noted. In her view, success may be about the long view.

"Let's say somebody gives us \$5, but they come see everything else this season, that maybe they would not have known about," she said. "That, I'm going to say, is successful."

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Artwork Image: Detail of Jacob Hashimoto, THE BLURRED MYSTICAL AFFIRMATION OF THE UNIVERSE, 2017, Woodblock, 38 1/4" x 36". Image courtesy of the artist and Durham Press.

# LIFE & ARTS



FROM TOP: NICK HIGHAM/ALAMY; KENT JOHNSON

Boston

**AN MIT SCIENTIST** has discovered a simple way to battle the airplane noise that's become a major nuisance in several cities: Slow the planes down.

It turns out engines aren't the major culprit anymore. New airplanes are much quieter. It's the "whoosh" that big airplanes make racing through the air. Computer models suggest slowing departures by 30 knots—about 35 miles an hour—would reduce noise on the ground significantly.

Your flight will last a few seconds longer, and airlines will burn a few more gallons of fuel. But "hundreds of thousands of people would get some reduction and for tens of thousands, it would go from problematic to not problematic," says John Hansman, an aeronautics professor and director of the International Center for Air Transportation at the Massachusetts Institute of Technology.

"It's an intriguing idea, because it could be used in a lot of places," says Jim Hileman, chief scientific and technical adviser for environment at the Federal Aviation Administration.

The FAA says it's impressed and is moving forward with recommendations Boston has made. It's already fast-tracked one: A new route coming in July will move more flights over water and away from the town of Hull, Mass. A working group is forming to evaluate the main recommendation to slow departing jets to a speed limit of 220 knots during the climb to 10,000 feet, down from 250 knots.

The agency jointly funded the MIT study with the Massachusetts Port Authority, operator of Logan Airport, and works a lot with Mr. Hansman, who leads an FAA technology advisory committee.

Airplane noise is a decades-old problem that was largely silenced by quieter jets. But in the past three years it has come roaring back in communities across the country as the FAA has rolled out a new generation of precision navigation.

**THE MIDDLE SEAT** | By Scott McCartney

## A New Antidote for Noisy Airplanes

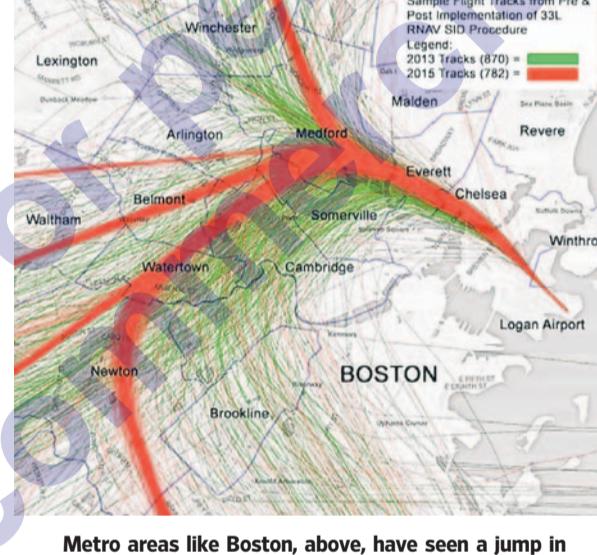
Slower planes could make a big difference for neighbors plugging their ears

The routes are designed to save fuel and move departing and arriving jets faster, reducing delays and congestion. But there's an unintended consequence: Because each plane flies the exact route as the one before it and the one behind it, some homes get bombarded with noise. Previously, flights fanned out more and noise was dispersed.

New routes put planes over quiet communities. Complaints soared. Phoenix neighborhoods sued the FAA; Chicago neighborhoods are pushing for rotating runway use. Neighborhoods from California to Washington, D.C., are fighting the new procedures that airlines and the FAA insist are vital to future travel.

"Everyone was looking at the wrong problem," says Thomas Glynn, chief executive of Massport. "It's a concentration problem. It's a frequency problem. It's not really a noise problem."

Mr. Glynn says he realized how serious this problem was when Myron Kassaraba, the Belmont, Mass., representative on the Massport Community Advisory Committee, showed him a map software engi-



Metro areas like Boston, above, have seen a jump in complaints about noise for arriving and departing planes. The FAA is using more precision routes, which consolidate flights (in red) compared with more dispersed flights (in green). That creates more rumbles above certain areas.

neer Kent Johnson put together with flight-track data. The flights before the navigation change were spread out all over with thin green lines. The flights after were bunched in a thick red line.

"The change before and after became apparent both visually and numerically," says Mr. Kassaraba, a financial consultant. Belmont, just over 10 miles west of Logan, had never had a noise issue. Suddenly airplane noise was distracting conversations, work

and backyard relaxing.

He calls the speed modification "a step in the right direction."

Alan Wright, another member of the advisory committee, lives in the Roslindale section of Boston, about 10 miles southwest of Logan. He says with airlines' expanding schedules, planes start overhead about 5:15 a.m.

"The flights wake you up. We get a lot of complaints from young families with children," says Mr. Wright, a data analyst who works from home for a major health-care company.

Many communities, including those around Logan, are pushing for the FAA to come up with ways to disperse the concentrated

routes. An effort in Charlotte, N.C., for example, has controllers instructing planes to join the precision route after reaching a certain altitude. Since planes climb and turn at different rates, flight tracks vary slightly.

Noise is a tricky thing. Neighborhoods that had little noise can often be more sensitive to change, experts say, and individual tolerance varies. In Boston, an analysis suggested only 54% of the complaints Massport received resulted from noise

louder than 45 decibels—about the level of background noise. When it's relentless, you notice it more.

Mr. Hansman says he didn't expect a speed reduction to make much difference, since engines would be working just as hard in a climb. But it did.

"It makes perfect sense," he says. "The loudest guy in the room is the one you hear. And airframe noise is highly dependent on speed."

Computer simulations found that a limit of 220 knots turned out to be the sweet spot—that's where aircraft noise equals engine noise. Planes would climb at a slightly steeper rate. With a 30-knot reduction, noise directly under the flight track would decrease by between 1.5 and 5 decibels and the footprint on the ground would get a lot skinnier, sharply reducing the number of people affected, Mr. Hansman says.

A typical Boeing 737 would burn about seven additional gallons of jet fuel and take about 30 seconds longer to get to 10,000 feet, where planes can accelerate and noise impact dissipates, Mr. Hansman says. Massport says 30 seconds a flight won't make a meaningful difference in delays or airport capacity.

Airlines, never eager to burn more fuel, have nonetheless cooperated so far. JetBlue in particular has aided the Boston effort. "We have a lot of work to do to validate this, but let's get to it. It's a good deal," says Joe Bertapelle, JetBlue's director of strategic airspace programs. The industry trade association Airlines for America has offered cautious support of the Boston recommendations. In a statement, the group said the changes must be safe, work with a variety of aircraft and not reduce the airport's capacity for takeoffs and landings.

Some planes, such as heavily loaded jumbo jets, will still need to go faster than 220 knots, Mr. Hansman says. Air-traffic controllers will need to delay a departure a bit to put more room between a slower plane and a faster one, or modify its course slightly. Massport says that's workable, too.

### HEALTH

## HOSPITALS GAMBLE ON HEALTH-TECH STARTUPS

BY LUCETTE LAGNADO

**LUIS F. ROMO** is chasing the startup dream, developing a device that disinfects operating rooms and stretchers by zapping them with ultraviolet rays. The 30-year-old Mr. Romo has a catchy name for his invention, "PurpleSun," and a solid but untraditional backer: a hospital.

Northwell Health, of New Hyde Park, N.Y., has put about \$3 million into Mr. Romo's idea and may invest more in coming years. As hospital-acquired infections have become the scourge of modern institutions, Northwell officials are eager to put the germ-fighting device to work in their 23 hospitals. They also hope to make back their investment—and more—if other hospitals want to use PurpleSun.

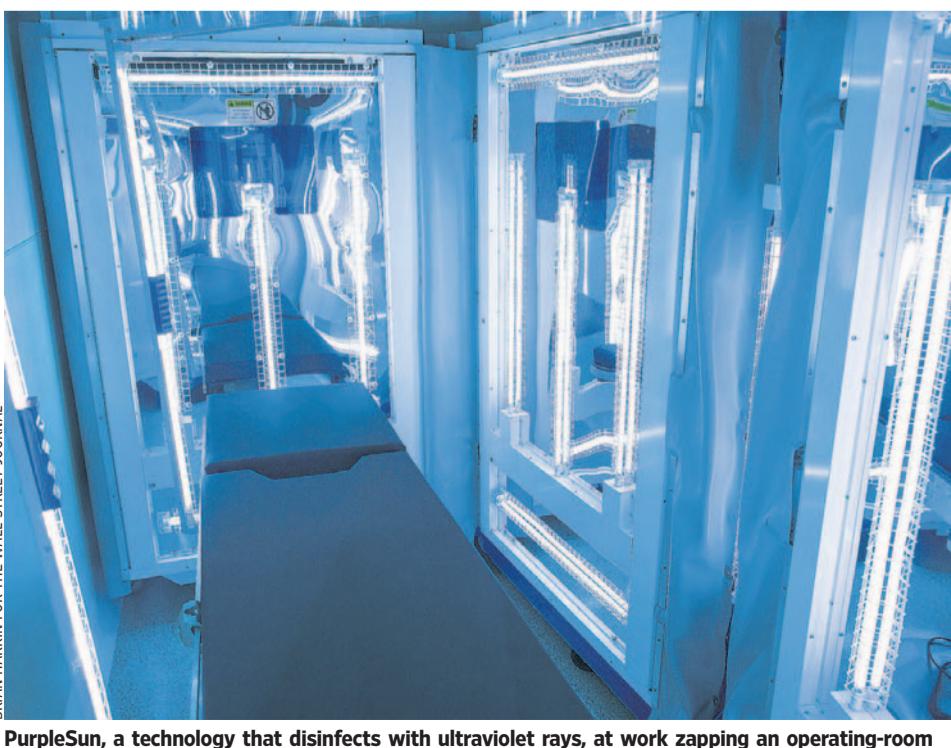
Hospitals scrounging for dollars are rein-

venting themselves as venture capitalists and investing in health-care technologies. Hospital networks have funded drug research and development for decades; some also have helped finance inventions by staff members. But backing outside health-tech startups is a relatively recent phenomenon.

Northwell, the backer of Mr. Romo's disinfecting technology, stands to gain if his company, PurpleSun, is acquired or goes public. Northwell Ventures, the organization's for-profit arm, dipped into its \$50 million investment kitty to support the project. "We view this as a strategic investment. It will be important to the care of patients and we also can presumably make money," says Thomas Thornton, senior vice president of Northwell Ventures.

In Los Angeles, Cedars-Sinai Medical Center teamed up with Techstars, a private Col-

Please see HEALTH page A12



PurpleSun, a technology that disinfects with ultraviolet rays, at work zapping an operating-room table in New York last month. Northwell Health, which has 23 hospitals, has invested in PurpleSun.

## LIFE &amp; ARTS

ART REVIEW

## Resonant Realism



BY PETER PLAGENS

*Fort Worth, Texas*

MANY PEOPLE outside the art world are attracted to the sculpture of Ron Mueck for the wrong reason. "Oooh," they say to themselves, "it's so realistic and looks so hard to do—not like that ramshackle, gimbicky, unskilled modern art you see so much of these days." Some art critics have complained about Mr. Mueck's sculpture for another wrong reason. "It's just soulless trompe-l'oeil," they say in essence, "like superhero-movie special effects except that they don't move."

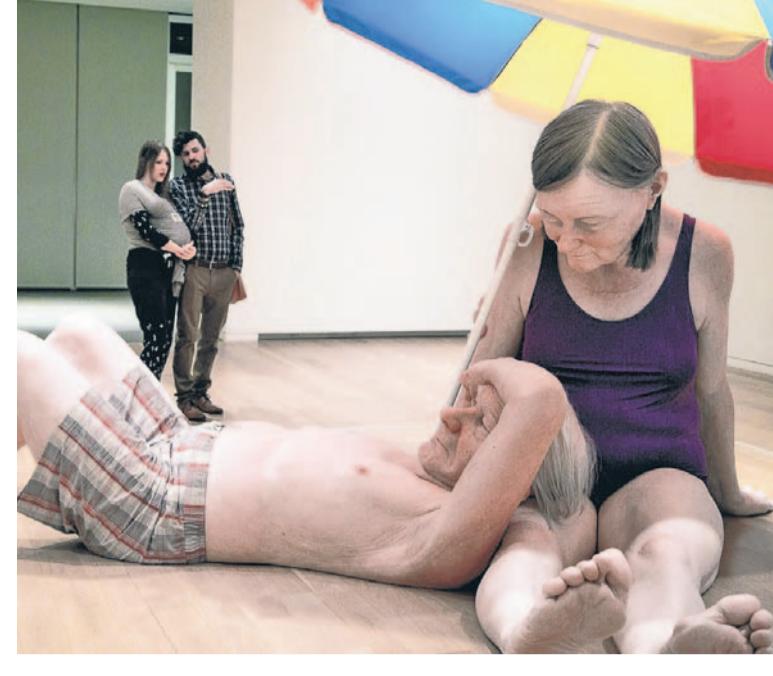
Now, I happen to like the work of Mr. Mueck because—its astounding craft aside—it moves me emotionally, in the same way a torch song sung by Helen Merrill or an Alice Munro short story might. One of the first Mueck works I ever saw was in a London gallery 20 years ago: "Ghost," a 6 ½-foot-tall sculp-

ture of a teenage girl in a blue one-piece bathing suit at (it seemed to me) a public swimming pool, possibly leaning against a chain-link fence (for which a gallery wall did duty). Her spindly legs, oversized feet, and downward gaze expressed awkward pubescent self-consciousness, while the gargantuan scale drove home her discomfort.

Mr. Mueck (who was born in Australia in 1958 and now lives and works in London) worked with Jim Henson on "Sesame Street." He first came to art world attention in the sensationalist 1997 traveling exhibition "Sensation." His contribution was "Dead Dad," a poignantly shocking nude figure of the artist's deceased father, lying as if on a morgue table, that was all the more unnerving because it was only a little over four feet long. Mr. Mueck once told an art magazine that he eschews exact human scale because "we meet life-size people every day."

So it is with the seven works at the Modern Art Museum of Fort Worth, in a "New Works" exhibition that is small enough in quantity—Mr. Mueck can take up to a year to complete a work—to be called merely a "Special Project," but commanding enough (each piece requires a veritable whole gallery) to be a major presence. This is a remarkable feat in a capacious minimalist museum that's as close to a Great Hall of the People as you're ever likely to see in Texas.

There's "Couple Under an Umbrella" (2013), an oversize senior-citizen pair lounging on an implied beach beneath a colorful umbrella. She looks down at him; he looks into the distance. But his hand reaches up to grasp her arm. They're still in love, maybe. A haggard-looking mother in "Woman With Shopping" (2013), somewhat smaller than life-size, carries a baby—who faces her—inside her coat from the neck down, while she



Clockwise from above: Ron Mueck's, 'Couple Under an Umbrella' (2013), 'Woman With Shopping' (2013) and 'Still Life' (2009)

(no voiceover, no dialogue, no interview) by Gautier Delblonde screening off to the side of the exhibition. Its arc depicts the artist—who looks like a very serious Stan Laurel—thinking about a sculpture, beginning one in traditional clay, finishing another one with paint, attending one of his exhibition openings, and returning to the studio at night, to start all over again.

Art that looks convincingly like something in the real world—especially three-dimensional objects in full, naturalistic color—occupies a problematic place in contemporary culture. On the one hand, it seems to have thrown up its hands concerning the creation of new combinations of what the early 20th-century English art writer Clive Bell called "significant form" and re-treated into Old Master art history. On the other, it's right in the swim of "Wow, what an illusion!" high-definition video installations and hall-of-mirrors environments.

The token older work in the exhibition, 1999's "Untitled (Seated Woman)," a very small and apparently lonely old lady owned by the Modern, is the most popular work in the museum's collection. In fact, Mr. Mueck has something of a greased chute to Texas, having had a large survey exhibition in Houston only last year, and a predecessor to this show at the Modern in 2007. One hopes that this particular iteration of Mr. Mueck's remarkable work is not only not pounced upon by critics attempting to prove how nonpopulist they are, but also welcomed for more than its gee-whiz factor. There are, after all, right reasons and wrong reasons for everything.

**New Works by Ron Mueck**  
Modern Art Museum of Fort Worth, through May 6

**Mr. Plagens is an artist and writer in New York.**



totes two thin plastic shopping bags filled with necessities. Hers is a desultory life that probably won't get much better. (The American hyperrealist sculptor Duane Hanson, 1925-1996, plumbed somewhat the same quotidian territory, but he worked life-size, from casts, which make his pieces less impressive technically, and less poetic.)

Mr. Mueck, though, can go editorially deeper than journalistic human interest, and sarcastically so. "Still Life" (2009) is a giant plucked chicken—feet and head intact as in European butcher shops—hanging upside down with its wings dangling outward. Should the crucifixion reference be missed, there's a sightline in which another work, "Drift" (2009), is simultaneously visible. It consists of a man at somewhat less than life-size, floating on one of those cheerful inflatable pool rafts—except that the work is vertical, installed spotlighted on an aqua wall. The man's arms stretch languidly into the metaphorical water, as if...

Walking slowly toward "Drift" is a kind of cinematic experience—"dolly in," they call it—that provides an arresting connection to "Still Life: Ron Mueck at Work," a brilliant 48-minute film from 2013



he says can be used anywhere. At Cleveland Clinic, officials say they have been investing in technologies for 18 years, focusing largely on inventions by their own doctors and other employees.

"We have a finite amount of resources and we are putting it in our people," Chief of Staff Brian Donley says. Still, in a sign of the times, Cleveland Clinic has joined with a Silicon Valley firm to look out for promising inventions.

Cleveland Clinic would contribute its medical know-how, but not money, to such ventures, Dr. Donley says.

At Northwell Health, PurpleSun is going to be tested in clinical trials, and then marketed. Mr. Romo began work on the technology that led to his invention while a grad student in biomedical engineering at Syracuse University in 2011.

It takes a crew with mops and wipes a half-hour or longer to clean and disinfect an operating room, Mr. Romo says. His device

can cut that time in half, he says, by disinfecting equipment or sections of a room while cleaning crews are at work. Using modular panels to enclose equipment such as a stretcher, PurpleSun works in 90-second intervals and can wipe out nearly all germs on a surface, he says.

It remains to be seen whether PurpleSun can make a serious dent in hospital-acquired infections. "Ultraviolet light is very good at killing all microbes," says David Brenner, professor of radiation biophysics at the Vagelos College of Physicians and Surgeons at Columbia University. "The question is, will that lead to a decrease in surgical site [and other] infections?"

Northwell envisions offering the technology through "subscriptions," where hospitals would pay between \$5,000 and \$8,000 a month per machine. Mr. Thornton of Northwell Ventures says, "We are very bullish."

## HEALTH

Continued from page A11

orado firm that ferrets out promising startups. In 2016, the two created an entity that offers fledgling firms the equivalent of \$120,000 in cash and loans in exchange for stock. Cedars-Sinai hosts its startups for three-month stints in a former furniture store near the hospital. Doctors and nurses drop by the space—which still has a chandelier from its days as a showroom—and give inventors feedback on their projects.

Between 500 and 600 applicants, some with "wacky ideas," vie for 10 slots every nine months, says Darren Dworkin, Cedars-Sinai's chief information officer. In addition, Cedars-Sinai operates an \$80 million innovations fund with another hospital, MemorialCare Health System in Orange County. Created in 2014 and named Sum-

mation Health Ventures, the fund can make sizable investments. It operates under the hospital's non-profit umbrella and officials with both systems say its work is harmonious with their mission to improve patient care.

Cedars-Sinai is backing a device to field requests that patients usually make by pressing the call button for a nurse. Created by a Los Angeles company called Aiva, the device builds on Amazon's voice-activated virtual assistant, Alexa, and tailors it to a hospital setting. Aiva, which answers to Alexa, will route patients' requests to departments such as housekeeping or the pantry. Company founder Sumeet Bhatia says by expediting "non-urgent" needs, his system frees up nurses for other work.

When Adrienne Edwards was at Cedars overnight for abdominal surgery last month, she took part in a trial of the Aiva system. Ms. Edwards's verdict: "It rocks."

"I was lonely in the hospital,

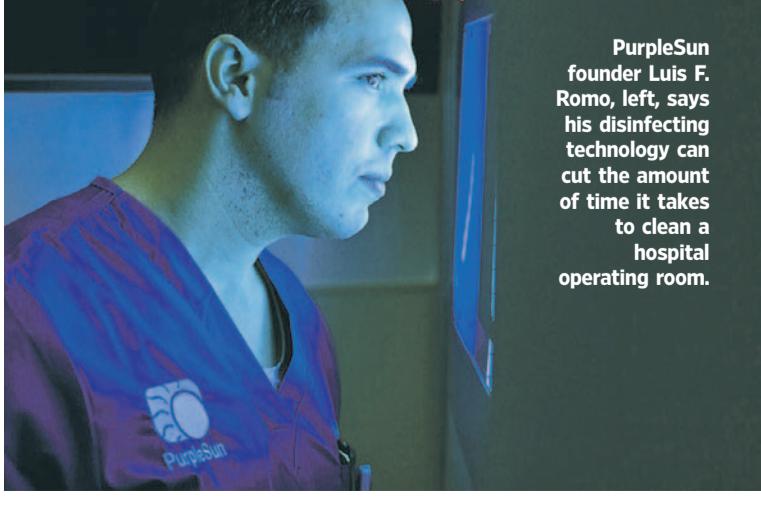


A HemoLink, above, from Tasso, a firm co-founded by Ben Casavant, far right, and Erwin Berthier.

and I said, 'Alexa, would you be my friend?'" she says, recalling that the device replied, "Of course we can be friends, you seem very nice." Ms. Edwards, who lives in Los Angeles, piled on the demands, asking for medicine, a latte, reggae music, even lobster. The latte and lobster requests seemed to stump the system, which said it would contact a nurse.

"Do we think Aiva is going to get rid of the call button? Probably not," says Mr. Dworkin. "But will it give nurses back two hours a day" for clinical care? If so, that would be wonderful, he adds.

Another startup device Cedars-Sinai is betting on: HemoLink, a simple do-it-yourself kit for drawing blood. Made by Tasso, a Seattle company, the HemoLink is applied to the upper arm. The device takes blood from capillaries rather than veins, takes two to three minutes and is said to be almost painless. Tasso co-founder Ben Casavant says he and his colleagues haven't yet figured out how much to charge for the HemoLink, which



PurpleSun founder Luis F. Romo, left, says his disinfecting technology can cut the amount of time it takes to clean a hospital operating room.

EXHIBITION REVIEW

# China's Magnificent Metal

A complete picture of millennia-old ritual vessels—from the beliefs they embodied to the collecting they inspired

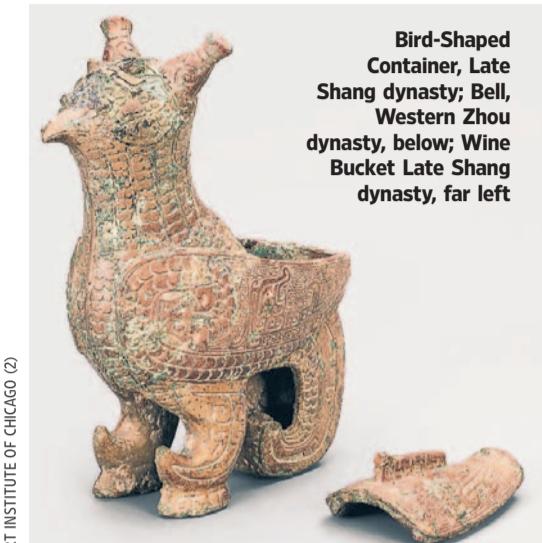
BY LEE LAWRENCE

Chicago

**'MIRRORING CHINA'S Past: Emperors and Their Bronzes'** at the Art Institute of Chicago offers an unexpectedly engaging and layered journey. The show includes ceramics, paintings, jades and a sprinkling of other media, but its focus never wavers from magnificent ritual vessels made during the Shang (1600-1046 B.C.) and Zhou (1046-256 B.C.) periods. These make up almost half of the show's 180-plus works, displayed in groupings that illustrate some of the beliefs they originally embodied along with the collecting they have since triggered, ambitions they have served, and artworks they have inspired.

Cast in sections and then assembled, the most ancient bronzes typically have sharp, angular lines and designs both intricate and bold, and from the sixth-century B.C. onward, metalworkers used the lost wax method to create sculpted elements. Every form had a specific function, from the wide-mouthed pitchers reserved for water to tall storage jars. Rounded cauldrons, for example, perch on three legs to allow a fire beneath. Tureens sit on stable, square bases. And the wing-like spout and handle on wine-warmers make for easy pouring—inspiring a 20th-century artist to add a rather incongruous bird-shaped lid.

Ever elegant and practical, a large food steamer could accommodate animal and even human sacrifices, while a container in the shape of a low-slung animal proves positively ingenious. It sports what look like antler buds and, on its rump, a masklike, backward-looking face whose nose protrudes like a short tail, visually completing the animal silhouette while providing a handy lever with which to flip open the lid. Known as *taotie*, these masks are almost ubiquitous—eyes made of simple



Bird-Shaped Container, Late Shang dynasty; Bell, Western Zhou dynasty, below; Wine Bucket Late Shang dynasty, far left



Dacheng (1835-1902), who sometime before 1892 had artists fill it with rubbings of bronzes he owned. Look carefully, and you can find the imprint of each of the 12 vessels displayed behind it.

We also see Song rulers initiating the systematic cataloging of bronzes and Qing emperor Qianlong reviving and extending this centuries later with a 40-volume catalog, "Ancient Mirror of Western Clarity." The latter part of the

bosses with notched pupils, long noses in 3-D or relief with, sometimes, the outline of an upper lip below. A particularly stunning example is a bucket from the Late Shang period with water-buffalo horns, leaf-shaped ears and swirls for nostrils.

Today, most are a shade of verdigris or darkened by wax coatings. But, when new, they shone in a range of copper and brass hues. So imagine these *taotie* and various animal-shaped containers all gleaming in the flickering light of lamps, shadows pooling in their recessed pupils—easy to see how during ritual offerings they were deemed living intermediaries between mortals and all-powerful ancestors. They were crucial actors in a performance intended to earn rulers a heavenly mandate and

maintain cosmic harmony in the universe. A video presents a re-enactment along with an impressive 13-piece altar set borrowed from the Metropolitan Museum of Art.

While some considered such bronzes dangerous—the Jurchens, who came to power in the 12th century, destroyed as many as they could—most rulers, officials and scholars prized them. We see Han artisans reprising ancient vessels; Song metalworkers creating faithful copies; Ming artists designing decorative and sometimes downright odd reinterpretations; painters immortalizing collectors and collectors themselves recording their treasures. In a wonderful pairing, the organizers have unfurled 20 feet of a 50-foot-long handscroll, "Collected Antiquities at Kezhai." It belonged to Wu

title is the name of his palace, while the reference to mirrors carries the dual meaning of reflection—offering an image of the ancient as well as reflecting upon the artifact. In another set of pairings, three volumes are each open at a page depicting an object displayed nearby—including one that proved a later copy.

The Art Institute's Tao Wang supplemented the museum's own remarkable collection with loans from private

collectors, the Shanghai Museum, the Palace Museum in Beijing and several U.S. institutions. With the help of assistant curator Lu Zhang, he has created eloquent displays. To illustrate Qianlong's love of bronze mirrors, for example, he presents only a handful, focusing our attention instead on the elaborate framing and packaging each received.

His juxtapositions repeatedly hint at the lively exchange among media—from the Neolithic ceramic forms artists translated into metal at the start of China's Bronze Age to the decorative Shang- and Zhou-inspired porcelains and cloisonné made during the Ming (1368-1644) and Qing (1644-1911) periods and the amusing riff on both antique bronzes and ceramics by contemporary artist Xu Zhen. In a final gesture, Mr. Wang separates this and other contemporary responses from early bronzes in an adjacent gallery with a glass partition—transparent but fogged.

**Mirroring China's Past: Emperors and Their Bronzes**

Art Institute of Chicago, through May 13

Ms. Lawrence writes about Asian and Islamic art for the Journal.

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## SPORTS

## TENNIS

## Serena Williams Wants More Slams

After giving birth, the 23-time Grand Slam champ is eager to regain her place at the top of the game

BY TOM PERROTTA

**AFTER SHE** delivered her daughter, Alexis Olympia, last September, Serena Williams was barely recognizable as one of the finest and toughest athletes.

After giving birth, Williams developed blood clots in her lungs that could have been deadly if she had not sensed something was wrong and insisted on an examination that discovered them. After several surgeries she spent six weeks in bed. She would get up once a day, walk outside to get the mail, return, and then sleep again.

Williams recently looked at video taken during her medical peril and could not believe what she saw.

"I'm like passed out on the bed and I don't look good at all," Williams said in an interview with The Wall Street Journal. "It's like shocking that things worked out."

They certainly have, and remarkably well for a woman who went through such a difficult delivery just six months ago. Williams, unranked and 36 years old, is playing tennis again, and this week she plans to compete at Indian Wells, in her first professional tournament since she won the Australian Open in January of last year.

On Thursday she is slated to play a first-round match against Zarina Diyas, a 24-year-old from Kazakhstan ranked no. 53. Williams could then face Kiki Bertens, seeded No. 29, and then perhaps her sister, Venus Williams.

She tuned up for her return in an exhibition at Madison Square Garden on Monday evening, Tie Break Tens, a series of matches that use only tiebreakers rather than sets. Williams looked relaxed, won a round and hit a few aces that would have been just as good, and just as unreturnable, in a Grand Slam match.

Williams said she did not plan on having a child at this time in her life.

"Then it happened and it was—you know, you always hear people say, 'Yeah, it's the best thing you could do,' and I'm like, 'Yeah, I really love the titles though,'" Williams said. "I love all my French Open titles. I could never really understand, like, people saying that they should give it all up. And I definitely get it now."

Williams knows her game is not back to its peak level yet. But she is eager.

"I'm ready to just jump in and get started and see what happens," she said. "Obviously I'm going to have a few hiccups, I would imagine, and I'm ready for that."

Williams said it shouldn't matter that she's older than the women whose feats she's trying to



Serena Williams tuned up for her return to tournament action in an exhibition at Madison Square Garden on Monday.

Williams when they won their post-pregnancy majors.

The most recent to pull it off, Kim Clijsters, returned from her pregnancy and won three major titles. The first came at age 26 and the other two at age 27. Evonne Goolagong Cawley, from Australia, won her sole post-pregnancy title at age 28. Australian Margaret Court, who is the only player to lead Williams in career major singles titles—with 24 to Williams's 23—won three different Slam titles at ages 30 and 31.

Williams winning a Grand Slam title after delivering a baby at this age would be a remarkable achievement in any sport, not just tennis.

Lindsay Davenport, the former American champion, said the only title in tennis she considers as miraculous as a 24th major title for Williams would be Monica Seles's lone major championship after she recovered from being stabbed in the back.

"It would definitely be one of the biggest accomplishments in all of sports," Davenport said.

Williams said it shouldn't matter that she's older than the women whose feats she's trying to

match, or than the active women who'll be trying to stop her.

"There's nobody's rule that says you have to retire at 30," she said. "All the best players in the world now are well into their 30s, so you know, technology is better at enabling athletes to play a longer life."

Williams said she plans to watch her child grow as she re-engages with the game. "I can't wait for 3 or 4 a.m. when I get to hang out with Olympia; it's like our special mommy-daughter time and I love it," she said. "Literally it's my favorite of the day."

Williams is returning to a women's tour that, in the absence of its queen, has been wild, exciting, unpredictable, and a ton of fun. Yet no new dominant force has held control for long.

Observers believe Williams is capable of re-asserting herself post-motherhood, though it won't be easy.

"You never underestimate Williams," said Brad Gilbert, the ESPN analyst and former coach. "It's not easy for anybody. Heck, at age 26 it would be hard."

No one expects Williams to dominate early on. Her strokes have some rust and her timing, in

New York, wasn't quite right. Every aspect of her game needs polishing, especially the way she moves. In tennis, anticipation and reaction to opponents' shots is key: Without it, players reach the ball too late and miss more often. To be aggressive, Williams has to be consistent and keep the ball deep and heavily paced.

Rick Macci, the tennis instructor and once a young Williams's coach, said he wouldn't be surprised if her footwork is off early in her comeback. But if she doesn't eventually correct that, he would be shocked, he said.

"Nothing in life is a slam dunk, but if I'm betting on anybody, I'm betting on Serena Williams," Macci said. "Just because she is wired for winning. I don't think she will stop until she breaks Court's record."

Williams said she sees traveling with her daughter as an adventure rather than a chore.

"We'll see," she said. "We're using this first tournament as a trial. We're like, OK, we don't know how it's going to work out. We'll see. Everything's new, everything's new—and I'm looking forward to everything that's new. I can't wait."



## NFL

## JONES, NFL END DISPUTE

BY ANDREW BEATON

**THE NFL** and Dallas Cowboys owner Jerry Jones have agreed that Jones will pay more than \$2 million to cover the league's costs from a series of disputes between the two parties involved in the past year.

NFL commissioner Roger Goodell assessed the penalty against Jones last week, a move to collect legal fees the league had incurred in two disputes: a lawsuit over the suspension of Cowboys running back Ezekiel Elliott and litigation Jones had threatened in a bid to contest a new contract for Goodell.

Jones appealed the penalty and met with Goodell and members of the league's finance committee this week in Florida.

The league said Wednesday that the parties had mutually agreed to resolve the matter, ending a string of conflicts between one of the NFL's most historically powerful owners and much of the rest of the league, which had battled with Jones on a number of fronts.

A spokesman for Jones and the Cowboys declined to comment.

The basis for the payment traces to a little-used resolution in the league constitution that says owners or teams may be obligated to repay the NFL for legal fees on a case that the club or owner loses. But the issue wasn't so straightforward: Jones wasn't officially a party to the Elliott lawsuit, and he never actually sued the league over Goodell's contract.

These issues devolved last season into a rare display of in-fighting among NFL owners, with Jones as the primary catalyst of the rancor. Owners believed Jones was lashing out against Goodell for suspending Elliott, people familiar with the matter said at the time, setting off a string of letters between those tasked with executing Goodell's extension and Jones, who denied he was out for revenge. Privately, these owners discussed harsher punishments for Jones, including the possibility of removing him from the league.

## Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for today.

## U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

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Atlanta 50 32 pc 57 43 s

Austin 67 51 pc 73 62 pc

Baltimore 44 29 pc 45 27 pc

Boise 55 41 c 53 34 c

Boston 42 30 sn 42 31 pc

Burlington 36 27 sn 38 26 sf

Charlotte 50 26 pc 54 34 s

Chicago 35 23 pc 38 25 pc

Cleveland 33 30 sn 36 25 sf

Dallas 67 51 pc 72 61 pc

Denver 65 33 c 66 31 pc

Detroit 36 27 sn 37 21 c

Honolulu 79 68 pc 73 65 pc

Houston 67 51 pc 73 65 pc

Indianapolis 35 23 pc 40 26 c

Kansas City 46 29 s 55 34 pc

Las Vegas 75 53 pc 78 59 pc

Little Rock 57 37 s 66 55 pc

Los Angeles 75 54 pc 72 58 pc

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Milwaukee 35 24 pc 37 24 s

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Nashville 45 27 s 55 43 pc

New Orleans 64 45 pc 71 59 s

New York City 42 30 pc 42 30 sf

Oklahoma City 64 44 s 69 51 pc

## International

Today Hi Lo W Tomorrow Hi Lo W

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Athens 65 50 pc 63 48 pc

Baghdad 81 61 pc 83 55 s

Bangkok 93 74 t 87 72 t

Beijing 44 22 s 51 32 pc

Berlin 46 33 c 45 32 pc

Brussels 85 35 r 58 46 r

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## The WSJ Daily Crossword | Edited by Mike Shenk

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BARGAINS | By Natalia Shore

Across

1 Loser to "The Departed" for Best Picture

6 Show set at the McKenzie, Brackman, Chaney and Kuzak firm

11 National Do Not Call Registry org.

14 Friendly muchacha

15 Colleague of Clarence and Neil

20 Come to understand

21 Aboard

22 Jumping

23 Ranchero's tie

25 Smart

26 Crustaceans copying canines?

## OPINION

## Trump Revives 'The Apprentice'



**WONDER LAND**  
By Daniel Henninger

Donald Trump described his favorite management practice:

"I like conflict. I like having two people with different points of view, and I certainly have that. Then I make a decision. But I like watching it, I like seeing it, and I think it's the best way to go."

In other words, the Trump presidency is a lot like a season of "The Apprentice."

That TV series ran for years on NBC, with Donald Trump presiding over teams that were frequently asked to perform ridiculously impossible tasks. He's certainly got the format down: This presidency is compulsively watchable because everyone—from the White House staff to the whole wide world—is always on edge.

Last Thursday's announcement of the steel and aluminum tariffs was straight from the Trump school of melodrama. First the White House said Mr. Trump was going to announce the tariffs, then it said he was just holding a listening session with executives from the steel and aluminum industries.

Then in an afternoon meeting that included the people designated to provide conflict

A few hours before former Goldman Sachs president Gary Cohn quit as the White House's chief economic adviser, Donald Trump described his favorite management practice:

"I like conflict. I like having two people with different points of view, and I certainly have that. Then I make a decision. But I like watching it, I like seeing it, and I think it's the best way to go."

The stock market fell about 500 points, and a week later Mr. Cohn was off the show.

Within 24 hours of the Cohn departure, White House officials said Mr. Trump was "pushing" his people to implement a tariff regime of some sort by Thursday. Treasury Secretary Steven Mnuchin, who is described now as representing what's left of the administration's free-trade faction, said "we're going to roll this out very, very quickly."

It really is exciting. You can't stop watching.

The tariff melodrama, though, has an oddly familiar feel to it, which is what got me thinking about "The Apprentice." It recalls two other great policy dramas that came and went: immigration and guns.

On Jan. 9, Mr. Trump assembled congressional Republicans and Democrats around a table to talk about immigration and the Dreamers. He told the group to put a bill on his desk. "I will sign it." The attention the event got was extraordinary. Today—minimal movement on immigration.

On Feb. 28, after the massacre in Parkland, Fla., the president gathered a bipartisan group around a big table to talk about gun control. It was

mesmerizing. He even stiffered the National Rifle Association. "We're going to stop this nonsense," he said. "It's time." Since then, next to nothing.

For all the high drama, the immigration and gun-control issues have floated off into the ethers. Until they were replaced for public viewing this week by the trade drama.

### If the tariffs cost jobs, Joe Biden will ask every laid-off worker: Who got you fired?

Congress has ceded substantial trade authority to the presidency, so possibly the U.S. this week really will impose tariffs against much of the world, notwithstanding the technical complexity that trade policy requires. The last thing this White House needs is a half-done, legally vulnerable tariff regime equal to the travel-ban fiasco.

The past few months have made it evident that executing public policy on matters like trade, immigration and gun control is more complicated than telling teams of 30-something managers to sell lemonade on a corner in Times Square.

Despite the American presidency's vast powers, these three stalled events reveal an eternal truth: All important national issues unavoidably comprise a great many moving and intersecting parts. Somewhere

in prehistory, mankind invented politics to work through the inevitable complexities and contradictions.

You can write off these difficulties as "the swamp" or the special interests resisting "Trump." But not all special interests are fake. If solutions were as easy as Mr. Trump suggested on immigration and guns, we wouldn't need politics, because we'd be living in utopia. Or on TV.

Peter Navarro, defending the tariffs he has talked Mr. Trump into, said Sunday they would have no significant "downstream price effects." Give that man a paddle.

"Downstream" effects are not hard to imagine, and the biggest could be confusion about Mr. Trump himself. The president had better hope that what Wilbur Ross is telling him is true about fractions of pennies in price increases, because if not, Mr. Trump could be driving a wedge into his 2016 base.

The jobs lost with the 2002 steel tariffs were blue-collar workers, and most of them surely voted for Mr. Trump. If the steel jobs saved by the Ross-Navarro Tariff are overwhelmed by downstream jobs lost, the Trump base in states he narrowly won will shrink at the margin, just as he is touting his 2020 candidacy. Make no mistake: Joe Biden will shake the hand of every single one of those laid-off downstream workers. In fact, he might even ask them: Who got you fired?

*Write henninger@wsj.com.*

**BOOKSHELF** | By Garrett M. Graff

## An Edifice On the Potomac

### The Watergate

By Joseph Rodota  
(Morrow, 420 pages, \$27.99)

**W**atergate didn't just shake the firmament of politics, redefining political scandal for future public figures. It became the very language of scandal itself. Today, the simple addition of the suffix "-gate" is one of the easiest ways to hyperbolize any controversy—from "Travelgate" in the early Clinton years to "Deflategate" on the football field to "Memogate" in Washington this winter.

Often overlooked, as Joseph Rodota recounts in "The Watergate: Inside America's Most Infamous Address," is that the Watergate is also a building. Or, rather, six buildings, spread across 10 acres near the Potomac River and bounded on all sides by high-traffic roads in Foggy Bottom.

Announced in 1960, and developed by a Rome-based real-estate company over the decade, the Watergate was conceived as an Italian-style plaza, capitalizing on a moment of Italian cultural relevance that saw Americans enchanted by Federico Fellini's "La Dolce Vita" and designer Oleg Cassini's work with first lady Jackie Kennedy. The Watergate's creators touted it as a "Garden City within a City"—a self-contained world complete with a bank, bakery, florist, beauty salon and supermarket. It also came with three outdoor swimming pools that, along with the salon, would serve as the hub of the complex's gossip circuit. "If it only had a tennis court and a movie theatre, I don't think I'd ever have occasion to leave the place," claimed one esteemed

resident quoted in Mr. Rodota's history of the site. The apartments themselves represented the height of 1960s luxury: Bidets came standard, and every unit promised a "marble-topped" toilet.

Public interest in the project has been considerable since its conception. One of the controversies that Mr. Rodota revisits is that of the Vatican's financial ties to the site's developer, which raised concerns that President John F. Kennedy, a Catholic, might be pressured to support a project larger and grander than D.C. zoning allowed. (One of Drew Pearson's columns at the time carried the headline: "Vatican Seeks Imposing Edifice on Potomac.") But that controversy subsided, and soon enough the buildings were taking occupants. Its developers bragged that the complex represented "the sophistication and dedication of the 'new Washington.'" They also boasted, ironically, of the Watergate's advanced security system—including 14 cameras in one of the buildings—meant to make the place particularly attractive to single working women. As the Washington Star wrote, "Intruders will have difficulty getting onto the grounds undetected."

Of course, as we now know, that didn't stop them from trying. One of the recurrent themes that Mr. Rodota, a writer and consultant who has worked in both federal and California politics, explores in his book is that the most famous Watergate break-in was hardly the only one—and far from the only scandal to touch the lavish, power-filled

**A**t the height of the scandal that bears its name, the Watergate Hotel was losing \$4,000 a month in stolen, monogrammed towels.

complex. He documents repeated high-profile burglaries that afflicted residents, who saw jewelry, furs and other finery disappear in various sprees over the years. None other than Richard Nixon's secretary, Rose Mary Woods (she of the missing 18 ½ minutes of tapes), returned from an international trip with the president in 1969 to discover her apartment broken into, with jewelry stolen—a suspected inside job by the building's staff. At least two other residents suffered major thefts that year, and four Cadillacs in the garage were broken into as well.

Not surprisingly, the book is at its strongest when it recreates the location's most notorious episode. Indeed, Watergate—the scandal, not the building—was a much wilder story than we remember, taking place during an era when the nation's capital was more village than city, with small, elite circles entertaining themselves with dinner parties and gossip. It's surreal to look back and realize how many of the scandal's players themselves lived inside the Watergate's walls, including Woods and Nixon's attorney general, John Mitchell. "There is only one place in the world, outside of fiction, where such a pretentious pot-au-feu of newsworthy people could simmer so richly and continuously in such a compact vessel," wrote the journalist Sherwood Kohn.

The infamy caused by the break-in of the Democratic National Committee's headquarters in June 1972—by what one of the arresting officers summarized as "five guys with sport coats"—transformed the place. At the height of the scandal, tourists mobbed the complex, and the Watergate Hotel had to cease using monogrammed items because too many of them went missing. At one point, it was running through \$4,000 a month in stolen "Watergate"-emblazoned towels.

"The Watergate" suffers at times from a suffocating level of detail, with lengthy digressions into Historic Preservation Review Board controversies and unnecessary asides like refinancing the mortgage on one of the buildings. Elsewhere, Mr. Rodota recounts the dozen or so Watergate residents who attended Tricia Nixon's wedding, and the buildings themselves aren't even fully constructed in the first 100 pages.

Still, Mr. Rodota offers an informative, comprehensive account of one of America's most famous building complexes. He also reminds us that the Watergate played a role in another episode where a president found himself fighting to stay in office: It's where Monica Lewinsky resided—in her mother's apartment—while President Bill Clinton stumbled toward impeachment. With the media camped outside tracking Ms. Lewinsky's every move, Mr. Rodota relates, resident Bob Dole sent out to the assembled reporters boxes of Dunkin' Donuts—a company for which he was then serving as a spokesman. He saw the new Clinton scandal as a chance to capitalize on controversy, which, as it turns out, may perhaps be the longest-running theme of the Watergate legacy.

*Mr. Graff is the author, most recently, of "Raven Rock: The Story of the U.S. Government's Secret Plan to Save Itself—While the Rest of Us Die."*

## Democrats Sing the Texas Blues

By Karl Rove

**T**uesday's Texas primaries were supposed to show "rising Democratic enthusiasm," in the words of National Public Radio's Jessica Taylor, following reports that more Democrats were participating in early voting than Republicans in the state's 15 most populous counties. "Such a swell in a bulk-wark red state could be an even more ominous sign for Republicans nationally," Ms. Taylor wrote.

She was not alone. The New York Times's Nate Cohn suggested that "surging Democratic tallies" in early voting may be "a sign that Texas may emerge as a fairly competitive state in the mid-term elections." Vox's Tara Golshan wrote that Democrats hope to "make Texas blue—or at the very least, purple" and that "a massive surge in voter enthusiasm is giving them hope."

But with all the votes tallied, it turned out to be a case of "never mind," as Gilda Radner, playing Emily Litella, used to say on "Saturday Night Live."

Not only did more Texas Republicans (804,581) vote early than Democrats (565,355), but more Republicans than Democrats turned out Election Day. There were 1,543,674 total votes in the Republican primary—the GOP's highest midterm total ever—compared with 1,037,779 in the Democratic primary. This gap of nearly 506,000 is less than the GOP's margin in the 2014 and

2010 primaries (roughly 783,000 and 804,000, respectively), but still comparatively healthy.

Just as the media buildup about Democratic early voting fell short, so did the party's highly touted U.S. Senate hopeful, Rep. Robert F. "Beto" O'Rourke. National Democrats have hyped the telegenic El Paso congressman as a strong bet to upset Ted Cruz, the

This week's primaries shattered the dream of turning the Lone Star State purple.

state's junior senator. Mr. O'Rourke spent \$4.2 million to win his primary with 62%. But he lost 103 of the state's 254 counties to Edward Kimbrough, a retired Postal Service employee, who spent \$785 and received 15%, and Sema Hernandez, who spent nothing—zero, zip, nada—and still got 24%. (Ms. Hernandez did have a Facebook page.) Mr. Cruz received twice as many votes in his primary as Mr. O'Rourke did in his.

Mr. O'Rourke routinely swears in campaign appearances. He might have done so even more vividly in private as returns trickled in.

It has been 24 years since Democrats won a statewide race in Texas. Absent a major GOP scandal, they'll continue that losing streak this year as their statewide ticket is lackluster and—with the exception

of Mr. O'Rourke—underfunded.

At the House level, Democrats hope to win three districts won by Hillary Clinton and now held by Republican incumbents, as well as some of the six seats opened up by GOP retirements. Here again, the primary results are not heartening for Democrats.

In two Clinton-GOP congressional districts—the Seventh, in Houston, represented by Rep. John Culberson, and the 32nd, in Dallas, held by Rep. Pete Sessions—more Republicans voted than Democrats: 38,032 Republicans to 33,176 Democrats in the Seventh and 41,359 Republicans to 40,084 Democrats in the 32nd. Mrs. Clinton carried both districts by less than 2 percentage points in 2016.

Moreover, no Democrat won a majority in either district's primary, forcing runoffs in May. In the Seventh, journalist Laura Moser—endorsed by the Bernie Sanders-connected "Our Revolution"—is pitted against Clinton loyalist and attorney Lizzie Pannill Fletcher. The Democratic Congressional Campaign Committee targeted Ms. Moser with an opposition-research dump arguing she was too liberal to win in the fall.

The attack backfired: Ms. Moser was trailing Ms. Fletcher in early voting before the DCCC assault but won more votes among those who turned out on election day.

Democrats outvoted Republicans in a GOP-held seat that Mrs. Clinton carried by 3.4 percentage points—the massive 23rd Congressional District,

which sweeps across West Texas. This year, after Democratic candidates spent a combined \$1.1 million, 44,320 voted in their primary to 30,951 Republicans. Still, that is 5,000 more Republicans than voted in the 2014 primary, which launched Will Hurd into Congress. A former undercover CIA officer, Rep. Hurd is one of the GOP's most effective campaigners.

His "DQ Townhalls" at Dairy Queens across his largely Hispanic district helped him hold the district by 1.3 points in 2016 even as Mr. Trump lost by more than 3 points.

Democratic aspirations to take some of the six open Republican congressional districts also appear slim: Republicans turned out more voters in all six, with the GOP's margins ranging from roughly 16,000 to 22,000 votes.

Republicans face serious midterm challenges, but in the Lone Star State, the GOP is likely to remain dominant—even if Democrats dent Republican majorities in the state Legislature, where seats in the inner suburbs are vulnerable. On the evidence of Tuesday's primary, the undertow of liberalism remains far too strong in America's second most populous state for heady Democratic predictions of flipping a red state blue to come true this year.

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

By Joseph Semprevivo

**J**.M. Smucker Co. announced last month that it would donate \$1 million to charity, invest \$20 million in employee pension plans, and give \$1,000 bonuses to some 5,000 employees. The food manufacturer is hardly alone. More than 400 U.S. employers have announced similar moves as a result of tax reform's passage. What House Minority Leader Nancy Pelosi calls "crumbs" so far has amounted to a \$30 billion income boost for millions of Americans.

While we've heard a lot about how large corporations and their employees benefit from tax cuts, small businesses have received less attention. They shouldn't, given their outsize role in the economy. America's 29 million small businesses employ some 57 million workers—half the workforce. And small-business

owners make up 97.7% of American exporters, but they also account for two-thirds of new jobs in recent decades. Small businesses may not be household names, but their success is a bellwether for the labor market writ large.

Small companies like mine are also creating jobs and raising wages.

I run a family-owned business in Florida that bakes more than 12 million sugar-free cookies a day, in addition to making other diabetic-friendly products. For years, I sent nearly 50% of my business income to the government—federal, state and local. As a pass-through business, my income was taxed at the

top federal rate of 39.6%, on top of Florida's state and local levies.

But the new tax code gives me hope. Not only has the top federal rate dropped to 37%, but I'll also qualify for a deduction of up to 20% and immediate expensing to save money on investments. I've already given four-figure raises to four key employees—half of my workforce—and financed a long-overdue international expansion. With more resources for new marketing campaigns, we're pursuing product packaging in Mandarin to increase our exports to China.

I'm only one job creator. Dina Rubio, who runs a Don Ramon Restaurant not far from us, plans to open a take-out window and set up a customer bar, generating up to eight new jobs. Carlos Ruiz, owner of Arizona-based HT Metals, can now fully expense a new water-jet machine and

run more shifts. Debbie McFarland, who founded McFarland Interiors in Missouri, is upgrading her design software and testing new product lines. (I met these fellow businesspeople through the Job Creators Network.)

We may not each employ thousands of people like Smucker's, but our goods and services bind local communities together. When we succeed, our employees and their families gain the financial security needed to thrive in modern America. It's no wonder consumer confidence has reached its highest level since November 2000. The U.S. economy is roaring—and small businesses like mine have a lot to do with it.

Mr. Semprevivo is president and CEO of Joseph's Lite Cookies and an adjunct professor of finance and real estate at Indian River State College.

## OPINION

## REVIEW &amp; OUTLOOK

## Big Bank Custody Fight

The Senate is debating a bill that would relax Dodd-Frank's chokehold on small banks, but a couple of provisions that ease capital and liquidity standards for the giants will make the financial system more vulnerable in a panic.

Tucked into Banking Chairman Mike Crapo's legislation is a directive to federal agencies to amend the "supplementary leverage ratio" for custodial banks by excluding deposits at a central bank. Custodial banks secure assets for clients such as large institutional investors and fund managers.

At first glance, this provision would appear to apply only to Boston-based State Street, Chicago's Northern Trust and Bank of New York Mellon. But Citigroup and J.P. Morgan also offer custodial services and are trying to join the party. You can bet others will want in too. "As Congress has sought to make a common sense change to the way capital rules treat custody assets, we have asked that they apply that change to all custody banks to maintain a level playing field in this important business," a Citi spokesman said last week.

As we saw during the crisis, financial regulators are poor judges of risk. Banks had piled into investments that regulators deemed low risk such as mortgage-backed securities and sovereign debt that let them meet capital standards even while remaining highly leveraged. You know how that worked out.

So the Federal Reserve and other regulators in 2014 adopted a simple, non-risk weighted measure of equity to total assets called the supplemental leverage ratio—5% for global giants. Banks get no more credit for investing in Treasuries than in corporate debt. This leverage limit prevents banks from gaming capital rules and herding into putatively "low-risk" assets, which overall reduces systemic risk.

The big guys gripe that the Fed's capital standards are excessive. But if banks want to lend more, they can build equity. Last year Citi and J.P. Morgan each announced plans to return some \$19 billion to shareholders. Big banks were undercapitalized prior to the panic and experienced losses on average equal to 6% of assets. Most have built up about that much now, though State Street, Bank of New York Mellon, Goldman Sachs and Morgan Stanley have less.

An exemption for central bank deposits would improve the leverage ratio on paper for many big banks to between 7% and 8%. So custody banks could stash their customer funds at

## A Senate bill includes a sneaky reduction in capital rules.

the Fed or another central bank where they'd earn modest interest. The risk is that they will then use this dispensation to increase debt or reduce capital.

The Congressional Budget Office estimates a "50 percent chance" that regulators would extend the regulatory exemption to J.P. Morgan and Citi, which is probably low. Fed

Chairman Jerome Powell said last week at a Congressional hearing that "the leverage ratio can deter banks" from "engaging in low-risk wholesale activities, particularly the custody banks," adding that "I think we got the calibration a little bit wrong so our plan is to roll it back." His preference would be to do so for all big banks.

The economy could use more risk-taking, and some small businesses have had trouble getting credit under the new Dodd-Frank regime. But the Senate bill would remedy this problem by reducing administrative burdens on regional and community banks where regulatory compliance has gratuitously diverted resources from customer services. Regional and community banks have on average a leverage ratio of 8.7%.

If central bank deposits are exempted from the leverage ratio, why not Treasuries or municipal debt? Speaking of which, big banks are also pleading for more latitude under the Fed's liquidity rules. The Senate bill obliges by directing the Fed to classify investment-grade municipal debt as "high quality liquid assets."

Banks love muni debt because of its tax exemption and supposed security, though bankruptcies in Puerto Rico, Detroit and Stockton, Calif., betrayed this conceit. Muni bonds are not actively traded in the secondary market, and prices are opaque. The 1975 Tower amendment also exempts municipal securities from mandatory investor disclosures.

Government finances can quickly deteriorate. Recall the Orange County bankruptcy in 1994 that resulted from bad bond bets amid rising interest rates. During a market meltdown, banks would find it hard to unload munis. One lesson from the last crisis was that even supposedly liquid, high-grade assets can become illiquid when investors panic, markets lock up and prices fall.

The Senate bill would encourage banks to pile into munis and make it cheaper for states and cities to borrow—thus encouraging more government leverage. Governments and financial investors are often co-dependent, but Senators ought to resist enabling both.

## Russia's Trail of Poison

Another Russian agent in exile, another poisoning in England. Former Russian intelligence officer Sergei Skripal, 66, and his daughter Yulia, 33, were found unconscious on a bench in Salisbury on Sunday and are in critical condition. Mr. Skripal was a double agent for the British intelligence service MI6. He was sentenced to 13 years for spying, but he and other agents were exchanged in Vienna in 2010 for 10 Russian agents arrested in the U.S. The Skripals have been living openly in Britain.

Scotland Yard called the attack "a major incident involving attempted murder by administration of a nerve agent." A police officer who found the Skripals fell seriously ill. The poisoning echoes the attack that killed Kremlin critic

Alexander Litvinenko in November 2006. A British inquiry concluded that the operation to slip polonium into his tea in a London hotel "was probably approved" by Vladimir Putin. Yet Britain made only modest protests, and the accused killers, Andrei Lugovoi and Dmitri Kovtun, remain at large in Russia despite British demands for extradition.

The obvious suspicion is that the Russians wanted Mr. Skripal dead, and his son and brother have died in unexplained circumstances in the last two years. Mr. Putin is a former KGB agent, so you can draw your own conclusions about the role of the Kremlin. As a demonstration of Russian ruthlessness, the poisoning is more evidence of the nature of the Moscow regime.

## How a Trade War Escalates

The European Union on Wednesday released its target list of retaliatory tariffs on American exports worth \$3.5 billion if President Trump pushes ahead with his steel and aluminum tariffs. This is how Mr. Trump's trade irritations could imperil American exporters and become a destructive spiral.

The EU is acting with some restraint—for now—in crafting a narrow list of items on which to impose tariffs, including bourbon, orange juice, corn, ladders and motor boats. None are vital to European industry, but they are politically shrewd in targeting exports from states represented by Republicans on Capitol Hill. The point is to punish voters in states Mr. Trump carried in 2016 and Republicans running for re-election this year. Too bad Europe can't impose a tariff on Wilbur Ross and Peter Navarro, the architects of this fiasco.

The danger for the EU is that this will inspire Mr. Trump to indulge his schoolyard impulses and hit back at the EU again. "The European Union has been particularly tough on the United States. They make it almost impossible for us to do business with them," Mr. Trump said at a White House presser with Swedish Prime Minister Stefan Löfven. He's also threatened tariffs on European cars.

Since White House aide Gary Cohn soon won't be around the White House to explain how unconnected to reality this is, we'll try. It is not "almost impossible" for American companies to do business in Europe. The bilateral trading relationship between the U.S. and the combined EU states is the largest in the world. In 2016 American companies sold goods worth \$270 billion in the EU and services worth \$231 billion. America has a bilateral trade deficit in goods with the EU—\$147 billion in 2016—but a services surplus of \$55 billion.

The flip side of the trade deficit is a substantial flow of investment into the U.S. from Eu-

## Europe retaliates against U.S. exports and Republican states.

rope. Around half of new direct investment in America (measured as acquisition of an American firm, or creation or expansion of a subsidiary) came from Europe in 2016—nearly \$200 billion.

Such investments, made over decades, supported roughly 4.7 million jobs of Americans employed directly by affiliates of European companies as of 2015, according to U.S. Bureau of Economic Analysis data (counting all of Europe, including some countries that aren't EU members).

And that ignores Americans employed by companies that sell to those European affiliates, and those who work for U.S. firms that benefit from European investment in equity markets and so on. This is what economic "winning" looks like.

American leaders at least dating to George Marshall have understood that close economic ties between the U.S. and Europe are necessary to support the trans-Atlantic military alliance. Not coincidentally, the Continent's most vigorously pro-trade politicians also tend to be its most pro-American. A perverse consequence of Mr. Trump's trade wrangling is that he's alienating them. That includes French President Emmanuel Macron, a rare European leader to eschew outright hostility to Mr. Trump.

There's plenty of scope to improve the U.S.-EU trading relationship. One sore spot on both sides remains agricultural protectionism, often related to dubious safety concerns. Another is Europe's treatment of American tech companies such as Microsoft, Amazon, Google and Apple on questionable antitrust and tax concerns.

Those and other issues are best addressed through negotiations rather than tariffs. Mr. Trump would better serve American workers and businesses by urging the EU to join him in dusting off stalled free-trade talks. If he persists instead in stoking a trade war with America's most important strategic and economic partner, he and America will lose—and big.

## A Senate bill includes a sneaky reduction in capital rules.

the Fed or another central bank where they'd earn modest interest. The risk is that they will then use this dispensation to increase debt or reduce capital.

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## LETTERS TO THE EDITOR

## Tariffs, Jobs and Unintended Consequences

Donald Trump's "biggest policy blunder" ("Trump's Tariff Folly," Review & Outlook, March 2) might not be setting high tariffs on steel and aluminum under the guise of national security. President Trump is chasing the wrong deficit. He mixes up trade deficits (when imports exceed exports) with budget deficits (when government spending exceeds taxes, increasing the national debt).

Trade deficits do not contribute to budget deficits. The opposite is true. With America's twin deficits, economists find one-third to one-half of trade deficits result from budget deficits. If President Trump truly wants to cut trade deficits, instead of tit-for-tat trade policy, he needs to rein in government spending. Admiral Mikeullen, past chairman of the Joint Chiefs of Staff, once testified that government debt was "the most significant threat to our national security."

President Trump should fear budget deficits, not trade deficits. A trade war that undermines faith in the U.S. would drive up interest rates, increase debt costs and squeeze discretionary spending, nearly 60% of which is defense. Adding spending on mandatory entitlements compounds the problem. To paraphrase Martin Feldstein, the fundamental cause of a trade deficit is that the U.S. as a whole is spending more money than it makes. Here's hoping President Trump's tariff folly is simply "negotiating bluster" ("A Lovely Little Trade War," Review & Outlook, March 3), and that the administration seriously tackles entitlements.

EM. PROF. F. MELESE  
Naval Postgraduate School  
Monterey, Calif.

If a misguided trade war reduces foreign funding for investment and deficit financing, interest rates will increase dramatically to balance savings and investment. The fiscal deficit would rise as the interest payments on the national debt increased. This could precipitate a significant recession.

Trade policy can only create winners and losers, not eliminate trade deficits. If Mr. Trump is determined to reward specific groups such as Western Pennsylvania steel companies and workers, he will likely be successful, but only at the cost of the economy and his presidency.

JIM KROGER  
Cleves, Ohio

I was an economist for the Labor Department and a member of the Carter administration's Footwear Task Force Committee. The committee was charged with honoring Presi-

dent Carter's campaign promise to grant import relief to American shoe producers.

The tone of the committee meetings was always distinctly protectionist. Never, not even once, did we hear from shoe consumer interests. As the process was winding down, I asked the committee when we would hear from consumer interests? The third person in the Office of the Special Trade Representative chain of command looked at me and said: "Van Cott, when are you going to realize that you're out of sync here? We don't give a d—n about U.S. shoe consumers?"

EM. PROF. T. NORMAN VAN COTT  
Ball State University  
Muncie, Ind.

Most trade policy makers understand that the greater good is served by free-trading markets. It rewards the most efficient producers with greater market share, with competition keeping the game honest. But the level playing field is disrupted if one of the players is employing "dumping" to gain unfair advantage. That term is generally defined as charging a lower price than the normal value of the product, i.e., what is charged in the domestic or a third-country market.

If the steel and aluminum tariffs are imposed on countries that are gaming the system, President Trump is perfectly justified in punishing the perpetrators. Exporters to America will now be on notice that *caveat vendor*, you had better play by the rules.

FRED EHRMAN  
New York

I disagree that President Trump's tweet "confirms he doesn't know what he is talking about." What he does understand is that free trade doesn't bring prosperity. It was America's free-trade policies that eviscerated our manufacturing base and allowed China to challenge us as the world's No. 1 economic power.

Look at the Asian tigers like Japan, Taiwan, Korea, China and Singapore. They all jump-started their economies and manufacturing base with protectionism. Show me a country that actually listens to and believes the IMF and World Bank propaganda promoting globalization and free trade, and I'll show you an economic basket case.

DOMINIC D'AMELIO  
Tallahassee, Fla.

Trade war? We've been at war for decades, but only now are sending troops into battle.

CURT SMITH  
Des Moines, Iowa

## Protect the Internet From the Big Oligopoly

Holman Jenkins's "Tech Giants Are Less Powerful Than They Seem" (Business World, Feb. 24) on the waning power of the tech giants misses that these "platforms" aren't companies that sell products and services, as Standard Oil or the old AT&T once did. Instead, they are market makers connecting users and vendors or other service offerers. Once they reach scale, they are untouchable. What good is a second Facebook when everyone is already signed up to the first, or a second mobile operating system when the transaction costs of switching are as formidable as they are annoying?

The users of these websites trust them to use their new and ultimate

## Federal Intervention Likely Prevented More Failures

Regarding Peter J. Wallison's "The Treasury Still Needs to Bid Adios to OLA" (op-ed, March 5): Mr. Wallison may be correct that market forces are superior to taxpayer bailouts, especially when government favoritism is involved. Yet the interconnection of large financial institutions may not be a myth as he supposes. Eliminating the Orderly Liquidation Authority (OLA) backstop without sizable increases in capital for the too-big-to-fail institutions is a gigantic leap of faith, one that large financial institutions haven't demonstrated they're capable of handling.

Mr. Wallison writes: "Yet, for all the chaos, no other large firm failed because of interconnection with Lehman." Perhaps no other large financial institution failed because the federal government took control of Fannie Mae, Freddie Mac and AIG, and placed Merrill Lynch in the hands of capital-solid Bank of America before it had a chance to fail?

STANLEY J. DZIEDZIC  
Roswell, Ga.

Mr. Dziedzic is a former Lehman Brothers managing director.

market power to capitalize on one's preferences, history, identity and the like, to filter—both overtly and insidiously—what one is shown in the digital world, and as a result the platforms play an undue role in guiding our information ecosystem in a way that far transcends corrupting the electoral process.

It is time for a new era of trust-busting that imposes real pro-consumer guidelines and transparency, if not the outright breakup, of their intersecting lines of business.

EV EHRMAN

Harpers Ferry, W.Va.

Mr. Ehrman is a former undersecretary of commerce for economic affairs.

## Buckley Hardly a Populist

Regarding Alvin S. Felzenberg's "Was William F. Buckley a Populist?" (op-ed, Feb. 27): In the late 1960s I heard Buckley speak at Ford Hall Forum in Boston. During the Q&A, someone asked whether, given his resounding defeat in the 1965 New York City mayoral election, he still aspired to elected office. Buckley said, tongue firmly in cheek, that he didn't have any such plans at present but that if ever he did run for office again, "voting would be by invitation only."

HENRY I. MILLER

Stanford, Calif.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"... being totally honest, yeah, the leash complicates our relationship."

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## OPINION

# Will Saudi Arabia Free Its Women?

By Ayaan Hirsi Ali

Mohammed bin Salman, Saudi Arabia's crown prince, is in the United Kingdom this week to meet two female leaders: Queen Elizabeth II and Prime Minister Theresa May. He will see for himself that women have as much to contribute to public life as men.

In Saudi Arabia, governed by Sharia (Islamic law), a woman must live under the authority of a male guardian, her *wali al-amr*. The Quran (4:34) says, "Men are the protectors and maintainers of women, because Allah has given the one more [strength] than the other, and because they support them from their means."

**Imagine the humiliation of a middle-aged mother having to ask a young son's approval for life decisions.**

The General Presidency for Scholarly Research, an official body in charge of Islamic legal opinion, has issued a fatwa construing the verse strictly: "A woman should not leave her house, except with her husband's permission."

Saudi women do not have freedom of movement and never become fully independent legal persons. Regardless of age, they need permission from a male guardian to travel overseas, apply for a passport, marry, or be released from prison. The guardian is usually a woman's father or husband, but can also be a brother, cousin or even son. Imagine the humiliation of a middle-aged woman having to ask a young son's approval for important and mundane life decisions.

Guardians' reach doesn't stop at the border. Last April, 24-year-old Dina Ali Lasloom was held up by Filipino authorities as she changed planes at Manila International Airport. Ms. Lasloom had left Saudi Arabia against her family's wishes. Her Saudi uncles appeared and whisked her back to Riyadh. An airline official told Human Rights Watch he heard Ms. Lasloom begging for help before being carried out in a wheelchair with duct tape on her mouth, feet and hands. The Saudi government said this was "a family matter," and she has not been heard from since.

Could things finally be changing? Around the time Ms. Lasloom was returned to Saudi Arabia, King Salman loosened the guardianship law, permitting women to access services such as health care without the approval of a male relative. Since then, he and the crown prince have promised women the right to vote, work, drive and even join the military. But those rights don't amount to much with the male guardianship regime in place.

As part of his tour of the U.K. and U.S., the crown prince is hoping to persuade investors to back his Saudi modernization plan, Vision 2030. He stood up to Wahhabi clerics to allow concerts and sporting events in the kingdom, and he confronted the country's wealthy elite last November, detaining those suspected of corruption at the Riyadh Ritz-Carlton.

There could be no clearer demonstration of the crown prince's commitment to bringing Saudi Arabia into the modern era than dismantling the guardianship system. It would earn him credibility with investors and unlock the productive capacity of Saudi women, fewer than 18% of whom participate in the labor force.

In 1962, a Saudi royal decree was issued forbidding the sale and purchase of slaves in Saudi Arabia. That, too, was better late than never. Crown Prince Mohammed should belatedly end the subjugation of Saudi women and cement his place as one of the Middle East's great reformers.

*Mrs. Hirsi Ali is a research fellow at the Hoover Institution and founder of the AHA Foundation.*

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# The Meaning of Bitcoin's Volatility

By Kevin Warsh

**B**itcoin, despite its name, isn't money. Its price volatility significantly diminishes its usefulness as a reliable unit of account or an effective means of payment. Bitcoin might, however, serve as a sustainable store of value, like gold. Even if you're not buying crypto-assets, bitcoin's boom-and-bust cycle is worth watching. It may foretell of heightened market volatility to come and significant imbalances across a broad swath of financial assets.

The underlying technology, blockchain, is a significant breakthrough. Bitcoin's computer code was unveiled on Jan. 3, 2009, by the pseudonymous Satoshi Nakamoto. It deftly allows participants, who may not know or trust one another, to complete transactions without having to rely on any centralized governance regime. Most of us can't read the code, but in bitcoin's "genesis block" its creator inserted a curious bit of text, a headline from a U.K. newspaper that day: "Chancellor on brink of second bailout for banks." Bitcoin's founding spirit is evident, too, in what its founder wrote shortly thereafter: "The root problem with conventional currency is all the trust that's required to make it work."

Bitcoin's earliest disciples included technologists and libertarians, along with a few doomsayers who feared catastrophe and currency debasement in the aftermath of the financial crisis. Still, the breadth of interest in cryptocurrencies—and bitcoin's price—increased smartly. By Election Day 2016, one bitcoin was worth about \$700. Then last year, buyer interest in bitcoin exploded. As the price kept climbing—past \$2,000, then \$5,000, then \$10,000—the innovators were followed by imitators. Everyone from Uber drivers to grandmothers wanted in on the action. So did Wall Street pros, in pursuit of new assets

This economic backdrop made bitcoin and other alt-currencies look



under management. The price finally peaked at nearly \$20,000 in December.

What caused the bitcoin fever of 2017? Euphoria is a part of the human condition, but also important were the changing contours of the global economy and economic policy.

### Cryptocurrency may be a leading indicator for traditional assets such as stocks, bonds and credit.

First, the election of President Trump reinvigorated animal spirits. Investors and CEOs began to expect pro-growth changes in regulatory and tax policy. The outlook for economic growth, both in the U.S. and abroad, improved markedly. The Fed raised short-term interest rates four times between Election Day and the end of 2017. But broader financial conditions—including the all-in cost and availability of credit across financial markets—were looser nonetheless.

This economic backdrop made bitcoin and other alt-currencies look

like a one-way bet. If loose financial conditions continued, risk assets like stocks and newfangled cryptocurrencies would be bid up. If stronger growth brought higher inflation, causing the Fed to raise rates faster than expected, then bitcoin would be a haven from the volatility affecting other financial assets.

Second, investors, while decidedly upbeat overall, worried that the Trump administration's trade policy might include a sustained bout of mercantilism, including dollar devaluation aimed at bolstering American exports in the short term. Administration authorities suggested a preference for a weaker dollar. And markets obeyed: The dollar lost 12% of its value against a trade-weighted basket of foreign currencies during 2017. Investors looking for another store of value found bitcoin and other cryptocurrencies, whose prices escalated accordingly.

Third, trust in institutions plummeted amid the 2016 election. The Edelman Trust Barometer, a survey conducted in October and November, reported that in the U.S. "trust has suffered the largest-ever-recorded drop in the survey's history." The trend was driven "by a staggering lack of faith in government, which fell 14 points to 33 percent among

the general population." Another boost to cryptocurrencies.

The euphoria dissipated somewhat earlier this year. Two-way volatility jumped. Bitcoin dropped more than half from its December peak, before recovering somewhat in the past month to about \$10,000. The other largest alt-currencies traded similarly. Investors are now recalibrating their expectations of government policy. Mr. Trump's mercantilist rhetoric may prove more than a negotiating tactic, auguring new tariffs and trade restrictions the world over. Economic isolationism would do great harm to our economic growth prospects. The Treasury should understand, too, that denigrating the world's reserve currency is particularly ill-advised.

Jerome Powell, the new Fed chairman, might cause the institution to think anew about how best to conduct monetary policy. The Fed might also prudently consider introducing its own digital currency to gain the benefits of innovation without sanctioning the illicit behavior that bitcoin and its brethren have attracted. Most cryptocurrencies on the market today will turn out to be worthless. But a new generation of cryptocurrencies is on the horizon, some of which might possess more of the attributes of money, better satisfying bitcoin's founding purpose.

Bitcoin is particularly sensitive to new uncertainties in the conduct of economic policy. Bitcoin's surge in volatility in December and January thus presaged the past month's volatility in more traditional and consequential financial assets, including stocks, bonds and credit. When the tide goes out, the excesses in other financial asset classes will be more apparent. And bitcoin may well have shown the way.

*Mr. Warsh, a former member of the Federal Reserve Board, is a distinguished visiting fellow in economics at Stanford University's Hoover Institution.*

## In America's Absence, the TPP Goes On

By Ed Gerwin

**W**hen President Trump announced the U.S. would pull out of the Trans-Pacific Partnership in January 2017, he likely thought he'd consigned the proposed trade pact to history's dustbin. After all, America was by far the largest and most influential country set to participate.

But TPP lives on. Its survival illustrates how the Trump administration's "America First" trade policies are isolating the U.S. and how other potential miscalculations—especially terminating the North American Free Trade Agreement—would further distance American businesses and workers from vital global opportunities.

On Thursday the 11 remaining countries will sign a renegotiated version of TPP. Now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP-11, the agreement creates a free-trade area comprising half a billion people and one-seventh of the global economy.

TPP-11 will be a boon to traders in Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. But the deal also has significant implications for the U.S. Under TPP-11, American manufacturers, farmers and service providers will have a harder time competing in key TPP markets, particularly Japan, Malaysia and Vietnam.

U.S. exporters already lost enhanced access to TPP markets when Mr. Trump terminated American participation in TPP. Now, under TPP-11, their foreign competitors will reap TPP's benefits. Compared with their U.S. counterparts, for example, farmers and ranchers in Australia and Canada will face much lower duties selling to Japan and other TPP markets. And TPP-11

suspends rules designed to protect the intellectual property of American content, software and pharmaceutical producers.

TPP-11 is also the latest illustration that other countries are accelerating efforts to conclude trade deals. Japan and the European Union recently concluded a massive trade deal—based largely on U.S.-Japanese negotiations as part of TPP. The EU has concluded a new agreement with Canada and is seeking to upgrade its deal with Mexico. And China and 15 other Asian economies are continuing to negotiate a major regional agreement.

Meanwhile, there's little enthusiasm for negotiating new trade deals with the U.S. After withdrawing from TPP, Mr. Trump's team said the U.S. would pursue bilateral deals, claiming that one-on-one negotiations provided better leverage. But the administration can't seem to find negotiating partners. Japan and Vietnam have declined to open bilateral negotiations, and a "quick" deal with the U.K. can't happen at least until 2019 due to the continuing Brexit negotiations. Mr. Trump's recent

statement at Davos that he might consider rejoining a substantially revised TPP underscores his administration's inability to launch bilateral talks.

But Mr. Trump's negotiating approach isn't what's isolating America—it's his zero-sum demands. As long as he insists that trade deals

### The remaining 11 countries are to sign a renegotiated deal Thursday. U.S. companies will suffer.

must eliminate bilateral trade deficits, other countries are unlikely to engage. Bilateral deficits are a meaningless measure of trade success. Wiping out trade deficits would likely require managed trade and higher trade barriers, rather than the expanded trade that countries expect from a win-win deal.

Mr. Trump would further isolate America—and drive away negotiating partners—if he follows through on his repeated threats to

terminate Nafta. American manufacturers, farmers and service companies—and the railroads and logistics firms that link regional supply chains—will all suffer from any misguided decision to terminate Nafta. A January Business Roundtable study estimates that terminating Nafta would cost 1.8 million American jobs. Meanwhile, China, Japan and South Korea would gain 2.3 million jobs as supply chains shift to those countries.

The good news is that Mr. Trump's all-or-nothing trade rhetoric is convincing a growing number of Americans that it isn't in their interest to disengage from the global economy. Business leaders, farmers, union officials, mayors, governors and members of Congress from across the political spectrum—including former trade skeptics—are now making the public case that terminating Nafta would be economic folly. That's good. America's economy thrives on engagement, not isolation.

*Mr. Gerwin is senior fellow for trade and global opportunity at the Progressive Policy Institute.*

## The Northeast's Costly Tunnel Vision

By Ted Budd

**L**ast week President Trump urged House Speaker Paul Ryan to deny federal funding for the Gateway Program, a proposed rail upgrade between New York City and Newark, N.J. The amendment I wrote to defund Gateway failed to pass the House in September despite bipartisan support, but the president is absolutely right to resume the effort. The project should not receive another dime of federal funding.

Gateway has all the usual trappings of a rail-infrastructure boondoggle. Cost estimates have risen from \$13.5 billion in 2011 to \$29.5 billion. Implementation will be overseen by Amtrak, which manages to lose millions selling food to its own passengers along with countless other inefficiencies.

The project would also be subject to the enormous upward cost pressures of building infrastructure in New York City, home of the most expensive mile of subway track in the world. Gateway is not primarily a Metropolitan Transportation Authority project, but it would still face the same regulatory and wage factors that make New York's rail projects cost as much as seven times the price of similar works in comparable cities.

For federal taxpayers, the shifty details of Gateway's history add insult to the program's injurious costs. In 2012 New Jersey's then-Gov. Chris Christie canceled a primarily

state-funded version of the rail upgrade because it would have cost residents too much money. Mr. Christie took the estimated \$3 billion in fees collected to finance the project and diverted them into the state highway trust fund—a bit of budgetary sleight-of-hand that

### Why should taxpayers from other states fund a hugely expensive project in New York and New Jersey?

helped him avoid raising New Jersey's gasoline tax before his 2013 reelection bid.

Gateway's local proponents extol its potential to spur growth but are unwilling to front the cash for the project themselves. The Northeast Corridor Commission estimates that the tunnel upgrade will help ensure \$36.5 billion a year of economic activity continues uninterrupted. Senate Minority Leader Chuck Schumer has even suggested that a recession is virtually guaranteed if Gateway is not completed.

Consider this logic: The project is crucial and its economic impact is a slam-dunk, but there's no way for two wealthy states and major municipalities to produce the funds to pay for it?

Maybe this is a project of national importance that ought to be

funded, but officials in New York and New Jersey don't act as if it is when their own taxpayers are on the hook for any cost overruns. New York Gov. Andrew Cuomo summed up the local mindset when he criticized the lack of federal support in 2015: "Why don't you pay for it? It's not my tunnel. It is an Amtrak tunnel that is used by Amtrak and by New Jersey Transit."

The Obama administration agreed later that year to devote significant federal funds for Gateway, and New Jersey's Rep. Rodney Frelinghuysen, now chairman of the House Appropriations Committee, made good on that offer last September when he circumvented the chamber's earmark ban to allot \$900 million for the project. This was the money my amendment would have stripped from the House transportation bill. Now, local and state officials are calling the allocation a "triumph for the region."

The hypocrisy of the funding process convinced me to set my sights on the Gateway Program and risk challenging one of the more powerful officials in the House Republican Conference. Gateway's history is a grim catalog of state irresponsibility being rewarded by federal largess. President Trump is right to make clear: Gateway is not our tunnel.

*Mr. Budd, a Republican, represents North Carolina's 13th Congressional District.*



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THE WALL STREET JOURNAL.

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## Univision Set for Change at Top

**CEO seeks retirement; board begins review as a possible prelude to sharp cost cuts**

BY SHALINI RAMACHANDRAN AND KEACH HAGEY

**Univision Communications** Inc.'s board is girding to search for new leadership and is undertaking a business review that could lead to severe cost cuts, people familiar with the matter said, on the heels of the Spanish-language broadcaster canceling its initial public offering.

Chief Executive Randy Falco

recently told the board he would like to retire at the end of 2018 when he will turn 65, said Haim Saban, chairman, in a statement.

The Wall Street Journal reported earlier Wednesday that the board was considering new leadership after Mr. Falco raised the prospect of retiring early.

"We at the Board of Univision have reluctantly agreed to Randy's wishes out of respect and the high regard we have for him as a partner," Mr. Saban said. Mr. Saban has praised Mr. Falco for diversifying the company, improving its finances, reducing debt and amplifying Univision's political involvement as a voice for Hispanic America.

"It was the absolute highlight and privilege of my life to serve for the past eight years as the CEO of Univision," Mr. Falco said in an interview. Mr. Falco is set to work with the board over the next year in restructuring the company and transitioning to new leadership.

Mr. Falco's accelerated exit is a surprise. In November, Univision extended Mr. Falco's employment agreement for an additional two years, through January 2020. Some people familiar with the matter said that he had begun to lose favor with some on the board in recent months.

Univision's private-equity

backers—which include billionaire Mr. Saban's **Saban Capital Group**, **Madison Dearborn Partners** and **Providence Equity Partners**, among others—also have retained a consulting firm to undertake a review of Univision's businesses, some of the people said. The company is contending with a rapidly shifting television landscape, significant ratings declines on its broadcast network and the inability to engineer an exit for the company's longtime private-equity owners.

The business review could result in cost cuts in the range of \$200 million, including significant layoffs, some of the

people said. The expense reductions and business review would be aimed at improving the company's performance and sprucing it up in advance of courting suitors for a potential sale, the people said.

On Tuesday, Univision said it no longer plans to go through with an initial public offering. It had registered for an IPO with regulators in 2015 but repeatedly delayed it because of a rocky IPO market and weakness in media stocks. This week the company also abruptly replaced its chief financial officer, Francisco Lopez-Balboa, a former Goldman Sachs banker who joined in

Please see **CEO** page B2

## Banks Push for Student Loans

BY JOSH MITCHELL AND ANNAMARIA ANDRIOTIS

Private lenders are pushing to break up the government's near-monopoly in the \$100 billion-a-year student-loan market.

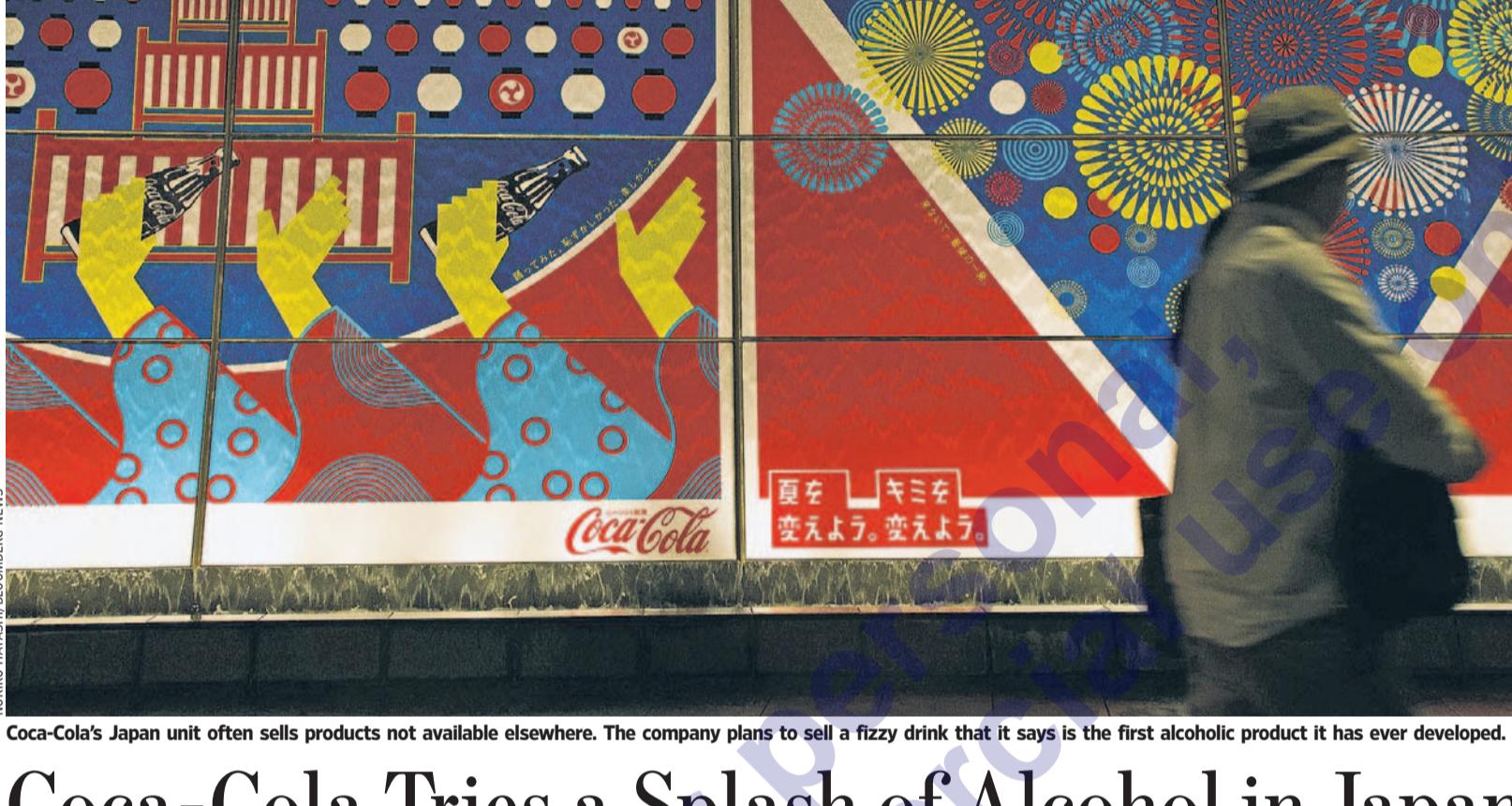
The banking industry's main lobbying group, the Consumer Bankers Association, is pressing for the government to institute caps on how much individual graduate students and parents of undergraduates can borrow from the government to cover tuition.

That could lead more families to turn to private lenders to cover portions of their bills, meaning lower interest rates for households with good credit histories and constrained funding for households with blemished records.

A group of investors also is lobbying for legislation to provide a clearer legal framework for "income-share agreements," under which private investors provide money to cover tuition in exchange for a portion of a student's income after school. Firmer rules would help spur more agreements, the group said.

At stake is potentially billions of dollars in new business for private lenders, a group dominated by SLM Corp., better known as Sallie Mae, Wells Fargo & Co. and Discover Financial Services.

The U.S. Education Department makes about 90% of student loans annually, a market



Coca-Cola's Japan unit often sells products not available elsewhere. The company plans to sell a fizzy drink that it says is the first alcoholic product it has ever developed.

## Coca-Cola Tries a Splash of Alcohol in Japan

BY SURYATAPA BHATTACHARYA AND CARA LOMBARDO

**Coca-Cola** Co.'s Japan unit plans to introduce a fizzy alcoholic drink, marking a first for the beverage company.

From 1977 to 1983, Coca-Cola owned a wine subsidiary, but the new drink in Japan would be the first alcoholic offering developed by the Atlanta-based company itself, a spokesman said.

Jorge Garduño, president of

the Japan unit, said in an article posted on the company's website that it is "going to experiment" with a canned drink that contains alcohol—a product category known as chu-hai in Japan.

The chu-hai drinks are often made with a distilled grain-based alcohol called shochu and flavored, carbonated water. Flavors range from strawberry to ice tea and cream soda.

Coca-Cola's Japan unit has long sold many drinks that

aren't available elsewhere, including various teas and coffees and a laxative version of Coke called Coca-Cola Plus that was marketed as a health drink.

A spokeswoman for Coca-Cola Japan declined to give details of the proposed product, including when it might go on sale.

Coca-Cola, like its soda-industry peers, has expanded into segments such as coffee and smoothies to combat diminishing soda sales and respond to

changing consumer tastes. Chief Executive James Quincey has said he wants the company to be known for something other than soft drinks, and recent marketing campaigns have centered on the idea that it offers drinks for every occasion.

Analysts have long speculated that traditional divisions between alcoholic and nonalcoholic beverage companies would fade as more stores and websites sell both types of drinks. Beer giant Anheuser-

Busch InBev SA sells several nonalcoholic products, for example, but the majority of those sales happen outside of the U.S.

When asked in November if Coca-Cola would get into alcohol, Mr. Quincey said he wouldn't rule it out. The Coca-Cola spokesman declined to comment on whether the company is exploring alcohol sales outside of Japan.

—Megumi Fujikawa contributed to this article.

## 90%

Annual portion of student loans made by Education Department

that totaled \$107 billion in new originations in the most recent academic year, according to the College Board.

Student debt has more than doubled over the past decade, driven by a boom in college enrollment during the recession and rising tuition. Roughly one-fifth of all student debt outstanding—excluding debt held by borrowers still in school—is in accounts that are at least 90 days delinquent, according to the Federal Reserve Bank of New York.

Private lenders pushed for legislative changes in previous years to no avail, but now they are receiving a more welcome reception from congressional Republicans and the Trump administration.

House Republicans, looking to revamp higher-education policies for the first time in a decade, have included the industry's proposals in a wide-ranging bill unveiled in November, which they hope to pass this year.

Student loans made by lenders other than the federal government during the last academic year, 2016-2017, totaled \$11.6 billion, down 51%, after inflation, from a decade earlier, according to the College Board. Private student lending has fallen in part because banks tightened underwriting standards after the 2007-2009 financial crisis. It also has dropped because of moves by Congress to allow students to borrow more directly from the government. Starting in 2006, most graduate students have been able to borrow unlimited amounts. Parents also face no restrictions on how much they can borrow under the Parent Plus program.

The Republican bill—Promoting Real Opportunity, Success, and Prosperity through Education Reform, or Prosper, Act—calls for limits on the total federal student-loan amounts certain borrowers

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### INSIDE



WHEN THE EXEC'S SPOUSE IS A HUSBAND

MANAGEMENT, B4

PAPA JOHN'S MUST LEARN TO STAND OUT

MARKETING, B6

## Facebook Isn't Listening But It's Surely Watching

By JOANNA STERN

*"Can I try the Cole Haans in a size 8?"* Later that night on Facebook: An advertisement for Cole Haan pumps.

OK, maybe a coincidence. "What's the best high-tech scale?" my wife asks aloud. Five minutes later on Instagram: An ad for scales.

Wait, are they listening? "Get the little red Sudafed pills," my mom says after I sneeze. That afternoon: An advertisement for Sudafed PE.

Yep, they've even wire-tapped my bodily functions. A conspiracy theory has spread among Facebook and Instagram users: The company is tapping our microphones to target ads. It's not. "Facebook does not use your phone's microphone to inform ads or to change what you see in News Feed," says Facebook.

Yeah, sure, and the government swears it isn't keeping any pet aliens at Area 51. So I contacted former Facebook employees and various advertising technology experts, who all cited technical

Please see **STERN** page B4

## 'Idol' Stages Its Second Act

BY JOE FLINT

Two years after Fox declared "American Idol" dead, ABC is betting it can breathe new life into the singing competition. It isn't a sure thing.

Over the course of 15 seasons, "Idol" went from cash cow to money loser for 21st Century Fox Inc.'s broadcast network, eventually becoming a victim of declining ratings and rising costs. Walt Disney Co.'s ABC, which plans to re-launch "Idol" on Sunday, is spending significantly more on its judging panel than Fox did in the show's final years.

But at the same time broadcasters are losing viewers to cable and streaming platforms and new hits are rare, betting on known quantities has become common. NBC brought back "Will & Grace," ABC is reviving the 1990s comedy "Roseanne," and CBS has ordered a new version of its 1980s hit "Murphy Brown."

"Most of the networks are doing a throw-everything-on-the-wall-and-see-what-sticks approach," said Stacey Schulman, executive vice president at consulting firm Katz Media Group. "Idol" still "has the ability to attract an audience," she added.

When "Idol" producer FremantleMedia pitched a comeback, networks wondered whether it was too soon. Fox TV Group Chairman Dana Walden said her network spent \$25 million promoting the

### Star Power

ABC is spending 60% more on talent for its 'American Idol' revival.

Ryan Seacrest Host	\$12 million	ABC's new version
Katy Perry Judge	12	
Luke Bryan Judge	10	
Lionel Richie Judge		Talent costs: \$59 million
Ryan Seacrest Host	\$15 million	Fox's final season
Jennifer Lopez Judge	15	
Keith Urban Judge	3.5	
Harry Connick, Jr. Judge	3.5	

Source: staff reports

show's farewell season and felt it "extremely fraudulent"

to bring back the competition so quickly. 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

ABC Entertainment President Channing Dungey said doubts were assuaged by the broad appeal of "Idol."

"Audiences are looking for storytelling that is joyful and optimistic. We're offering something to watch together as a family," she said.

FremantleMedia Chief Executive Cecile Frot-Coutaz said even as its popularity waned, "Idol" was still one of Fox's

best performers.

"Idol" averaged over 20 million viewers in nine of its 15 seasons. The show spawned copycats, launched stars such as Kelly Clarkson and made household names out of original head judge Simon Cowell and host Ryan Seacrest.

It also became very expensive, going from making hundreds of millions in annual profit to losses totaling about \$60 million in its last two seasons, when viewership dwindled to fewer than 10 million people a season, said people familiar with the show.

Skyrocketing salaries were Please see **IDOL** page B2

Please see **STERN** page B2





## MANAGEMENT

# Women Get Career Help, for Husbands

As more female managers relocate to get ahead, employers offer job-hunting assistance for their spouses

BY JOANN S. LUBLIN

Behind many managerial women are trailing husbands. They pull up stakes and relocate when their partners get a better role in a different locale.

John Van Lonkhuyzen has done this three times since 1995—the year after he and Nicola Morris got engaged. As his wife advanced in her career, the veteran lawyer moved to Washington, D.C., Westfield, N.J., and recently, Yarmouth, Maine. Their latest relocation was the first time Ms. Morris's employer offered to help him job hunt.

More female executives are moving ahead in their careers through geographic moves. And, increasingly, their employers lend a hand so their husbands can find work.

On average, women accounted for a record 23% of moves by North American employers in 2016—up from 17% in 2009, according to surveys of employers by **Atlas Van Lines** Inc. About 62% of employers provided job-hunting aid for spouses or partners of transferred staffers in 2017, compared with 33% in 2007, Atlas data shows.

"Companies consider such help a critical aspect of getting more women into leadership," says Lauren Herring, chief executive of Impact Group, a career and leadership development firm with job-hunting services for relocated spouses and partners.

Ms. Morris left an executive role with **Verizon Communications** Inc. in New Jersey to become a senior vice president of WEX Inc. in South Portland, Maine. While recruiting Ms. Morris, Chief Executive Melissa Smith offered to introduce Mr. Van Lonkhuyzen to law firms near the corporate-payments-services company.

Ms. Smith says she wanted to show she cared about supporting "both partners in their careers when they make a move."

Mr. Van Lonkhuyzen, a for-

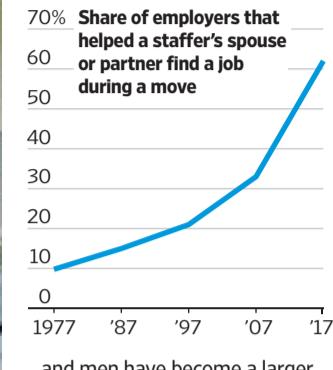


John Van Lonkhuyzen has relocated three times since 1995—most recently to Maine—as Nicola Morris advanced in her career.

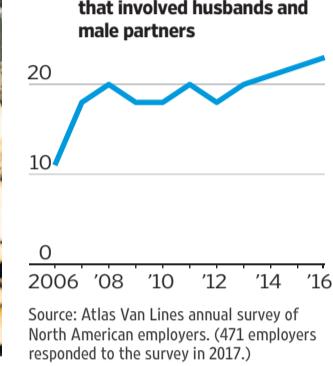


## On the Move

More employers offer assistance to spouses and partners who relocate...



...and men have become a larger portion of those accompanying spouses and partners



Source: **Atlas Van Lines** annual survey of North American employers. (471 employers responded to the survey in 2017)

THE WALL STREET JOURNAL.

for a career move is a challenge," he says. "As a trailing husband, you have to be more creative and inventive."

Ms. Morris and Mr. Van Lonkhuyzen struggled with the same issue after her Verizon promotion brought them to New Jersey from Washington in 2007. He fruitlessly sought jobs in corporate legal departments and government before getting a temporary Justice Department gig in Newark. Mr. Van Lonkhuyzen obtained a permanent New York DOJ spot in 2009.

That relocation "was hard for us," Ms. Morris says. But WEX "was a great fit for what I was looking for," she says, especially since both she and her husband grew up in Maine.

## TECHNOLOGY

WSJ.com/Tech

# GE Chases Battery Rivals

BY ERIN AILWORTH

HOUSTON—**General Electric** Co., which has struggled in the growing business of large-scale electricity storage, is trying again with a new battery platform as it tries to catch up to rivals such as **Tesla** Inc. and **Siemens** AG.

The platform called GE Reservoir is expected to store electricity generated by wind turbines and solar panels for later use. The battery-storage market is expected to grow in coming years as some utilities look for less-expensive alternatives to the power plants that fire up during peak hours to meet power demand. It also is expected to be used to add jolts of power to stabilize voltage on the electric grid.

While the market is currently tiny, its growth potential has attracted big-name competitors including Tesla, which deployed an enormous battery system in Australia last year. Siemens, one of GE's biggest rivals in the power business, paired with **AES** Corp. last year to launch **Fluence Energy** LLC, a joint venture that is building what is expected to be the world's largest lithium-ion battery in California. IHS Markit predicts the global market for batteries in the power sector will grow 14% annually through 2025.

This isn't GE's first attempt to turn rechargeable batteries into a big business. The company tried making batteries using sodium-based technologies several years ago but abandoned the effort when it couldn't compete with the dominant technology, lithium-ion batteries. GE then turned its attention to selling battery systems via a subsidiary called Current. It recently revamped that business, creating a stand-alone battery unit within the GE Power division.

"Energy storage is like a Swiss Army knife—there are so many things you can do with it," said Eric Gebhardt, vice president and strategic technology officer at GE Power, who is scheduled to talk about batteries at the

## GM's Barra Urges Further Tax Credits

expiration of the incentive for individual car makers that have sold 200,000 electric cars since the credit's inception in 2009.

Ms. Barra called for an "expanded" tax credit at the CERAWeek energy conference in Houston on Wednesday. A spokesman said the auto maker would like the volume cap eliminated or increased.

The tax break was in jeopardy last year when the House version of the tax-reform bill excluded it, though the measure was salvaged in the law passed in January. A few auto-industry groups publicly called for keeping the credits in place.

GM, **Ford Motor** Co., Tesla and **Volkswagen** AG are among car companies committing to spend billions of dollars developing more electrics.

—Mike Colias and Russell Gold



GM's Chevy Bolt costs less than \$30,000 thanks to a tax credit.

CERAWeek energy conference here on Thursday.

The battery being unveiled—a 1.2-megawatt, lithium-ion unit—is the first GE plans to launch under the Reservoir platform. GE said it expects to start shipping Reservoirs by early 2019.

Success would be a needed boost for the conglomerate, which is in the middle of restructuring and said last week it would overhaul its board. GE is seeking access to a market that Navigant Research predicts will generate tens of billions of dollars in revenue

in the next decade or so.

Prices of lithium-ion batteries have dropped sharply as they have become ubiquitous in products such as laptops and smartphones, improving the economies of scale of manufacturing. That is starting to make it more economically viable to use batteries to store large amounts of electricity.

Lithium-ion battery packs that cost \$1,000 per kilowatt-hour at the start of the decade now cost between \$250 and \$300 per kilowatt-hour, said Ravi Manghani, director of energy storage at GTM Research.

## STERN

Continued from page B1  
and legal reasons audio snooping isn't possible.

Uploading and scanning that much audio data "would strain even the resources of the NSA," says former Facebook ad-targeting product manager Antonio Garcia Martinez.

"They would need to understand the context of what you are saying—not just listen for words," says Sandy Parakilas, a former Facebook operations manager.

I believe them, but for another reason: Facebook is now so good at watching what we do online—and even offline, wandering around the physical world—it doesn't need to hear us. After digging into the various bits of info Facebook and its advertisers collect and the bits I've actually handed over myself, I can now explain why I got each of those eerily relevant ads. (Facebook ads themselves offer limited explanations when you click "Why am I seeing this?")

### What You've Bought

The story of how that Sudafed ad got to me begins at Walgreens. As I bought tissues and Afrin, I keyed in my phone number so I could get loyalty points.

Information about the contents of my shopping bag began to spread. A third-party data collector added it to the purchase history it acquires from Walgreens.

**Judson & Johnson**, maker of Sudafed, paid the data broker for that information. With the information from my loyalty card—email, phone number, etc.—was matched with my Facebook account. (Data brokers run personal information through an algorithm before uploading so it's not identifiable, Facebook says, but it still can be matched with Facebook account information.)

Then via Facebook, Johnson & Johnson decided to target adults ages 25 to 54 who bought Sudafed or a compet-

ing brand. In other words, me.

### Where You've Been

What could be better than your purchase history? Location, location, location. Did you stop by a shop? This ad will remind you to come back! Are you close to one of our stores? Here's a coupon!

My colleague Christopher Mims in a recent column explained how advertisers are using all sorts of location signals—your phone's GPS, Wi-Fi access points around you, IP addresses, etc.—to follow your bread crumbs.

### The Apps You're Using

A few days before my wife mentioned that digital scale, I downloaded LoseIt, a food-tracking app, to my iPhone. No more than 24 hours later, my

short of deleting Facebook and living in a bunker, there's only so much you can do.

entire Facebook and Instagram feeds were taken over with fitness and weight-loss ads. (Yes, Facebook-owned Instagram pulls from the same ad selection.)

The free version of LoseIt shows ads from Facebook's Audience Network. Even if you don't log into the app via Facebook, the companies swap information. In my case, LoseIt maker **FitNow** Inc. used my iPhone's Identifier for Advertisers (IDFA), a number stored on my iPhone, to match up any other history associated with my IDFA, including my Facebook account.

FitNow confirmed that when I opened the app my IDFA became associated with "Healthy Living" and "Weight Loss," which are now marked on my Facebook advertising profile.

### What You've Clicked

Of course, there's another way Facebook knows, well, pretty much everything about me: my web browsing history. Facebook Pixel is installed on millions of websites and apps,

enabling advertisers and Facebook to see what you do on there. It's why you may see an ad for a spatula after browsing spatulas. Add something to a shopping cart? Click on a different product or article on the site? Pixel can know.

### Who You Really Are

All that information, combined with your activity on Facebook and Instagram—which pages or posts you've liked, the people you are friends with and more—gives the social-networking conglomerate a very good portrait of you.

The portrait gets clearer with even more information from data brokers: your salary, car preference, home size, political affiliations, spending habits and far more.

It's what allows any advertiser to log into Facebook Ads Manager and start targeting. Even I was able to log in and laser focus on people in a certain ZIP code who have bought furniture and cooking spices—and who are "likely to move soon."

Short of deleting Facebook and living in a bunker, there isn't anything you can do to stop this entirely.

"When ad targeting is used well, it makes advertising better," says Facebook spokesperson Joe Osborne. "That's why we build our targeting tools in a way that doesn't share people's personal information with advertisers and that gives people control over the ads they see."

My problem is we still don't have enough transparency about how these ads are getting to us. The more we focus on the realities—not that they're listening, but how they're monitoring our app downloads and trips to the supermarket—the more we'll know where our privacy is at stake.

But hey, if you're still worried about the mic, by all means, turn it off.

### ONLINE

For Joanna's tips on how to curb Facebook's ability to track you, visit [wsj.com/tech](http://wsj.com/tech).



## BUSINESS NEWS

# Wireless Technology Gets Geopolitical

**U.S. injects concerns about national security into contest to take over Qualcomm**

BY STU WOO  
AND DREW FITZGERALD

The U.S. made clear this week that containing China's growing clout in wireless technology is now a national-security priority. Telecommunications-industry leaders say such fears are justified—but question whether the government's unusual intervention in a corporate takeover battle that doesn't even involve a Chinese company will make a difference.

The Committee on Foreign Investment in the U.S., a panel that reviews foreign takeovers on national-security grounds, laid out reasons why it was probing **Broadcom** Ltd.'s \$117 billion hostile bid for rival cell-phone-chip maker **Qualcomm** Inc. It said in a letter this week that an overarching goal is to ensure the U.S.—not China—remains the world's innovation hub and No. 1 destination for top engineers.

Many wireless executives and security experts don't con-

sider a takeover by Singapore-based Broadcom an immediate threat to the U.S. But they believe the American government has legitimate long-term fears.

"These are not things that have immediate consequences in the next six months or year, but the government is looking five years, 10 years down the road," said Brian Fleming of law firm Miller & Chevalier, who as a former Justice Department counsel reviewed CFIUS transactions for the U.S. The thinking is "if we don't act now, we're going to have a serious problem," he said.

Those worries are rooted in how modern communication works. Cellular-tower radios, internet routers and related electronics use increasingly complex hardware and software, with millions of lines of code. Hackers can potentially control the equipment through intentional or inadvertent security flaws, such as the recently disclosed "Meltdown" and "Spectre" flaws that could have affected most of the world's computer chips.

Those were unintentional weaknesses, overlooked by manufacturers for years. But the difficulty finding them underscores the vulnerability of the world's software and hard-



Devices made by Huawei Technologies on display at last month's Mobile World Congress in Barcelona.

usual steps to hinder Huawei's business in the U.S., concerned that Beijing could force the company to exploit its understanding of the equipment to spy or disable telecom networks. Huawei says it is an employee-owned company and that no government has ever asked it to spy on or sabotage operations in another country.

Many European wireless carriers praise Huawei's equipment, saying it is often cheaper and more advanced than that of its competitors. That is another big worry for Washington.

Some Congress members worry that in a decade or two, Huawei and China's **ZTE Corp.** might become so dominant that American carriers will have no choice but to use some Chinese equipment.

In its letter, CFIUS expressed concern that what it called Broadcom's "private equity" style management might starve San Diego-based Qualcomm's research-and-development budget in favor of short-term profitability. Broadcom said Wednesday it would "commit to making the U.S. the global leader" in 5G technology. It also pledged to create a \$1.5 billion fund "to train and educate the next generation of engineers in the U.S."

ware to sabotage.

"Unless you have tight supply chains, you can insert insecurity at the base of every device," said Guillermo Christensen, a former Central Intelligence Agency officer and a lawyer specializing in CFIUS issues for law firm Brown Rudnick.

Qualcomm is a U.S. leader in developing standards and patents for 5G, the next generation of wireless technology that

should be fast enough to enable self-driving cars and other innovations. The CFIUS letter said a weakened Qualcomm could strengthen Chinese rivals, specifically **Huawei Technologies Co.**, the world's top cellular-equipment maker and a leading smartphone brand.

One of Huawei's smaller American telecom-equipment rivals said U.S. government attention on foreign takeovers

was a no-brainer as chip makers, electronics manufacturers and software companies become more intertwined.

"I do think a careful CFIUS review of what's going on in the telecommunications space is sorely needed," said Tom Stanton, chief executive of **Adtran Inc.**, which sells electronics to cable and internet providers.

Washington has taken un-

## State Judge Orders Berkshire Payment

BY NICOLE FRIEDMAN

**Berkshire Hathaway Inc.'s** National Indemnity Co. has to pay more than \$68 million of Montana's asbestos-related settlement costs, a state judge has ruled.

Montana reached a \$43 million settlement in 2009 and a \$25 million settlement last year with people injured by asbestos at a vermiculite mining operation in Libby, Mont. The victims claimed the state had knowledge of unsafe conditions at the mine for decades and failed to protect workers.

National Indemnity provided general liability insurance to the state between 1973 and 1975. It argued that those insurance policies didn't cover the asbestos-related claims.

Judge Holly Brown said in a state district court ruling on March 1 that National Indemnity breached its duty to defend the state from lawsuits related to the Libby mine.

Berkshire, a conglomerate run by billionaire Warren Buffett, has taken on growing responsibility for asbestos-related insurance claims in recent years. Insurers including Liberty Mutual and American International Group Inc. have paid Berkshire billions of dollars to take responsibility for future asbestos claims tied to past policies, in an arrangement known as retroactive re-insurance.

Berkshire benefits from these deals and a host of other insurance businesses because they add to the company's "float," premium money that it holds to pay claims in the future and can invest and profit from in the meantime. Berkshire's growth has been built upon the use of insurance float, starting with Mr. Buffett's acquisition of National Indemnity in 1967.

In the Montana case, the judge ruled that National Indemnity is responsible for the \$43 million settlement and any new settlements that have been approved since then, as well as the state's defense costs since 2005. National Indemnity already has paid \$16.1 million toward the 2009 settlement.

A spokeswoman for the state said National Indemnity would be responsible for the \$25 million settlement reached last year but declined to say what the full cost to the insurer could be.

"We are pleased with the recent decision," she said. "It's a step in the right direction, but there are still some more steps to come, and we're looking forward to what's next."

National Indemnity declined to comment.

Either party can appeal the decision to the Montana Supreme Court.

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## BUSINESS NEWS

# Papa John's Seeks New Marketing Recipe

Pizza chain aims to redefine its brand as founder shifts role and NFL sponsorship ends

BY JULIE JARGON

**Papa John's International** Inc. is trying to figure out how to stand out in a crowded pizza market.

The chain last week ended its sponsorship of the National Football League, and the NFL named rival Pizza Hut its new sponsor the next day. Now Papa John's must resolve the bigger problem of redefining its brand to revive flagging sales growth.

In addition to charging more for pizzas than its chief rivals and facing increasing competition, the company has a special challenge in how tightly its founder, John Schnatter, is woven into its image.

Mr. Schnatter stepped down as chief executive in December amid an uproar over comments he made about the NFL's handling of its players' national-anthem protests, which earned him the praise of a white supremacist group. The company later apologized for any divisiveness the comments created.

Mr. Schnatter, who remains Papa John's chairman, still has his face printed on Papa John's pizza boxes. He appeared in recent television commercials with Peyton Manning, the former Indianapolis Colts and Denver Broncos quarterback who owned 31 Papa John's restaurants as part of a joint venture with the company. Papa John's said Wednesday that Mr. Manning sold the franchises late last month to another franchisee, adding Mr. Manning would continue to serve as a spokesman as part of a long-term agreement with the company.

Some marketing experts and restaurant analysts say it is time for the company, whose shares are down 20% from a year ago, to move on.

"I think they'd be better off



Company founder John Schnatter, left, sparked controversy with his remarks about the NFL.

not using John Schnatter anymore," said George Belch, a marketing professor at San Diego State University. "There's too much controversy surrounding him."

Mr. Schnatter, who declined to comment via a company spokesman, had drawn controversy before. Papa John's received boycott threats in 2012 when he said the Affordable Care Act would drive up pizza prices. He has criticized government regulations for hurting businesses. The chain also drew criticism for donations to the University of Louisville athletics department after bribery allegations surfaced there in the fall.

The NFL controversy drew wider attention. When Papa

John's same-store sales growth nearly came to a halt in the third quarter of last year, Mr. Schnatter blamed declining TV football viewership and said the NFL exhibited poor leadership for not resolving the "debacle" of its players' national-anthem protests. On social media, some people urged a boycott of Papa John's.

The company declined to comment for this article on the controversies or its plans.

After Mr. Schnatter stepped down in December, his successor as CEO, Steve Ritchie, said in an interview the company's image had suffered. "Clearly all of the PR things have been quite a distraction," Mr. Ritchie said. "I want to put the focus

back on our people and pizza."

Papa John's had positioned itself as the go-to pizza for football watchers. For eight years, Papa John's poured what it called a "huge percentage" of its fall and winter advertising budget into its NFL sponsorship.

Papa John's spent \$33 million on TV ads during NFL games in the 2016-2017 football season and during the Super Bowl, according to estimates from Kantar Media. From January to November 2017, the company spent more than \$123 million on advertising, not including social media, Kantar estimates. Papa John's said it would continue its sponsorship of 22 individual teams.

## Rival Pizza Chains Step Up Their Game

Papa John's has faced recent challenges in defending the more expensive product it has marketed since 1995 under the slogan "Better Ingredients. Better Pizza."

Fast-casual chains such as Blaze Pizza and MOD Pizza have introduced Chipotle-like assembly lines where pizza is prepared and baked while customers watch.

Domino's Pizza Inc. and Yum Brands Inc.'s Pizza Hut have improved their recipes and removed some artificial ingredients.

CEO Steve Ritchie has said Papa John's needs to put the focus back on fighting larger rivals Domino's and Pizza Hut, and the fast-casual upstarts.

He told investors last month that he plans to introduce deals to compete with the big chains' lower prices and redouble attention to what Papa John's has long argued are its own superior recipes and ingredients.

Peter Saleh, an analyst at financial-services firm BTIG, said Papa John's pizzas are

too similar now to Domino's and Pizza Hut's to justify higher prices, yet it isn't competing for bargain shoppers, he said.

A Papa John's 14-inch pepperoni pizza costs \$17.75 in the Los Angeles area, compared with \$14.74 from Pizza Hut and \$13.49 from Domino's.

Meanwhile, the quality of the pizza fails to lure those consumers willing to spend more.

Bonnielyn Bradley, a 25-year-old nanny in Cherry Hill, N.J., said she only orders pizza from her neighborhood pizzeria. "I would rather spend \$20 and get a good pizza," she said.

Papa John's last month reported a 3.9% decline in fourth-quarter same-store sales in North America, its largest market. BTIG estimates Papa John's fourth-quarter North American systemwide sales were \$812.9 million.

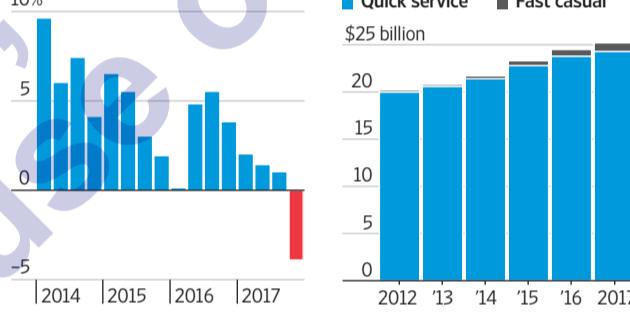
The company said it would buy back some of its stock, and it hired new advertising and public-relations firms.

"Much of our marketing has become predictable," Mr. Ritchie said at the time.

## Taking a Slice

Papa John's has blamed declining TV football viewership for its sagging sales.

Change in same-store-sales\*

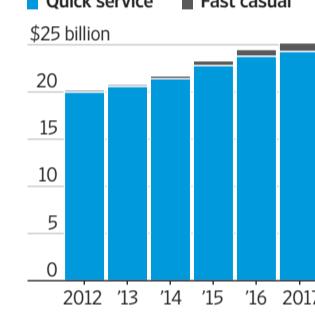


\*North American systemwide, year-over-year

Sources: company filings (same-store sales); Technomic (U.S. sales)

Fast-casual chains' are also stealing share from big quick-service chains like Papa John's.

Total U.S. sales



†Chains that assemble and bake pizza in front of customers.

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average



## S&amp;P 500 Index



## Nasdaq Composite Index



Bars measure the point change from session's open

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600
Industrial Average	24849.68	24535.12	<b>24801.36</b>	-82.76	-0.33	26616.71	20404.49	<b>18.9</b>	0.3	<b>11.6</b>
Transportation Avg	10431.39	10331.45	<b>10408.88</b>	-26.64	-0.26	11373.38	8783.74	<b>12.3</b>	-1.9	<b>5.3</b>
Utility Average	670.27	662.04	<b>664.80</b>	-4.88	-0.73	774.47	647.90	<b>-3.1</b>	-8.1	<b>5.3</b>
Total Stock Market	28292.49	27.997.50	<b>28252.17</b>	14.55	<b>0.05</b>	29630.47	24125.20	<b>15.5</b>	2.1	<b>9.3</b>
Barron's 400	730.72	719.68	<b>729.55</b>	3.33	<b>0.46</b>	757.37	610.89	<b>17.4</b>	2.6	<b>9.5</b>

## Nasdaq Stock Market

Nasdaq Composite	7403.79	7311.74	<b>7396.65</b>	24.64	<b>0.33</b>	7505.77	5793.83	<b>26.7</b>	7.1	<b>14.5</b>
Nasdaq 100	6935.48	6850.91	<b>6929.39</b>	16.36	<b>0.24</b>	7022.97	5332.53	<b>29.3</b>	8.3	<b>16.4</b>

## S&amp;P

S&P	500 Index	2726.80	-1.32	-0.05		2872.87	2328.95	<b>15.4</b>	2.0	<b>9.6</b>	
	MidCap 400	1924.34	1902.46	<b>1920.42</b>	3.43	<b>0.18</b>	1995.23	1681.04	<b>12.3</b>	1.0	<b>8.9</b>
	SmallCap 600	957.70	941.81	<b>956.49</b>	6.66	<b>0.70</b>	979.57	815.62	<b>15.0</b>	2.2	<b>11.1</b>

## Other Indexes

Russell 2000	1576.73	1550.47	<b>1574.53</b>	12.33	<b>0.79</b>	1610.71	1345.24	<b>15.3</b>	2.5	<b>8.9</b>
NYSE Composite	12724.84	12603.50	<b>12707.01</b>	-13.76	-0.11	13637.02	11324.53	<b>11.0</b>	-0.8	<b>5.4</b>
Value Line	561.40	556.10	<b>560.67</b>	0.41	<b>0.07</b>	589.69	503.24	<b>9.1</b>	-0.3	<b>3.6</b>
NYSE Arca Biotech	4762.62	4679.37	<b>4762.41</b>	38.03	<b>0.81</b>	4939.86	3449.61	<b>33.7</b>	12.8	<b>6.0</b>
NYSE Arca Pharma	538.73	532.46	<b>538.13</b>	2.07	<b>0.39</b>	593.12	498.46	<b>5.9</b>	-1.2	<b>-1.0</b>
KBW Bank	114.00	112.30	<b>113.77</b>	-0.00	<b>0.004</b>	116.52	88.02	<b>17.5</b>	6.6	<b>15.9</b>
PHLX® Gold/Silver	80.83	78.60	<b>78.79</b>	-2.01	<b>-2.48</b>	93.26	76.42	<b>0.4</b>	-7.6	<b>5.2</b>
PHLX® Oil Service	137.65	134.11	<b>136.13</b>	-1.52	<b>-1.10</b>	171.55	117.79	<b>-18.6</b>	-9.0	<b>-11.3</b>
PHLX® Semiconductor	1402.34	1382.82	<b>1400.47</b>	4.00	<b>0.29</b>	1400.47	960.01	<b>43.1</b>	11.8	<b>25.3</b>
Cboe Volatility	20.49	17.52	<b>17.76</b>	-0.60	<b>-3.27</b>	37.32	9.14	<b>49.7</b>	60.9	<b>5.3</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	8,785.2	272.31	-0.47	<b>-0.17</b>	272.92	270.74
Voya Financial	VOYA	4,698.5	50.60	-1.09	<b>-2.11</b>	51.69	50.60
Pfizer	PFE	4,250.2	36.17	0.24	<b>0.67</b>	36.17	35.70
Merck	MRK	3,959.8	54.52	0.05	<b>0.09</b>	54.79	54.27
PwrShrs QQQ Tr Series 1	QQQ	3,687.3	168.62	-0.31	<b>-0.18</b>	168.95	167.93
Verizon Communications	VZ	3,513.8	48.99	0.15	<b>0.31</b>	48.99	48.76
Finisar	FNSR	3,419.8	20.38	-0.02	<b>-0.10</b>	20.60	20.31
Bioverativ	BIVV	3,073.2	104.71	0.06	<b>0.06</b>	104.80	104.65

## Percentage gainers...

Rent-A-Center	RCII	60.1	8.26	0.61	<b>7.97</b>	9.00	7.63
PCM Inc.	PCMI	56.3	8.70	0.60	<b>7.41</b>	9.05	7.45
Comtech TeleComm	CMTL	19.3	26.00	1.73	<b>7.13</b>	26.10	24.27
Inseego	INSG	26.8	2.07	0.13	<b>6.70</b>	2.15	1.98
Caesars Entertainment	CZR	222.1	13.30	0.80	<b>6.40</b>	13.50	12.45

## ...And losers

Myomo	MYO	407.3	4.5
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## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.							
March	3,1225	3,1225	3,0965	3,1140	-0.0230	3,134		
May	3,1500	3,1585	3,1175	3,1360	-0.0230	141,851		
Gold (CMX)	-100 troy oz.; \$ per troy oz.							
March	138,10	138,10	133,00	132,60	-7.60	608		
April	139,50	134,00	132,00	132,70	-7.60	312,047		
June	143,80	147,50	132,90	133,40	-7.60	111,813		
Aug	147,80	147,80	135,80	139,20	-7.70	28,392		
Oct	158,70	158,70	134,70	134,90	-7.70	4,875		
Dec	165,40	165,40	134,70	135,90	-7.90	38,894		

## Palladium (NYM)

-50 troy oz.; \$ per troy oz.

March 97,90 985.05 968.85 968.90 -19.25 42

June 980.20 981.45 957.00 959.05 -19.25 24,761

Sept 970.00 972.10 959.00 956.65 -16.75 782

## Platinum (NYM)

-50 troy oz.; \$ per troy oz.

March 972.30 ... 953.20 952.00 -17.40 65,076

## Silver (CMX)

-5,000 troy oz.; \$ per troy oz.

March 16,640 16,640 16,400 16,428 -0.287 957

May 16,810 16,890 16,435 16,494 -0.290 148,382

## Crude Oil, Light Sweet (NYM)

-1,000 bbls.; \$ per bbl.

April 62,14 62,58 60,58 61,15 -1.45 434,038

May 62,01 62,46 60,48 61,02 -1.43 282,402

June 61,71 62,17 60,23 60,75 -1.41 300,337

July 61,27 61,73 59,84 60,37 -1.36 143,060

Sept 60,21 60,70 58,95 59,45 -1.25 24,718

Dec 58,83 59,30 57,52 58,12 -1.14 238,008

## NY Harbor ULSO (NYM)

-42,000 gal.; \$ per gal.

April 1,8910 1,9093 1,8615 1,8746 -0.0287 103,921

May 1,8971 1,9147 1,8673 1,8791 -0.0306 78,508

## Gasoline-NY RBOB (NYM)

-42,000 gal.; \$ per gal.

April 1,9348 1,9486 1,8985 1,9103 -0.0228 114,825

May 1,9464 1,9601 1,9105 1,9220 -0.0255 98,042

## Natural Gas (NYM)

-10,000 MMBtu; \$ per MMBtu.

April 2,750 2,789 2,744 2,777 -0.028 294,447

May 2,780 2,815 2,773 2,806 -0.028 220,494

June 2,819 2,855 2,812 2,847 -0.031 83,626

July 2,867 2,898 2,857 2,892 -0.031 106,051

Sept 2,845 2,882 2,845 2,878 -0.030 74,954

Oct 2,860 2,893 2,855 2,890 -0.030 129,593

## Agriculture Futures

## Corn (CBT)

-5,000 bu; cents per bu.

March 378,75 380,75 ▲ 378,50 379,25 -50 5,647

May 387,75 389,00 ▲ 386,75 387,25 -100 749,584

## Oats (CBT)

-5,000 bu; cents per bu.

March 268,25 268,25 263,50 264,00 -3,75 4,702

## Soybeans (CBT)

-5,000 bu; cents per bu.

March 105,80 106,00 105,40 105,50 -9,50 2,773

May 107,25 107,25 106,00 106,25 -9,50 401,666

## Soybean Meal (CBT)

-100 tons; \$ per ton.

March 383,40 386,20 379,50 380,20 -4,30 1,116

May 387,80 390,80 382,50 383,50 -4,50 231,534

## Soybean Oil (CBT)

-60,000 lbs.; cents per lb.

March 32,19 32,19 31,88 31,93 -37 220

May 32,52 32,56 32,04 32,10 -38 252,933

## Rough Rice (CBT)

-2,000 cwt.; \$ per cwt.

March 1,245,00 1,245,00 1,231,50 .50 10

May 1,242,00 1,249,00 1,248,50 .50 6,093

## Wheat (MPLS)

-5,000 bu; cents per bu.

March 627,25 627,25 620,00 620,00 -7,25 13

May 627,75 629,25 618,00 620,00 -9,00 33,051

## Cattle-Feeder (CME)

-50,000 lbs.; cents per lb.

March 144,300 144,950 143,650 143,775 -525 8,697

April 146,000 146,625 145,200 145,375 -750 18,999

## Cattle-Live (CME)

-40,000 lbs.; cents per lb.

April 123,000 123,675 122,600 122,975 -150 116,918

June 114,875 115,525 114,500 114,825 -400 71,873

## Hogs-Lean (CME)

-40,000 lbs.; cents per lb.

April 68,075 68,325 ▼ 66,425 67,800 -400 71,873

June 79,650 79,750 ▼ 78,175 78,600 -1,350 56,493

## Lumber (CME)

-100,000 bd. ft.; \$ per 1,000 bd. ft.

March 509,70 511,90 496,10 497,50 -12,50 606

May 488,90 488,90 478,60 478,60 -10,00 4,998

## Milk (CME)

-200,000 lbs.; cents per lb.

March 14,11 14,17 14,10 14,13 -0,04 4,405

April 14,13 14,13 13,94 14,02 -13 3,628

## Cocoa (ICE-US)

-10 metric tons; \$ per ton.

March 2,444 2,455 ▲ 2,444 2,456 2 249

May 2,441 2,468 2,424 2,443 2 130,252

## Coffee (ICE-US)

-37,500 lbs.; cents per lb.

March 118,50 119,60 118,15 119,30 -65 43

May 120,75 121,45 119,80 120,75 -50 139,669

Source: SIX Financial Information

## Macro &amp; Market Economics

## Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended March 2. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

## Inventories, 000s barrels

## Imports, 000s barrels per day

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

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Current Expected change Previous week Year ago 4-week avg 5-year avg

Current Expected change Previous week Year ago 4-week avg 5-year avg

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, March 7, 2018

Net Stock Sym Close Chg Stock Sym Close Chg

A B C

ABB ABB 24.19 -0.14

AECOM ACM 36.43 0.04

AES AES 10.80 -0.13

Aflac AFL 88.77 -0.01

AGNC Inv AGNC 18.44 0.05

AMG Homes Inc AMG 15.27 -0.04

Ansys ANSS 165.37 1.60

ASML ASML 260.05 3.21

AT&T T 36.91 0.04

AbbottLabs ABT 61.29 0.41

AbbVie ABBV 114.72 0.16

Abiomed ABMD 285.38 3.84

Accenture ACN 185.55 0.52

ActionBlitz ATVI 74.07 -0.15

AcuityBrands AYI 146.80 -7.40

Adient ADNT 1.64 -0.24

Advantech ADP 11.67 -0.07

AdvanceAuto AAP 11.77 -0.01

AdmMicroDevices AMD 12.24 0.48

AdvSemEring AGS 7.18 0.03

Aegon AEG 6.90 -0.03

AerCap AER 48.94 -0.01

Aetna AET 178.64 0.41

AffiliatedMtrs AMG 196.00 -1.70

AgilentTechs AEE 69.70 1.59

AgnicoEagle AEM 38.38 -0.79

Alaris ADP 164.53 0.33

AkamaiTech AKAM 69.99 0.05

AlaskaAir ALK 64.00 -0.30

Albermarle ALB 100.05 -0.09

Alcoa AAL 47.88 0.89

AlexandriaRst AMB 125.78 0.37

AlexionPharm ALXN 118.38 0.25

Alibaba BABA 189.05 1.68

AlignTech ALGN 262.99 6.93

Alkermes ALKS 58.53 -0.35

Alleghany Y 628.58 -5.22

Allegion ASRS 0.93 0.01

Allergan AGN 153.22 2.51

AllianceData ADW 235.50 0.29

AlliantEnergy LNT 38.06 -0.11

Allstate ALCN 93.39 -0.04

AllyFinancial ALL 28.36 0.24

AlnylamPharm ALNY 123.99 0.74

Alphabet GOOG 110.96 14.58

Alphabat A GOGL 11.50 14.14

Altiba UHAL 320.90 -3.75

AmericaMvlt AMV 18.55 -0.05

AmericaMovil AMX 18.65 0.02

AmerAirlines AAL 54.11 0.54

AEP AEP 64.92 -0.58

AmerExpress AXP 95.64 -0.43

AmericanFin AFG 11.37 -0.02

AIG AIG 51.73 -0.27

AmerTowerREIT AMT 14.00 0.12

AmerWaterWorks AWK 18.01 0.49

Ameriprise AAPL 155.74 0.17

AmerisourceBrgn ABC 95.60 0.90

Amtek AME 76.52 0.41

Amgen AMGN 187.53 -2.82

Amphenol APH 90.24 0.51

AndarkoPetrol APC 57.72 -1.09

AnalogDevices ADI 92.74 0.81

Andeaor AYD 96.72 0.29

AndeaorLog ANDX 49.52 -0.44

AB InBev BUD 112.81 0.05

AnalyCap NLY 10.27 0.01

AnteroResources ATR 20.74 0.23

Anthenn ANTR 23.88 -0.89

Aon AON 142.49 0.32

Apache APA 34.65 -0.71

Apertmtni APP 38.82 0.20

AppGlobMgmt APP 32.75 -0.10

Apple AAPL 175.03 -1.64

AppiMaterials AMT 59.42 -0.57

Apktv APTV 48.84 -0.53

AquaAmerica WTR 33.43 0.23

Aramark ARMK 41.16 0.06

ArclorMittal MT 33.56 0.40

ArchCapital AGC 89.64 -0.39

ArcherDaniels ADM 43.03 -0.09

Arconic ARCN 24.62 0.07

AristaNetworks ANET 29.15 0.98

ArrowElec ARW 81.50 -0.26

AstraZeneca AZN 33.71 -0.07

Athenne ATHE 52.54 2.84

Atlassian TEAM 59.77 0.63

AtmosEnergy ATO 79.46 -0.58

Autodesk ADSK 137.77 17.83

Autohome ATHM 79.82 -1.13

Autoliv ALV 151.21 0.14

Audited ADW 115.18 -0.23

Avantor AVT 46.00 0.06

AvalonBay AVB 8.26 ...

BankOfAmerica BAC 102.26 1.17

BankoMacro BMA 107.37 -0.24

BcoSantChile BSC 32.47 -0.13

BcoSantMex BMSX 7.23 0.13

BcoSantander SAN 6.82 -0.01

BanColombia CIB 43.65 0.17

BankofAmerica BAC 32.08 0.17

BankoMontreal BMO 74.85 -0.24

BankNY Mellon BK 56.90 0.03

BalkNovScotia BNS 61.50 0.04

BankoOzarks OZK 53.11 0.12

Barclays BCS 11.81 -0.05

Bardix BGE 11.70 -0.14

BarkerHughes BHGE 25.82 0.37

Ball BL 40.74 0.18

BancoBilbaoViz BBVA 8.26 ...

BankodeChile BCI 102.26 1.17

BankoMacro BMA 107.37 -0.24

BcoGlobalBds BGS 37.77 -0.50

BcoGlobalHolds CGH 37.77 -0.50

BcoGlobalLnds CGH 37.77 -0.50

BcoGlobalSpace CGH 37.77 -0.50

BcoGlobalTrds CGH 37.77 -0.50

BcoGlobalWrtg CGH 37.77 -0.50

BcoGlobalXchng CGH 37.77 -0.50



## MARKETS

# Spotify Picks Citadel to Shepherd IPO

Electronic-trading firm gains key job in debut of music-streaming company

BY ALEXANDER OSIPOVICH

**Spotify Technology SA** has chosen electronic-trading firm Citadel Securities LLC to oversee its unusual debut at the New York Stock Exchange, people familiar with the situation said.

The music-streaming company settled on Citadel Securities as its designated market maker, or DMM, in recent days, the people said. Such firms, also called specialists, help ensure the orderly trading of NYSE-listed stocks. Their role is especially important during key moments

such as initial public offerings.

By winning Spotify, one of the biggest technology listings of recent years, Citadel Securities has notched a high-profile victory after it failed to win **Snap Inc.**, the biggest tech IPO of 2017.

Peter Giacchi, the head of Citadel Securities' DMM unit, will determine the opening price of Spotify shares, one of the people said. Mr. Giacchi didn't respond to requests for comment.

Spotify declined to comment. The Stockholm-based company could go public as soon as the week of March 26 through a process called a direct listing.

Unlike in a traditional IPO, no new shares will be offered when Spotify goes public. Instead, the company will sim-

ply float its existing shares and let the market find a price. There will be no Wall Street bank to act as a "stabilizing agent" and support the stock if it tumbles out of the gate.

As a result, Spotify's debut "may be more volatile" than a typical IPO and its shares could "decline significantly and rapidly" when they begin trading on the exchange, the company warned in a filing last week. That puts additional responsibility on Citadel Securities and Mr. Giacchi to balance incoming buy and sell orders and settle on an opening price.

Citadel Securities handles about 20% of the shares that change hands in the U.S. stock market each day, and is a big player in other markets such as futures and options. It was

founded in 2002 by billionaire Ken Griffin, who also leads hedge fund **Citadel LLC**. The two are operated separately, according to the firms.

Though its roots are in

*Unlike in a traditional IPO, Spotify will float its shares and let the market find a price.*

computerized trading, Citadel Securities entered the old-fashioned business of NYSE floor trading in 2016, when it acquired a DMM unit previously owned by KCG Holdings Inc.

Currently, there are five specialist firms at the NYSE's

flagship exchange—down from dozens in the 1980s—and in recent years most have been acquired by high-speed traders.

Citadel Securities is among the largest designated market makers, overseeing trading in about 1,400 securities including **Walmart Inc.** and **Home Depot Inc.**

Each new company debuting on the Big Board gets the chance to select its specialist before going public.

Global Trading Systems LLC, another designated market maker, won the five biggest IPOs at the NYSE last year, including Snap, people familiar with the matter said. It also handles technology names such as **Twitter Inc.** and **Alibaba Group Holding Ltd.**

Citadel Securities under-

went a shake-up in the leadership of its market-making business last year. The previous head of the unit, Todd Abrahall, left in May and was replaced by Mr. Giacchi. Both a spokeswoman for Citadel Securities and Mr. Abrahall declined to comment on the reasons for his departure.

Firms such as Citadel Securities and GTS enjoy some perks for their role. They can receive payments from the NYSE in return for posting competitive price quotes for the stocks they handle.

Being a specialist also offers intangible benefits in branding and marketing. Floor traders with these firms often appear in the backdrops of business television shows, wearing colorful vests adorned with the logos of their employers.

# Worry Grows Over China's Soybean Demand

BY BENJAMIN PARKIN AND JESSE NEWMAN

China's appetite for U.S. soybeans has waned, and concerns abound that exports of the legume could suffer further if President Donald Trump makes good on his promise to impose tariffs on imports of steel and aluminum.

Farmers and grain traders worry that China might retaliate by slowing imports of U.S. beans or by erecting trade barriers to them.

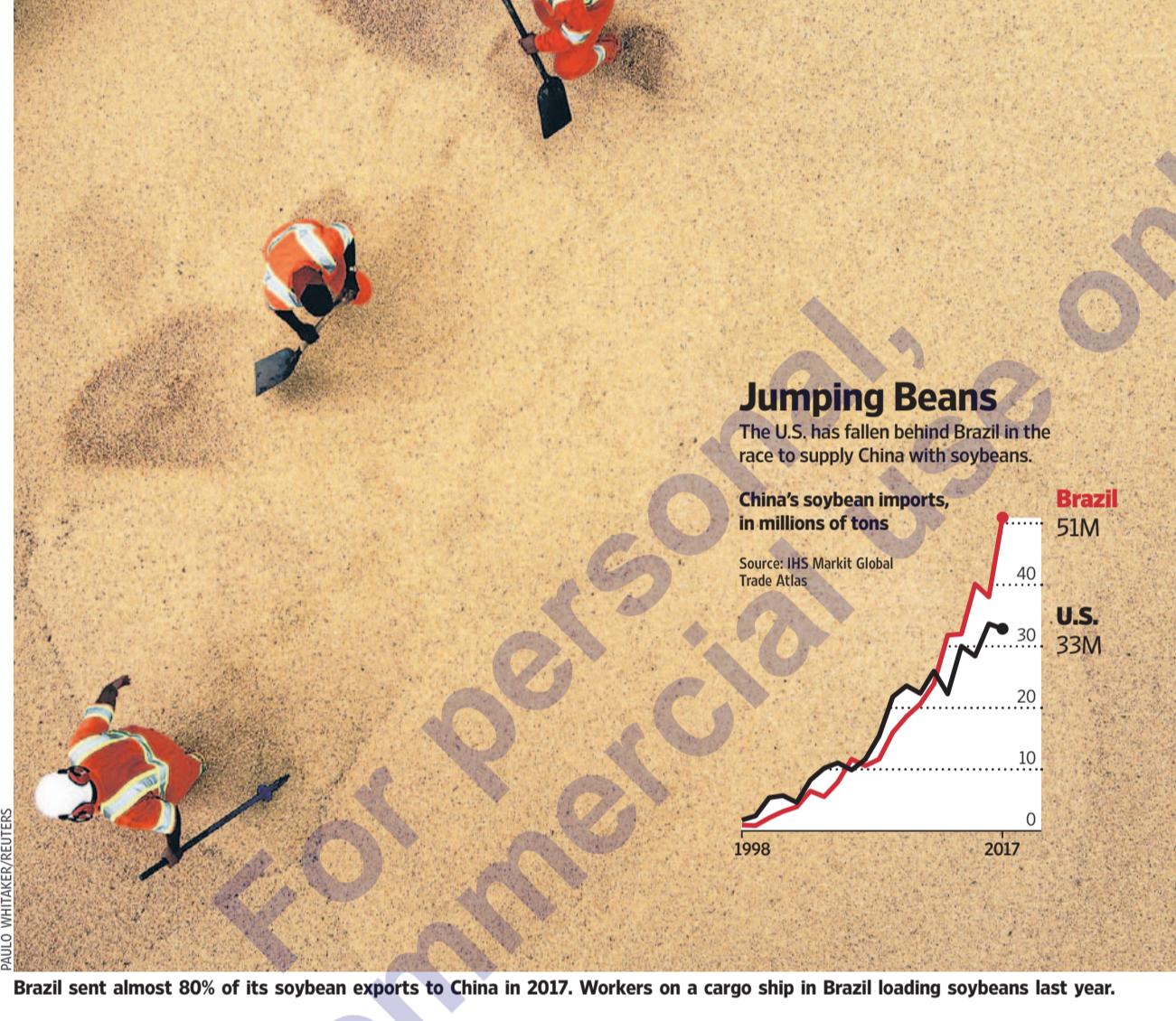
Chinese officials in February said they would investigate whether the U.S. subsidizes sorghum exports to the country after the Trump administration slapped tariffs on goods such as solar panels that are manufactured by Chinese companies.

The American Soybean Association, a trade group, said Chinese officials in Washington, D.C., told its leaders that soybeans also could face scrutiny. Retaliation "would be devastating to U.S. soy growers," said John Heisdorffer, the association's president.

Soren Schroder, chief executive of White Plains, N.Y.-based **Bunge Ltd.**, the world's largest soybean processor, said last month that he hoped tension between Washington and Beijing dies down. "It's better that calm minds figure out good things," he said. "There is a lot of noise and some disruptions in the supply chains coming out of the U.S."

China's demand for soybeans—to be crushed into feed for pig herds or juiced for cooking oil—remade global agricultural markets over the last quarter-century. Today China buys 100 million tons annually, some 60% of the global trade. Annually, about 30 million tons have come from the U.S. in recent years, representing roughly a third of production.

U.S. farmers aiming to tap that market are growing more soybeans than ever. Many planted soybeans in fields long used for corn and wheat after prices for those grains



Brazil sent almost 80% of its soybean exports to China in 2017. Workers on a cargo ship in Brazil loading soybeans last year.

dropped in recent years. Soybean acreage is on track to match corn this year for the first time in 35 years.

But China is buying fewer U.S. soybeans, thanks to bumper harvests of cheaper beans in South America.

Brazil exported more soybeans than ever last year after a bumper harvest, almost 80% of them to China. Limited storage capacity forced many Brazilian farmers to sell at low prices, analysts said.

Many Chinese crushers also prefer the higher protein content of Brazilian beans. Brazil's soybean exports to China more than doubled from September to January, while U.S. sales to China dropped more than 20%.

"We have a serious competitor on our hands," said Matt Boucree, president of **Blue Water Shipping Inc.**, in Metairie, La., which helps exporters load grain and soybeans onto vessels at U.S. ports.

Mr. Boucree said his company has considered expanding into South America to capture some of the business that has moved there.

There aren't enough soybeans in the world for China to avoid buying from U.S. farmers entirely, grain traders said. A drought in Argentina, the top exporter of soybean meal, is threatening crops there. That has pushed soybean prices to their highest in more than a year and prompted a small uptick in

demand for U.S. supplies.

"Big consumers are fearful of what's happening in Argentina and thinking they need to be covered and politics be damned," said Bill Nelson, senior economist at Doane Advisory Services. "Somehow they've got to get the beans."

The White House proposal for tariffs on steel and aluminum has nevertheless exacerbated concerns about retaliation, according to research firm AgResource Co.

Even if China couldn't ignore U.S. soybeans altogether, the firm said, it could buy exclusively from Brazil for the next six or seven months.

Other headwinds for U.S. soybean farmers are strengthening. U.S. officials said they

would start labeling soybean shipments to China that contain more than 1% of detritus like weed seeds, to conform with Chinese requirements.

That could subject those shipments to extra vetting or cleaning at Chinese ports, potentially creating delays traders say could make them less attractive to Chinese buyers.

The U.S. Agriculture Department said it wasn't aware of any shipments delayed or rejected because of the new rules, which it said would be reviewed after a year.

"It's just one more factor that has contributed to the relative uncompetitive nature of U.S. soybeans," said Ken Morrison, a trader and commodities newsletter author.

# Treasurys Decline on Inflation Signs

BY GUNJAN BANERJI

U.S. government-bond prices slipped Wednesday, with investors weighing signs of health in the economy with uncertainty over trade policy.

The yield on **CREDIT MARKETS** 10-year Treasury note rose to 2.883% from 2.877% on Tuesday. Yields rise as bond prices fall.

Yields gyrated between small gains and declines throughout the session, finishing higher after employers across the U.S. said wage growth rose this year, according to a Federal Reserve report, suggesting inflationary pressures. In many of the Fed's 12 regional districts, wage growth increased to a moderate pace, the central bank said in its latest beige book, a roundup of anecdotal information about the economy.

Inflation is a threat to the value of government bonds because it erodes the purchasing power of the securities' fixed payments and can push the Fed to raise interest rates.

Yields also rose earlier in the session after data showed that hiring at private U.S. employers ticked up more than expected in February, a pickup stemming from sectors across the economy, according to payroll processor Automatic Data Processing Inc. and forecasting firm Moody's Analytics. The report precedes the monthly Labor Department data, which investors will parse for information on the health of the economy.

"I look at the world at the moment as being bond-unfriendly," said James Athey, senior investment manager at Aberdeen Standard Investments.

Some analysts said concerns over a global trade war triggered yield declines early in the session after Gary Cohn said he would resign as President Donald Trump's top economic adviser, a move that roiled stock markets early Wednesday.

# Blue Chips Fall as Cohn Exit Adds to Trade Concerns

BY AMRITH RAMKUMAR

AND RIVA GOLD

The Dow Jones Industrial Average fell after economic adviser Gary Cohn's resignation from the White House led to renewed concerns over a possible trade war and its impact on global growth.

Some investors saw Mr. Cohn's resignation as a sign that President Donald Trump was pushing forward with

the steel and aluminum tariffs he promised last week and were worried that protectionist trade policies could spread. Mr. Trump will sign a proclamation to enact the tariffs this week, with "potential carve-outs" for Mexico, Canada and possibly other countries, press secretary Sarah Huckabee Sanders said Wednesday.

Global trade disruptions could lead to ripple effects for a

## Losing Ground

Shares of Boeing and Caterpillar weighed on the Dow Jones Industrial Average as investors bet that trade disruptions could lead to higher costs for manufacturers.



wide range of commodities and products, some investors fear, resulting in higher costs for companies and consumers and slower economic growth. The concerns about trade come after

"We do think the aggregate risk to this more placid narra-

tive has really gone up in recent months," said Eric Freedman, chief investment officer for U.S. Bank Wealth Management. "Things like trade policy changes and the potential for a trade war—those are real issues that may alter the timeline of economic growth and stability."

The Dow industrials closed down 82.76 points, or 0.3%, at 24801.36, after earlier shedding as much as 349 points. The S&P 500 edged down 1.32 points, or less than 0.1%, to 2726.80, while the Nasdaq Composite added 24.64 points, or 0.3%, to 7396.65.

Stocks rose to start the week after prominent members of the Republican Party pushed back against the tariffs, fueling bets that a widespread trade war was unlikely.

A number of companies and other countries have also voiced concerns about the tariffs in recent days, with full details yet to be announced and uncertainty surrounding negotiations over

the North American Free Trade Agreement. The European Union on Wednesday urged Mr. Trump to rethink his planned tariffs, threatening to strike back unless he reverses course.

"You will have a disruption in growth if you get to the point where everybody is saying, 'We have no other option but to hit back,'" said Dec Mullarkey, a managing director on the investment research team at Sun Life Investment Management.

Industrial firms that would be hurt most by higher commodity costs were among Wednesday's worst performers.

Heavy-machinery maker **Caterpillar** fell \$2.24, or 1.5%, to \$151.51, weighing on the Dow.

Some U.S. bank stocks also fell as markets fretted over Mr. Cohn's departure and its implications for trade, the economy and regulation.

**JPMorgan Chase** fell 43 cents, or 0.4%, to 114.73, while **Citigroup** slipped 14 cents, or 0.2%, to 73.92.

Oil prices fell 2.3%, leading to

declines in the energy sector after government data showed crude stockpiles rose and U.S. production reached new heights last week. Those losses helped offset gains in the technology, health-care and real-estate sectors.

Some investors said they expect the market to recover and the global economy to remain strong, as long as an all-out trade war is avoided.

"In general, it should be a good period [for markets], but it's probably going to ping pong between these bouts of low volatility and great asset performance and short, sharp corrections that push people back on their heels when something crops up on the trade front" or elsewhere, said Robert Tipp, chief investment strategist at PGIM Fixed Income.

Asian stocks were higher early Thursday. At midday in Tokyo, Japan's Nikkei was up 0.75% and Hong Kong's Hang Seng Index was up 1.3%.

## MARKETS

# Metals Rally Dinged as Outlook Sours

BY AMRITH RAMKUMAR

Fissures are forming in the industrial-metals resurgence that sent copper prices 31% higher last year, a sign that investor conviction in the rosy economic outlook that has underpinned gains in risky assets is weakening.

A booming metals rally has partly reversed in 2018. Copper prices have fallen 5% to \$3.11 a pound, this year on the Comex division of the New York Mercantile Exchange. That's after prices hit near a four-year high in December following a historic 16-day winning streak.

Some worry that an economic slowdown in China could spread to other countries, cooling demand for a number of raw materials. Prices for zinc and lead have also fallen lately. These metals tend to be sensitive to risk appetite and sentiment in markets because they are used to build everything from automobiles to smartphones.

"There's cracks in this metals rally. That's definitely a concern for our macro view," said Tyler Richey, co-editor of the *Sevens Report*, an investment-research publication.

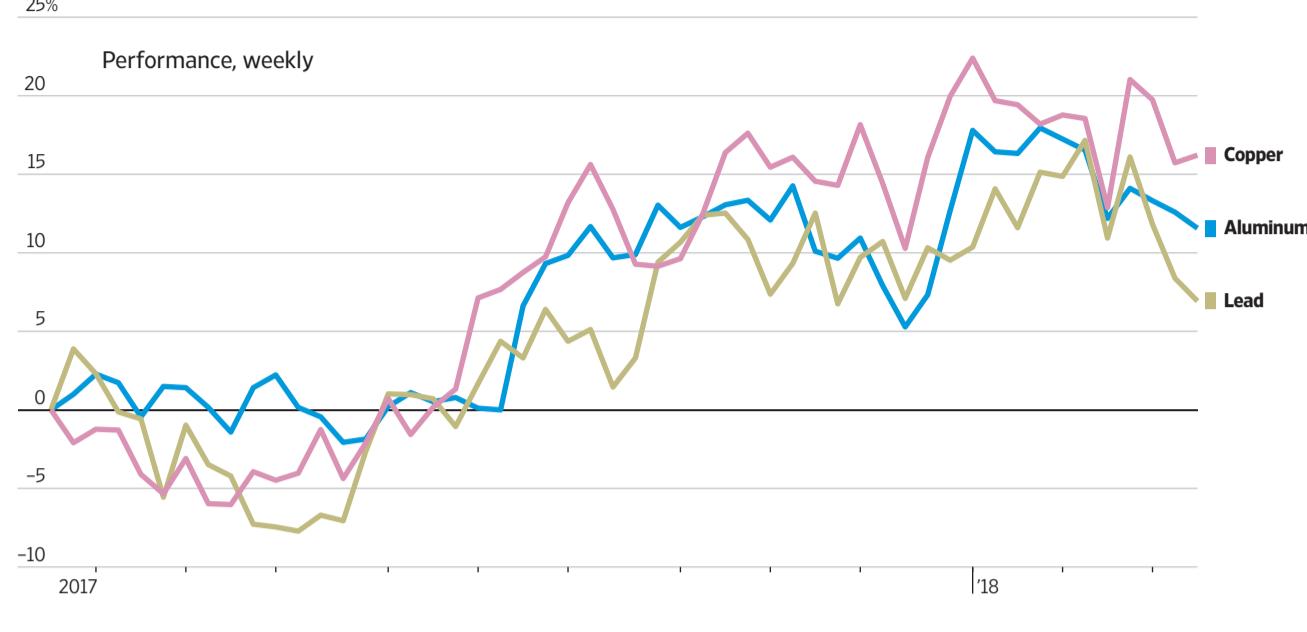
Hedge funds and other speculative investors also have turned more cautious on copper, which is considered a barometer for industrial metals broadly because it is the most widely traded. They recently pushed net bets on higher prices to their lowest level since May, after wagers hit a high in the fall, data from the Commodity Futures Trading Commission show.

Dane Davis, a commodities analyst at Barclays PLC, projects copper prices will fall to roughly \$2.90 a pound in the second half of the year.

"While [global growth] does argue for a higher copper price, not as high as we've seen," he said.

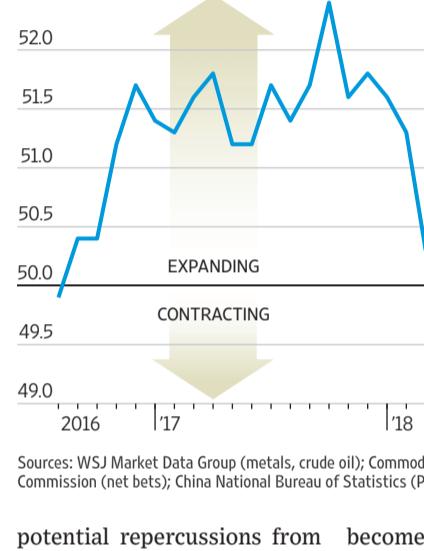
Adding to concerns are the

Several base metals like copper have erased some of their 2017 gains this year.



**Copper has fallen alongside a measure of Chinese demand...**

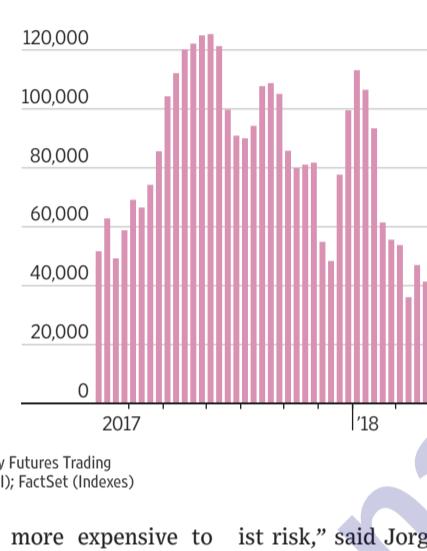
China's manufacturing PMI, monthly



Sources: WSJ Market Data Group (metals, crude oil); Commodity Futures Trading Commission (net bets); China National Bureau of Statistics (PMI); FactSet (Indexes)

**...as hedge funds and other speculators have turned more cautious...**

Net bullish bets on copper, weekly



**...and lower risk appetite has also hurt oil and stocks.**

Performance, weekly



THE WALL STREET JOURNAL.

potential repercussions from President Donald Trump's planned steel and aluminum tariffs, which have stoked fears of a trade war.

Some investors worry that higher input costs will lead to slower economic growth as it

becomes more expensive to manufacture goods. A trade war could also hurt China, the world's largest consumer of industrial metals.

"Investors are right to think commodities...can track the temperature of the protection-

ist risk," said Jorge Mariscal, emerging-markets chief investment officer at UBS Wealth Management. "The prospect that [a trade war] becomes a reality is certainly one of the major risks to the global recovery."

Global steel and aluminum prices have actually fallen this year, even as U.S. prices for the metals have climbed on the back of Mr. Trump's pledge, signaling to some analysts that concerns about demand growth and supply dis-

tribution will likely continue dictating prices.

The global benchmark for steel futures—steel-rebar contracts traded in Shanghai—has dropped 6.5% in 2018. Meanwhile, the price for U.S. hot-rolled coil steel has climbed to the highest level in almost seven years.

Aluminum futures contracts on the London Metal Exchange are down 5.3%. The U.S. Midwest Aluminum Premium, which measures the cost to get immediate delivery of the metal from warehouses, has risen to its highest level since April 2015.

When metals prices jumped last year, investors may have inflated the role of global growth as the reason while underestimating the influence of supply disruptions and other market forces, some analysts say.

Meanwhile, investors chasing higher yields have wagered on base metals. Now, with borrowing costs and bond yields potentially rising, they could pull money out of those investments.

Chinese environmental regulations and mining labor disputes have affected prices, said Nicholas Johnson, a portfolio manager at Pacific Investment Management Co. who helps manage about \$15 billion in commodities investments. "You just need to be wary of equating an increase in commodity prices to a strong global demand story, because it can also be a supply story," Mr. Johnson said.

Recent data have shown the pace of growth in China's manufacturing activity slowed sharply in February, as demand for Chinese exports waned. The country's official manufacturing purchasing managers index dropped to its lowest level in 19 months, though a private gauge showed activity in China's factories expanded at a slightly faster rate.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

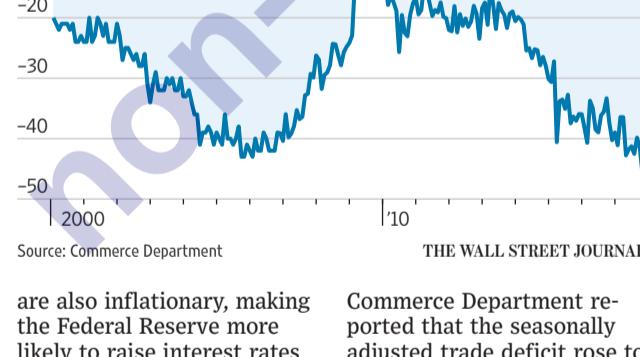
WSJ.com/Heard

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

# Trade Deficit May Only Worsen

## Balancing Act

U.S. monthly trade balance, excluding petroleum goods



are also inflationary, making the Federal Reserve more likely to raise interest rates aggressively. And trade disputes can sow uncertainty. It is harder for multinationals to know what parts of their operations might face protectionist policies, while exporters don't know what retaliatory measures their products might face.

Trade data released Wednesday did nothing to alleviate investors' unease. The

Commerce Department reported that the seasonally adjusted trade deficit rose to \$56.6 billion in January from \$53.9 billion in December, marking its highest level since October 2008. If not for America's reduced dependence on foreign oil since the shale revolution, the deficit would have been even larger. The goods deficit with China, which Mr. Trump has singled out for its trade practices, rose to \$35.5 billion from

\$29 billion a year earlier.

The trade deficit will likely continue to grow, and Messrs. Trump and Cohn have something to do with that. The tax-cut and spending plans they helped usher in are likely to raise demand for goods and services among both consumers and companies this year. Some of those goods and services are going to come from abroad, so the increase in demand will likely translate into an increase in imports as well. Exports should rise, too, since more U.S. imports should help out overseas economies, but the effect won't be as pronounced.

The tariffs are unlikely to move the needle by much on trade, especially with U.S. trading partners threatening retaliatory measures if the tariffs are enacted. So the trade deficit, which Mr. Trump has long argued the U.S. should reduce, will likely continue to expand instead. How his administration might respond to that is yet another thing for investors to fret about. —Justin Lahart

## OVERHEARD

I know what you did last summer. And yesterday afternoon and evening and probably also where you had dinner.

So said the chief executive of the wildly successful MoviePass, **Mitch Lowe**, at an entertainment-finance forum on March 2. With two million subscribers who now account for about 6% of all U.S. movie ticket purchases, the company seeks to reach five million users this year.

But customers are giving up more than just \$105.35 a year for a movie ticket per day. "We get an enormous amount of information," said Mr. Lowe, explaining that they integrate data from what is known about the people living at your address and from the GPS signal in your smartphone.

Some users marvel at how little one movie ticket can cost if the service is used frequently enough. The title of Mr. Lowe's presentation, "Data is the New Oil: How Will MoviePass Monetize It?" should give them a clue.

## Gearing Up For More Chip Sales

Rarely has a projected slowdown sounded so good.

**Lam Research**, which makes equipment used in the manufacturing of semiconductors, told analysts on Tuesday that the company expects to generate about \$15 billion in revenue by 2021. That implies an average of a little less than 12% growth a year from the \$9.7 billion the company generated in 2017. Not bad, until one realizes that Lam averaged about 25% growth over the previous four years.

Lam's shares jumped anyway, rising nearly 5% on Tuesday and gaining an additional 1.8% Wednesday. That is because the company's projection still implied a better growth rate than what analysts had expected. Because Lam draws more than two-thirds of its current business from sales to memory-chip producers, the company was vulnerable to a growing sense of worry that memory prices had peaked.

Lam and larger rival Applied Materials have argued convincingly that the business for chip-manufacturing gear—long prone to boom-and-bust cycles—is entering a new phase of more sustained growth. More chips are finding their way into growing end markets such as cars, home devices and data centers.

New techniques for chip production also require more tools for producers just to maintain production levels. Wes Twigg of KeyBanc Capital Markets projects that total semiconductor capital expenditures will rise 5% this year, even after double-digit gains over the past two years. With demand growing from many points, producers have little choice but to chip in more.

—Dan Gallagher

# FDA's Sharp Words for Drug Supply Chain Should Alarm

## Kabuki Theater

S&amp;P 500 Health Care Index



counts that manufacturers pay to middlemen to make sure their drugs can sell. Recent research from Bernstein found that profit margins throughout the drug supply chain are significantly higher

than income statements might suggest.

That system has worked better for companies than for patients. For instance, complex drug-pricing rules have resulted in a much slower uptake of biosimilars, cheaper versions of complex biologic drugs, than the FDA would like. That has meant higher profits throughout the drug industry. But those higher prices raise the risk of harsher future regulation.

The FDA isn't capable of directly regulating drug prices. But the Department of Health and Human Services, which includes the FDA, can take actions without waiting for legislation

and has stated that high drug prices are a priority for the administration.

The Council of Economic Advisers sharply criticized the market concentration of pharmacy-benefit managers earlier this year as a factor in keeping drug prices high. Investors shouldn't forget that midterm elections are only eight months away and that drug prices are a big issue for voters. Individual states also can create headaches for the industry.

Eventually, this scrutiny is bound to result in changes to U.S. drug-pricing practices, either from regulation or self-policing. **UnitedHealth Group** announced Tuesday it

would pass rebates directly to a limited number of consumers in the future. Dr. Gottlieb praised that move and expressed his hope that others would make similar changes.

Reform would pressure stock prices throughout the industry. Those troubles would likely be worse for the supply chain than for pharmaceutical manufacturers since novel drugs provide a clear benefit to patients.

Companies that self-police, like UnitedHealth, have chosen to do so and are likely to perform better than the ones who choose to ignore Dr. Gottlieb's words.

—Charley Grant