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What's News

Business & Finance

Ford named industry outsider Hackett to replace Fields as CEO, the latest sign the conventional auto sector is feeling pressure from tech giants and startups. A1, A2

◆ The Supreme Court limited the ability of patent holders to bring infringement lawsuits in certain plaintiff-friendly districts. B1

◆ Former managers at Sunrun say they manipulated a key sales metric around the time of the solar-energy firm's 2015 IPO. B1

◆ Arconic struck a deal to give Elliott three more seats on its board, handing the hedge fund a victory days before a shareholder vote. B2

◆ The fiduciary rule for retirement savings will take effect June 9 without further delay, Labor's Acosta said. B3

◆ Huntsman and Clariant agreed to merge, creating a trans-Atlantic chemicals firm valued at some \$14 billion. B3

◆ Vivendi's CEO said the French media firm could pursue an IPO for a minority stake in Universal Music. B3

◆ Citigroup and Nasdaq are teaming up to link the bank's payments service to the blockchain platform. B12

◆ U.S. stocks rose, lifted by tech and industrial shares. The Dow gained 89.99 points to 20894.83. B13

◆ The rush of young people to cities is partly to blame for a worsening U.S. housing shortage, an analysis said. A3

◆ Chinese retailer JD.com said it is developing drones that could deliver payloads weighing a ton or more. B4

World-Wide

◆ At least 19 people were killed and about 50 others injured by a suspected suicide bomber at a concert hall in Manchester, England, according to U.S. and U.K. authorities. A1

◆ Trump and Netanyahu said Iranian aggression has united Israelis and Arabs and brought Middle East peace closer than ever, as the two leaders met. A1

◆ Trump became the first serving U.S. leader to visit the Western Wall, which has become a source of discord between the U.S. and Israel. A8

◆ Israel agreed to measures aimed at improving the lives of West Bank Palestinians. A9

◆ Flynn said he would refuse to cooperate with a Senate demand for documents, citing his constitutional right against self-incrimination. A4

◆ Trump is set to propose a plan that he says will balance the federal budget in a decade with big cuts to taxes and safety-net programs. A6

◆ The Supreme Court found that North Carolina's congressional map was drawn by GOP lawmakers to disadvantage black voters. A6

◆ North Korea's progress on a new missile highlights how quickly Pyongyang is mastering technologies that make it a greater threat. A10

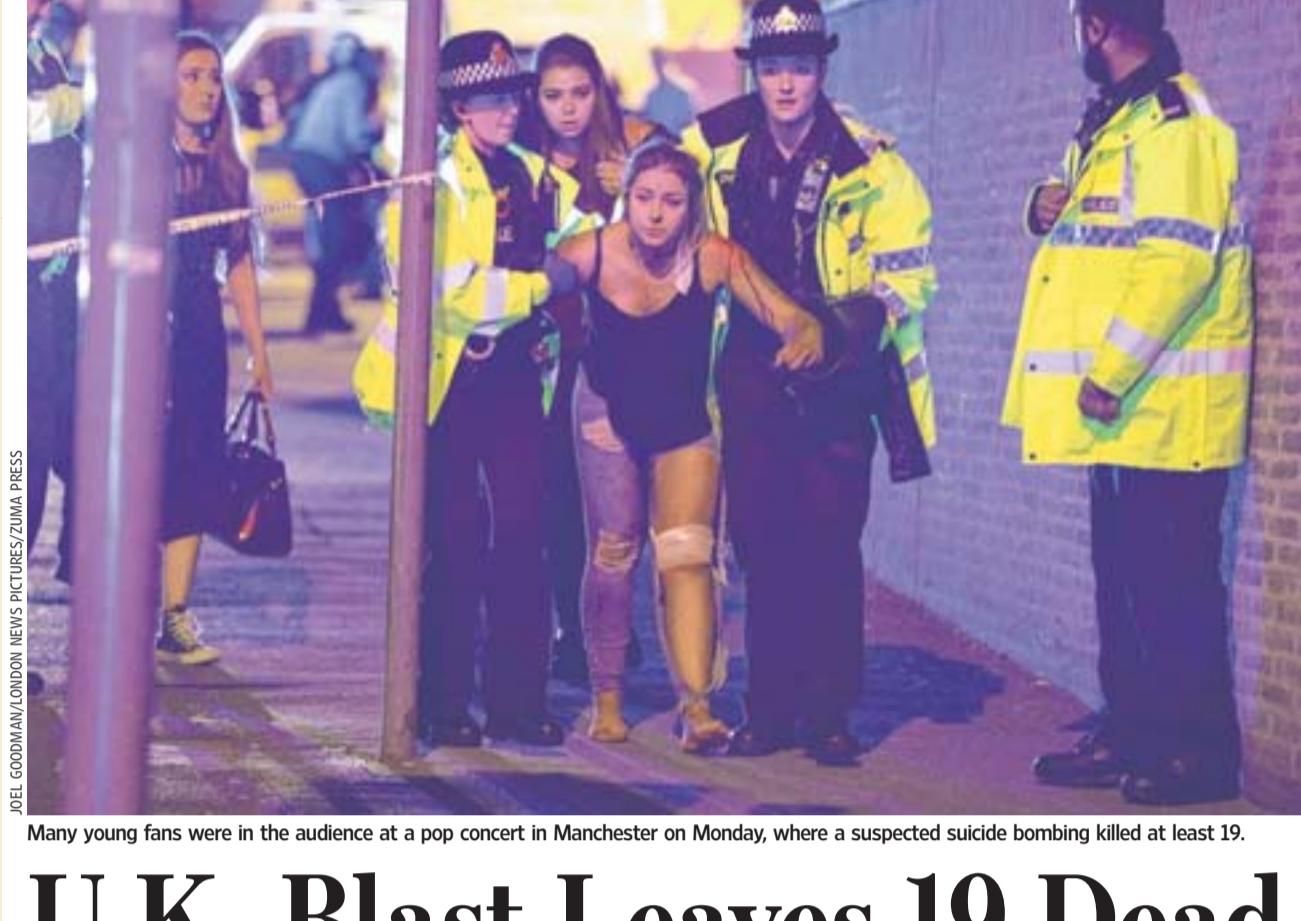
◆ Over 700,000 foreigners who were supposed to leave the U.S. last year stayed beyond their visa terms. A6

◆ The administration extended by six months temporary protections for quake-displaced Haitians. A6

CONTENTS Opinion A15-17
Business News... B3 Sports A16
Capital Journal... A4 Streetwise B1
Crossword A14 Technology B4
Head on Street B14 U.S. News A2-6
Life & Arts A13-15 Weather A14
Markets B13-14 World News A8-11

2 1 2 3 4
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Many young fans were in the audience at a pop concert in Manchester on Monday, where a suspected suicide bombing killed at least 19.

U.K. Blast Leaves 19 Dead In Suspected Terror Attack

At least 19 people were killed and about 50 injured Monday by a suspected suicide bomber at a concert hall in Manchester, England, according to U.S. and U.K. authorities.

Just after American pop singer Ariana Grande closed a show at the Manchester Arena, a loud explosion outside the venue sent screaming fans, many of them young girls, streaming toward the exits, according to witnesses and

By Wiktor Szary,
Jason Douglas
and Del Quentin Wilber

British authorities.

The explosion went off near the arena's box office around 10:33 p.m. local time, the Greater Manchester Police said.

Manchester Arena tweeted that the explosion happened in a "public space" outside the venue, which is one of the larg-

est concert arenas in Europe with a capacity of 21,000. The incident happened "as people were leaving" the concert, it said.

A U.S. law-enforcement official said British police had found what they believe are the remains of the bomber and have tentatively identified him.

"That is the leading theory—a suicide bomber—based on the forensic clues," the official said.

British police believe that some victims were killed or hurt in the resulting stampede of frantic concertgoers, the official said.

If confirmed as a terrorist attack, it would be the second in the U.K. this year and the deadliest since suicide bombers attacked the London trans-

Please see ATTACK page A11

◆ Desperate tweets to help find loved ones..... A11

Trump, Netanyahu Unite on Iran

BY CAROL E. LEE
AND RORY JONES

JERUSALEM—President Donald Trump and Israeli Prime Minister Benjamin Netanyahu said Monday that Iranian aggression has united Israelis and Arabs and brought Middle East peace closer than ever, as the two leaders met.

Mr. Netanyahu cited Iran as a unifying force in the region, saying "common dangers are turning former enemies into partners" and adding that Mr. Trump's meeting with Arab leaders a day earlier in Saudi Arabia "could help create the conditions for a realistic peace."

"I've heard it's one of the

toughest deals of all, but I have a feeling that we're going to get there eventually," Mr. Trump said Monday as he met with Mr. Netanyahu. "I hope."

Mr. Netanyahu cited Iran as a unifying force in the region, saying "common dangers are turning former enemies into partners" and adding that Mr. Trump's meeting with Arab leaders a day earlier in Saudi Arabia "could help create the conditions for a realistic peace."

"For the first time in my

lifetime, I see a real hope for change," Mr. Netanyahu said.

Israelis and Palestinians remain fundamentally divided on what a peace deal might entail, and both Mr. Netanyahu and Palestinian leader Mahmoud Abbas must contend with pressure from their constituents that could block potential compromises. Mr. Trump plans to travel to the West Bank on Tuesday to meet Mr. Abbas.

Mr. Trump's trip so far has been peppered with symbol-

ism. He was the first president to fly from Riyadh to Tel Aviv, between two countries that have no diplomatic relations.

The Saudi government gave him a red-carpet reception, and the U.S. and Saudi Arabia signed \$109 billion in new arms deals.

And Mr. Trump spent hours Monday with Mr. Netanyahu, who had a frosty relationship

Please see TRUMP page A9

◆ Trump speech prompts angst in Iraq, Lebanon..... A8

Ford Taps New Boss To Close Tech Gap

BY CHRISTINA ROGERS
AND JOHN D. STOLL

Mark Fields spent a quarter of a century preparing to run Henry Ford's company, but it took Silicon Valley less than three years to force him out.

Jim Hackett, an industry outsider who the board of Ford Motor Co. considers a visionary capable of mending what some senior executives say is the auto giant's fractured and listless culture, now takes over as chief executive.

Mr. Fields, 56 years old, was let go Friday after delivering record profits and jump-starting Ford's businesses in Europe and China. He had risen to the CEO suite on the 12th floor of Ford's Dearborn, Mich. headquarters after executing a series of repair jobs within the company and becoming known as its hard-charging fix-it man.

Mr. Hackett's promotion Monday was the clearest indication yet the conventional auto industry is feeling pressure from tech giants and young startups edging in on a business long dominated by Detroit and its foreign rivals. Mr. Fields struggled to answer the threats posed by electric-vehicle maker Tesla Inc., ride-hailing service Uber Technologies Inc., or Alphabet Inc.'s Waymo autonomous-car unit.

"We have to move faster and we have to trust people to move faster," Chairman Bill Ford said in a news conference Monday. The great grandson of the company founder and a former CEO of the company, Mr. Ford said in an interview "we need speed" and the new boss Please see FORD page A2

Turn Signal

New CEO Hackett, facing challenges, is no stranger to reinvention, A2

Fields seen as having unnecessarily put the car maker on Trump's radar, A2

Heard on the Street:
Investors shouldn't expect a quick fix for company, B14

CASH BAIL, STAPLE OF COURTS, IS FADING

Proponents of change argue system is unfair; bonds industry protests

BY NICOLE HONG AND SHIBANI MAHTANI

More U.S. cities and states are reducing their reliance on cash bail, rejecting the longstanding notion that money should determine whether arrested individuals are locked up until trial.

The movement is upending a cornerstone of the American criminal-justice system and threatening to deal the most severe blow to the multibillion-dollar bail-bonds industry since it began in the late 1800s.

In an overhaul that went into effect this year, New Jersey began a new statewide bail system that essentially eliminates

cash bail, compelling judges to detain—or release—defendants before trial based on their risk to public safety rather than their ability to pay. Voters in New Mexico passed a similar amendment to the state constitution late last year.

In California and Texas, the two states where courts have historically set the highest bail amounts, lawmakers have introduced bills that would significantly change their bail systems. Starting July 1, judges in Maryland will have to consider alternatives to cash bail for nonviolent defendants.

Driving the overhaul efforts is a growing Please see BAIL page A12

Amazon's Latest Disruption: 1.7 Million Free Bananas

* * *

Seattle stores don't find the retail giant's fruit stands appealing

BY LAURA STEVENS

SEATTLE—Amazon.com Inc. has transformed businesses including retailing, filmmaking and data storage. But no one anticipated the bananas.

It started with a brainstorm from founder and CEO Jeff Bezos that Amazon should offer everyone near its

headquarters—not just employees—healthy, eco-friendly snacks as a public service. Af-

ter considering oranges, Amazon picked bananas, and opened its first Community Banana Stand in late 2015. It has since expanded to two stands on its corporate campus, which sprawls across several blocks in downtown Seattle, and says it has given out more than 1.7 million free bananas.

The response has been split. Most Amazonians like them. Other workers say it is

now hard to find bananas in stock at nearby grocery stores. And some eateries in a two-block radius of the stands are feeling squished.

Anar, a vegetarian cafe next door to Amazon's banana stand, slashed purchases of bananas, which it offers sliced as a yogurt topping for \$1, because customers are ordering them less. Manager Hadley Jouflas suspects many grab a free Amazon banana to top off takeout orders.

The cafe has sought instead Please see BANANA page A12

INSIDE



PORTFOLIO FEES? ASK THE ALGORITHM

THE QUANTS, B1



BOSSES SHUT THE DOOR ON OPEN OFFICES

BUSINESS NEWS, B6

U.S. NEWS

Ford Picks Leader to Make New Inroads

BY CHRISTINA ROGERS
AND JOANN S. LUBLIN

Jim Hackett made his name turning Steelcase Inc. into an office-furniture juggernaut. Now as Ford Motor Co.'s new chief executive, he needs to take on the likes of tech mogul and Tesla Inc. founder Elon Musk.

In wooing Mr. Hackett as a Ford director in 2013, Ford Chairman Bill Ford had hoped to "inject his tech-savvy energy into the board," according to an executive recruiter familiar with the process.

In 2016, Mr. Hackett was

tapped to lead outgoing Chief Executive Mark Fields's new Smart Mobility innovation unit.

As he succeeds Mr. Fields, Mr. Hackett, 62 years old, must transition from outsider to team player.

Part of Mr. Hackett's role in his new job "will be to teach and groom the next generation" of leaders, Mr. Ford said on Monday.

Mr. Hackett is charged with better harnessing data and analytics to tap into car-buying trends and future needs of people walking into dealerships. Mr. Ford wants more re-

search on parts made by 3-D printers and new modes of transportation, such as self-driving cars.

During his 30 years at Steelcase, an office-furniture maker based in Grand Rapids, Mich., Mr. Hackett pushed to modernize the workspace, dispensing of old-style cubicles and using technology to create open-office spaces better suited to today's work habits.

Taking over Steelcase as CEO in the mid-1990s when the firm was bleeding red ink, he led the company through a painful downsizing that resulted in thousands of job cuts. He is

credited with transforming the product line, putting a greater emphasis on selling experiences and solutions, rather than individual chairs and desks.

Following his retirement from Steelcase, Mr. Hackett made waves in the Detroit area as interim athletic director for the University of Michigan.

More recently at Ford, he oversaw the creation of the Smart Mobility unit. The subsidiary, formed last year, is responsible for experimenting with car-sharing programs, self-driving ventures and other services aimed at helping Ford better compete with Uber

Technologies Inc., Alphabet Inc. and other tech firms trying to edge into the auto industry.

In Mr. Hackett, Mr. Ford saw a "serious and experienced executive" who was well known to the board, said one person close to the company.

Mr. Hackett, however, lacks a high profile in Silicon Valley. And he doesn't have a background in the world of machine learning, artificial intelligence and other areas important to the future of self-driving cars.

Still, his involvement with Ideo, an influential design firm that Steelcase invested in dur-

ing his tenure, indicates he can handle the learning curves.

"He is a collaborative kind of leader and that is a quality that wins in Silicon Valley, Dearborn and Delhi," said Reilly Patrick Brennan, a partner at Trucks Venture Capital, which invests in mobility startups.

In an interview last year with The Wall Street Journal, Mr. Hackett said he wasn't interested in being a chief executive again but was interested in helping Mr. Fields think through tough challenges.

—Tim Higgins
contributed to this article.

Deceleration

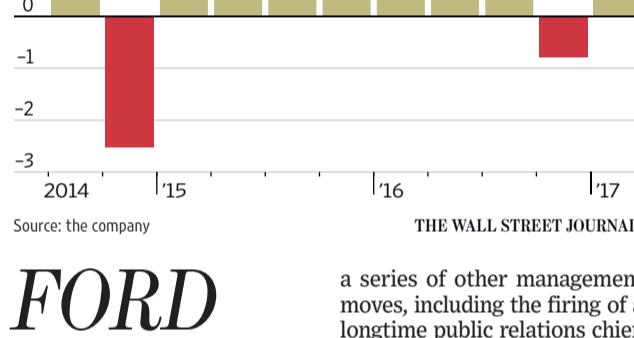
Ford's share price has declined under former CEO Mark Fields...

Share price during his tenure



...but the company's profits have remained solid.

Ford profit/loss, in billions



Source: the company

FORD

Continued from Page One

"needs to take hard actions."

Mr. Fields, who spent 28 years at Ford, couldn't be reached for comment on Monday. Mr. Ford thanked the outgoing executive and longtime ally for taking bold steps during his career, including drawing up a Way Forward restructuring plan that slimmed down Ford's U.S. operations more than a decade ago.

Ford, selling more than 6 million cars globally each year, earned a record \$10.8 billion in operating profit in 2015 and another historically high \$10.4 billion last year.

But when the company's stock market valuation fell behind Tesla's in April, it highlighted Mr. Fields' inability to persuade Wall Street he was ready to reinvent an industry anchored for a century in gasoline engines and steering wheels.

Ford's share price fell nearly 40% during Mr. Fields's tenure. The share price closed Monday at \$11.10, up 2.12% from Friday.

Ford on Monday announced

a series of other management moves, including the firing of a longtime public relations chief, Ray Day. According to people familiar with the matter, the communications department was recently seen as a liability, fumbling Ford's response to President Donald Trump's criticism of Ford's Mexico production plans and failing to articulate a technology strategy. Mr. Day couldn't be reached for comment.

Jim Farley, a Toyota Motor Corp. recruit, credited with turning around Ford's European unit, will become the head of Ford's global markets; Joe Hinrichs, an energetic executive known for manufacturing expertise, will oversee operations.

A relative newcomer to the auto industry, Mr. Hackett, 62, is a bit of throwback to Alan Mulally, a career Boeing Co. airplane engineer who took Ford's helm in 2006 in the twilight of a celebrated management career. Mr. Hackett's reputation was built by modernizing office furniture giant Steelcase Inc. He then took over the University of Michigan athletic department, recharging the campus's vaunted football team by hiring NFL coach Jim Harbaugh.

Mr. Hackett joined Ford's board in 2013, but was asked last year to run Ford's new Smart Mobility innovation unit. That group has grown, though it has struggled to show how multiple experiments and investments will transform the 114-year-old auto giant.

Mr. Ford referenced similarities between Messrs. Hackett and Mulally, saying Mr. Hackett can "capture the hearts and minds of our employees" and

get the company's 200,000-strong workforce rowing in the same "One Ford" direction set by Mr. Mulally.

Messrs. Fields and Mulally worked closely on repairing the balance sheet, restructuring United Auto Worker deals, updating the portfolio and selling off unnecessary brands and appendages, such as Volvo and Jaguar-Land Rover.

As a result, Ford avoided the bankruptcy filings that claimed General Motors Co. and Fiat Chrysler Automobiles NV's Chrysler unit in 2009. Ford therefore had a head start in rebuilding after the financial crisis. It created more innovative products including a more efficient aluminum-bodied F-150 pickup truck that delivers a big portion of Ford's \$10 billion in global operating profits.

Mr. Hackett's to-do list, however, departs from Ford's previous leaders. In an interview, Mr. Hackett said Ford's list of successes and the pressing need for change presents a balancing act: "All the profits and capability are one side and all of the promise is in another."

Ford recently announced investments in ride-sharing companies, a company that makes laser-detection units needed for autonomous vehicles and an artificial intelligence company with a handful of employees, but none of those efforts return profits.

The moves resemble actions taken by GM Chief Mary Barra, who took over a crisis-plagued company six months before Mr. Fields got his job. GM's stock price has languished under Ms.

Barra, but people familiar with the company said she has won the board's confidence through the purchase of San Francisco autonomous-car development startup, Cruise Automation, the launch of an in-house car-sharing service and by investing in Lyft Inc., an Uber rival.

GM unveiled a long-range electric car, the Chevrolet Bolt, at least three years before its crosstown rival. Ford intends to pump \$4.5 billion into electric-vehicle programs through 2020, but it has been slow to introduce vehicles to combat Tesla's growing product line.

Mr. Fields often referred to a company with "one foot in today and one foot in tomorrow." Mr. Ford said he fears that led to a splintered approach with a company culture that had too much concern about hierarchy and a myopic focus on either the current product line or moonshot bets.

"We don't want competing groups," Mr. Ford said. "We don't want one group to feel like they're the cool group and the other group is left out. It's not that way at all."

—Joann S. Lublin
and Mike Colias
contributed to this article.

Jim Hackett's to-do list as CEO departs from that of Ford's previous leaders.

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traditional public and charter schools would have to use the bathroom and locker room of their "biological sex."

The Senate is expected to ap-

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him. If it becomes law, Texas would

join North Carolina as the only two states to enact such legislation.

Opponents say the bill is dis-

criminatory. Senfronia Thompson (D, Houston) likened it to Jim Crow-era laws that forced blacks to use separate facilities from whites. Rep. Chris Paddie (R, Marshall), said "there is absolutely no intent" to discriminate.

The Trump administration

Monday requested a 90-day delay in a lawsuit over billions of dollars in federal subsidies that go to insurers under the Affordable Care Act, providing some relief to insurers who feared the administration would use the court filing to announce it was eliminating the payments.

But the delay would do little to end the uncertainty shaking the insurance industry. President Donald Trump could still terminate the payments, which compensate insurers for subsidies to some low-income consumers and are considered critical to maintaining the stability of the health law's exchanges.

—Stephanie Armour
and Louise Radnofsky

U.S. WATCH



Thousands of demonstrators marched on Monday through downtown New Haven, Conn., to draw attention to unionizing effort by Yale graduate-student workers.

BATHROOM LAW

Texas Moves Closer On Bathroom Curbs

Texas lawmakers are closer to passing a bill that would restrict bathroom use for transgender students, reviving the controversial issue in the final

weeks of the legislative session.

Under the bill, students in traditional public and charter schools would have to use the bathroom and locker room of their "biological sex."

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U.S. NEWS

Millennials' Housing Woes

Hot urban markets result in less building in cheaper suburbs, worsening a shortage

BY LAURA KUSISTO

The rush of young people to U.S. cities over the past few years is partly to blame for America's worsening housing shortage.

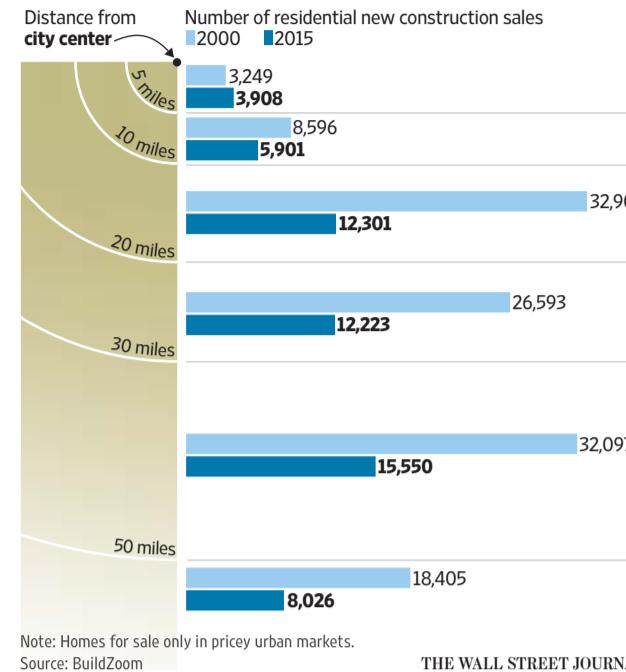
In some of the largest and most prosperous markets, such as New York, San Francisco, Boston and Los Angeles, housing construction has been stronger than normal in the urban core but weaker in the suburbs, where new housing can be built abundantly and more cheaply, according to an analysis released Monday by BuildZoom, a website for construction contractors.

That is a problem because suburbs are typically the main drivers of housing construction. For decades during the late-20th century, suburbs were the place to build, as urban cores suffered from high crime, poor schools and stagnating or shrinking populations.

But preferences have changed among young people, many of whom want to live closer to transit, restaurants and their workplaces. The share of young, educated people living in the urban core of Washington, D.C., for example, increased 8.6 percentage points between 2000 and

City Living

Housing developers are putting much more focus on urban markets and less on the suburbs and exurbs than they did in 2000.



Note: Homes for sale only in pricey urban markets.
Source: BuildZoom

THE WALL STREET JOURNAL

2014, according to Jed Kolko, chief economist at job-search site Indeed and senior fellow at the Terner Center for Housing Innovation at the University of California, Berkeley.

Portland, Ore., and Chicago each saw increases of 6.4 percentage points.

"The expensive cities tend to be shifting toward a paradigm that says having a better location is better than having a fresher, greener, newer

place," said Issi Romem, chief economist at BuildZoom.

As builders have shifted focus toward trendier urban markets and away from cheaper suburbs, they have produced less housing overall than they otherwise might have. At the same time, high land costs in central cities have pushed developers to focus on higher-end housing geared toward high earners instead of younger people just

starting out.

The shift helps explain one of the most vexing aspects of the housing recovery: New homes are getting more expensive and yet there are fewer of them being built than in past cycles.

While new-home sales within 5 miles of the centers of 10 of the country's priciest and most densely populated metropolitan areas have surpassed levels from 2000, they remain more than 50% below where they were in 2000 more than 10 miles out from the centers. The year 2000 is often used as a benchmark for a normal market, before the boom and bust of the mid-2000s.

The study looks only at for-sale housing. More of what tends to be produced in city centers is for rent. And demand for starter homes has been bouncing back in recent months, as millennials get married, have children, and get fed up with rising rents.

The BuildZoom analysis shows that in metro areas where land is less expensive and there are fewer land-use restrictions, exurban starter homes are making a comeback. The takeaway, Mr. Romem says, is that pricey cities need to loosen land-use restrictions in core areas where there is more demand. Allowing for more high-rise condo buildings would make it economical to produce starter homes in these areas as well.

School Admits Sex Abuse By Faculty

BY JON KAMP

An investigation at St. Paul's School, an elite boarding school in New Hampshire, has substantiated allegations of sexual abuse and misconduct against more than a dozen former faculty members and staff, according to a report released Monday by the school.

The 73-page report, based on an investigation led by former Massachusetts Attorney General Scott Harshbarger, names 13 former faculty and staff members and alleges they engaged in "substantiated sexual misconduct."

There were also allegations against other, unidentified former faculty members that didn't rise to the same level of behavior, the report said, and other claims investigators couldn't substantiate.

The investigation covered allegations of sexual misconduct spanning 40 years, from 1948 to 1988.

"Put simply but starkly, several former faculty and staff sexually abused children in their care in a variety of ways, from clear boundary violations to repeated sexual relationships to rape," the report said.

St. Paul's, located in Concord, N.H., with more than 500 students, launched its probe last year following the news that a teacher who left the Episcopal school in 1971 was fired three years later for sexual misconduct at a school in Rhode Island.

A 2000 investigation into sexual misconduct allegations at St. Paul's didn't lead to necessary follow-up work, according to the report released Monday and to school officials.

"We offer our most sincere apology to survivors for the wrongs that were done to them at St. Paul's School and also for the failure to pursue investigations of allegations when they were initially made," school Rector Michael G. Hirschfeld and board of trustees President Archibald Cox Jr. said in a letter to the school community.

A St. Paul's spokeswoman said the school sent the new report to Concord police and notified the offices of the governor and state attorney general.

St. Paul's is the latest private school to disclose problems with sexual misconduct on its campus following a lengthy investigation. Choate Rosemary Hall, an elite boarding school in Connecticut, released a report in April that addressed allegations there.



Bill Cosby arrives at the Allegheny County Courthouse for jury selection in his sex-assault trial.

DON EMMERT/AGENCE FRANCE PRESSE/GETTY IMAGES

Cosby Jury Selection Begins

BY KRIS MAHER

PITTSBURGH—Jury selection in the sexual assault case against comedian Bill Cosby began Monday, hundreds of miles across Pennsylvania from where the trial is scheduled to begin in two weeks.

Judge Steven O'Neill, who will preside over the trial, is overseeing the jury selection at the Allegheny County Courthouse in Pittsburgh. Jury selection was moved to Pittsburgh after Mr. Cosby's lawyers argued that he couldn't get a fair hearing from people in the Philadelphia area, which has been saturated with coverage of the case.

Twelve jurors and six alternates will be bused almost 300 miles east to Norristown, Pa., for the trial, scheduled to begin June 5. Mr. Cosby, 79 years old, is charged with aggravated indecent assault for allegedly assaulting Andrea Constand in his Cheltenham, Pa., home outside Philadelphia in 2004.

Ms. Constand, a former Temple University employee, has said she was there to ask for career advice but that Mr. Cosby assaulted her after giving her wine and pills. A civil case was settled for undisclosed terms in 2006.

Mr. Cosby has said he is innocent and that any sexual contact that occurred was consensual. He faces up to 10 years in prison if convicted.

Last week, Mr. Cosby said in an interview on SiriusXM radio that he doesn't plan to take the stand. He declined to discuss the allegations and said some of his legal troubles "may very well be" the result of racism.

On Monday, the former star of 1980s hit sitcom "The Cosby Show" entered the courthouse wearing a tan sport coat. He was using a cane and holding a man's arm. Mr. Cosby's lawyers have said he is legally blind.

Nearly 50 women have come forward saying they were assaulted by the entertainer. He has denied the allegations, and the statutes of limitations in

many cases have expired.

Mr. Cosby's lawyers sought an outside jury late last year, arguing that media coverage had branded him a "monster" and "sexual predator."

"The pitchforks came out in full force in the fall of 2014, when comic Hannibal Buress called Mr. Cosby a rapist during a stand-up show in Philadelphia," Mr. Cosby's lawyers

wrote in a 2016 court filing.

Prosecutors didn't oppose choosing jurors from another location, but they did object to moving the trial. They said that because "he is a celebrity who is alleged to have committed nearly 50 sexual assaults," Mr. Cosby couldn't expect to find a site where people are "completely oblivious" to the case.

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U.S. NEWS

Lessons for President in a Reagan Scandal



CAPITAL JOURNAL

By Gerald F. Seib

In late 1986, Ronald Reagan was overseeing a presidency in deep trouble.

Because of the Iran-Contra scandal, his job-approval ratings had plunged 16 percentage points in less than two

months. His administration was under investigation by both an independent commission and a court-appointed independent counsel, and there was serious talk of impeachment.

Yet by the time he left office two years later, Mr. Reagan had pulled out of the ditch and overseen a historic makeover of relations with the Soviet Union. He rode out of office with a robust 63% job-approval rating.

What happened? And are there any lessons in this for the Trump administration as it stumbles through the inquiry into Russia's role in the 2016 presidential election?

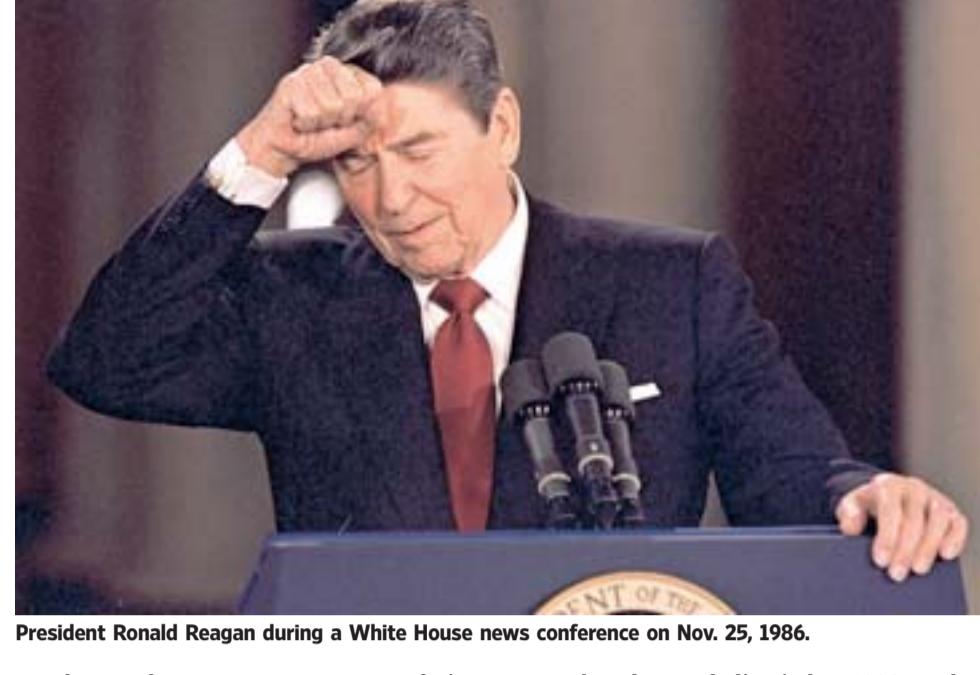
The key to Mr. Reagan's

survival came in early 1987, when he launched a significant makeover of his team, bringing in a new set of Washington pros. He adopted a disciplined approach of allowing the Iran-Contra investigations to play out without interference, while focusing his own energies on achieving some modest domestic legislative victories and more significant diplomatic achievements.

Equally important, his aides and his wife convinced a reluctant president to tell the nation, not once but twice, that he accepted responsibility for the Iran-Contra problem. "We convinced Reagan—and it was worse than 10 root canals—that he had to do a mea culpa to the American people," recalls Ken Duberstein, who was among the group brought in to revive the Reagan presidency.

There are, of course, significant differences between the problems facing Mr. Reagan then and President Donald Trump now. The Iran-Contra scandal erupted well into Mr. Reagan's second term and involved a substantive policy disagreement with Congress, while the questions over Russia's election-year role turn on what happened during the campaign and shortly after he entered office.

The key lesson, though,



President Ronald Reagan during a White House news conference on Nov. 25, 1986.

DENNIS COOK/ASSOCIATED PRESS

may be one that Mr. Trump seems to be resisting. Whereas Mr. Trump appears eager to derail inquiry into the Russian question, Mr. Reagan came to conclude that the air would be cleared only if he allowed both Justice Department and congressional probes to play out to their natural conclusions.

"Iran-Contra" was shorthand for a covert effort by the Reagan national security team to sell weapons to Iran, and then funnel the proceeds to arm the Contra rebels fighting the leftist govern-

ment of Nicaragua. Both ends of this transaction contravened prevailing laws, so the whole operation was an elaborate effort to defy congressional intent.

Mr. Reagan, it turned out, approved the sale of arms to Iran out of a humanitarian impulse: In return for the weaponry, the Iranians helped free American hostages held in Lebanon. But he appeared to be unaware that the proceeds were being used to arm Nicaraguan rebels.

Little of that was clear as word of the operation was

exploding in late 1986. At the end of November, the Reagan administration publicly acknowledged that money had gone to the Contras; fired Oliver North, the National Security Council staff member behind the operation; and appointed a special commission led by former Sen. John Tower to examine what had happened. But real damage control began a couple of months later, when Mr. Reagan cleaned house. He accepted the forced resignation of his White House chief of staff, Donald Regan, and re-

placed him with former Sen. Howard Baker. Mr. Baker, in turn, brought along Mr. Duberstein as his deputy, and, eventually, Gen. Colin Powell as national security adviser and longtime national security figure Frank Carlucci as defense secretary.

The new team sought to resolve the Iran-Contra questions while also separating Mr. Reagan from them. A special channel was set up in the White House counsel's office to handle Iran-Contra issues, freeing the rest of the White House to focus on the other pieces of the Reagan agenda.

The new team also convinced Mr. Reagan to stop making offhand comments about Iran-Contra. Increasingly, presidential attention was focused on reshaping relations with the evolving Soviet Union, which produced a landmark 1987 agreement on nuclear arms.

Along the way, congressional investigations were launched alongside the independent-counsel inquiry. Eventually a handful of Reagan aides were convicted of various transgressions—and later pardoned by President George H.W. Bush. Mr. Reagan, though, survived, and even thrived. Whether Mr. Trump can adopt a similarly open yet disciplined approach is the question of the hour.

Flynn Won't Cooperate With the Senate's Russia Inquiry

By BYRON TAU

WASHINGTON—Former National Security Adviser Michael Flynn said Monday he would refuse to cooperate with a congressional subpoena, invoking his constitutional right against self-incrimination and setting off a legal showdown with Congress over a key witness in its investigation of alleged Russian interference in

the 2016 presidential election. The retired three-star Army general said through an attorney that he wouldn't comply with the Senate Intelligence Committee's demand for documents, citing his Fifth Amendment protection, according to a copy of the letter reviewed by The Wall Street Journal.

Mr. Flynn's short-lived tenure as national security adviser and mounting legal woes

have weighed heavily on President Donald Trump's young administration. Mr. Flynn went from being a high-profile campaign supporter, giving Mr. Trump credibility and advice on security issues, to a continuing source of negative publicity for the administration on Russia and other issues.

Mr. Flynn was forced to resign as national security adviser in February after ac-

knowledging that he had misled White House officials about the nature of his phone conversations with the Russian ambassador to the U.S. during the presidential transition.

His business ties and lobbying work are under scrutiny from congressional investigators, military officials and federal prosecutors in overlapping probes.

Another potential problem for Mr. Flynn arose Monday when Rep. Elijah Cummings (D., Md.), the top Democrat on the House Oversight and Government Reform panel, alleged that Mr. Flynn had misled federal investigators when he told them during his security-clearance renewal last year that he had received no foreign money. Mr. Flynn had been paid by a Russian state-funded television network for a speech in Moscow in 2015, according to a financial disclosure form.

Mr. Flynn's attorney declined to respond to a request for comment.

Previously, Mr. Flynn has said through an attorney that he was willing to cooperate with congressional investigations in exchange for some guarantee that he could avoid prosecution. No such immunity has been granted by Congress.

Beyond Mr. Flynn, a widening circle of Mr. Trump's aides have been asked by congressional investigators to provide interviews or documents.

Former Trump campaign aide Michael Caputo received a letter this month from the House Intelligence panel asking for a private interview and documents. He is expected to cooperate with the request for documents but will insist any hearing be public, said a person familiar with the matter.

Both the House and Senate intelligence panels are conducting probes into alleged

Trump: No Mention Of Israel to Russians

JERUSALEM—President Donald Trump said Monday that he never mentioned Israel in his meeting with Russian officials this month at the White House, but he didn't address whether he shared highly sensitive Israeli intelligence, as U.S. officials have maintained.

Mr. Trump was reacting to a question shouted by reporters to Israeli Prime Minister Benjamin Netanyahu, whom Mr. Trump was meeting with on Monday, as to whether Mr. Netanyahu was concerned about intelligence sharing with the U.S.

Mr. Trump responded by saying he "never mentioned the word or the name Israel" when he met with Russian Foreign Minister Sergei Lavrov and Russia's ambassador to the U.S., Sergei Kislyak, in the Oval Office on May 10.

"They're all saying I did,"

Mr. Trump said. "So you have another story wrong. Never mentioned the word Israel."

U.S. officials have never

said that Mr. Trump mentioned Israel explicitly in the meeting, rather than he shared information provided by Israel. Mr. Trump's national security adviser has subsequently said Mr. Trump didn't know the source of the information when he shared it.

Mr. Netanyahu said "intelligence cooperation is terrific" between the U.S. and Israel, "and it's never been better."

The classified information that Mr. Trump shared concerned terrorist threats against airlines. It was meant only for U.S. officials.

Israel provided it to the U.S. as part of a longstanding intelligence-sharing agreement that is predicated on mutual assurances of secrecy, U.S. officials have said.

Mr. Trump's national security adviser, H.R. McMaster, said last week that the counterterrorism information that Mr. Trump shared in the meeting with Russian officials "was wholly appropriate." Mr. McMaster said that the president "wasn't even aware of where this information came from. He wasn't briefed on the source."

—Carol E. Lee

Russian interference in the 2016 election on behalf of Mr. Trump against Democratic candidate Hillary Clinton, including whether there was any collusion between Russia and his campaign. Russia has denied any interference, and Mr. Trump has called the investigation a "witch hunt."

As part of its own Russia investigation, the Senate Intelligence Committee has been seeking documents from Mr. Flynn since late April.

The Senate now has several options to try to enforce its subpoena and assert its au-

thority to conduct investigations of the executive branch. It could vote to hold Mr. Flynn in contempt and take the matter to civil court, or it could ask the Justice Department to consider criminal prosecution.

The whole matter has taken on a new urgency in the past two weeks with Mr. Trump's dismissal of FBI Director James Comey and the appointment of former FBI Director Robert Mueller III as special counsel handling the Justice Department's criminal inquiry.

—Natalie Andrews contributed to this article.

WASHINGTON WIRE

JUSTICE DEPARTMENT

Sanctuary Cities Are Narrowly Defined

Attorney General Jeff Sessions announced an official definition of sanctuary cities on Monday, defining the term in a narrow way that likely sidesteps big fights with local officials over immigration enforcement, at least for now.

In a memo, Mr. Sessions said "sanctuary cities" are local jurisdictions that bar officials from communicating with federal authorities over immigration. By that definition, big cities—even those that call themselves sanctuaries for undocumented immigrants—are currently in compliance.

Still, Mr. Sessions held out the possibility that the Justice Department might try in the future to condition grants on compliance with other elements of the ad-

ministration's enforcement agenda.

"Going forward, the Department, where authorized, may seek to tailor grants to promote a lawful system of immigration," Mr. Sessions wrote. For now, though, he said any jurisdiction that wishes to receive Justice Department grants must certify that it is in compliance with the statute known as section 1373, which requires open communication.

—Laura Meckler

NATIONAL SECURITY

Information Sought On Russia Meeting

A U.S. senator is pressing the National Security Agency for information about "security sweeps" conducted after President Donald Trump met with senior Russian officials in the Oval Office this month and whether any listening

or recording devices Russia may have used were discovered.

The meeting with Russian Foreign Minister Sergei Lavrov and Russian Ambassador to the U.S. Sergei Kislyak was covered by a photographer from a Russian state news agency, Tass. American reporters weren't allowed.

In a letter sent to NSA Director Mike Rogers on Monday and reviewed by The Wall Street Journal, Sen. Tammy Duckworth (D., Ill.) said she was "troubled by President Trump's decision to ban American press from the meeting" and raised concerns that the encounter afforded Russia an opportunity to conduct surveillance.

The White House has said the Russian journalist's equipment was subjected to the same screening as that of other members of the press who cover events in the president's office.

—Shane Harris

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U.S. NEWS

Budget Aims To Cut Taxes, Programs

President Donald Trump on Tuesday will propose a plan he says will balance the federal budget in a decade on the strength of substantially faster economic growth and cuts to taxes and government safety-net programs.

Programs that would see dramatic cuts include Medicaid, food stamps, disability benefits, welfare and student loans. The White House says the planned tax cuts can gener-

By Peter Nicholas,
Kate Davidson and
Nick Timiraos

ate more revenue for the government rather than reduce it.

Mr. Trump's budget proposal—the clearest window yet into the new president's expectations and priorities—now goes to Congress, which will decide whether to turn the vision into reality. It is sure to face a difficult road on Capitol Hill, despite Republican control, given competing factions within the GOP and the near certainty of blowback from Democrats.

Budget director Mick Mulvaney, briefing reporters on Monday, described how Mr. Trump arrived at the blueprint, personally going over proposed cuts line by line and delivering a verdict: "Yes" or "No."

Mr. Trump himself won't be on hand to sell the plan in Washington. He is on his maiden overseas trip as president, traveling through the Middle East and Europe.

The budget would cut overall spending by \$4.5 trillion over a decade. That includes reductions to decades-old safety-net programs most identified with Lyndon Johnson's Great Society push of the 1960s. Those cuts would more than offset a short-term boost in funding to the military, \$200 billion on infrastructure investment and \$19 billion on a new parental leave program.

Among the reductions, the president's budget proposes \$250 billion in saving over a decade through the repeal and replacement of the Affordable

Care Act, President Barack Obama's signature legislative policy. Those savings would come largely through reductions to Medicaid, the federal-state health insurance program for low-income people. Other unspecified reforms to Medicaid and the federal Children's Health Insurance Program would shave another \$616 billion from government spending through 2027.

As a candidate, Mr. Trump promised not to cut Medicaid. Asked about that pledge, Mr. Mulvaney said that much of the Medicaid cuts spring from changes included in the health-care overhaul that has passed the House and which Mr. Trump favors.

Some budget analysts said Republicans may resist spending cuts for safety-net programs, particularly as they pursue tax cuts that would lower rates for businesses and high-income households.

"Politically that is extremely difficult," said William Hoagland, a former congressional Republican budget aide who is now at the Bipartisan Policy Center in Washington. "You're talking about tax reform that would appear on the face of it to benefit the upper-income brackets while you're reducing support to the lower-income groups."

Underlying the plan to eliminate the budget deficit, the White House is projecting a decade of rosy economic conditions—3% growth, steady inflation of 2%, the jobless rate rising slightly to 4.8% and modest interest rate increase.

One big question is whether much faster growth is achievable; the U.S. is already nearly eight years into an economic expansion with a low unemployment rate of 4.4% and the Federal Reserve raising short-term interest rates, which tends to curb growth. No expansion in history has lasted longer than 10 years. Moreover the economy has been held back by slow productivity growth and declining labor-force participation as the baby boom generation retires.

The Fed projects the econ-



The budget, above, includes cuts to Medicaid, food stamps, disability benefits and student loans.

The Trump Budget

Over the coming decade, the Trump administration says its policies would cut \$4.5 trillion in spending while raising revenues by \$1 trillion. Some highlights:

NEW SPENDING over a decade

\$200B Public-private infrastructure investment

\$29B Expand the Veterans Choice program

\$19B A new parental leave program

SPENDING CUTS over a decade

\$616B Medicaid and the Children's Health Insurance Program

\$193B Food stamps

\$143B Student loan program changes

\$72B Disability programs

\$63B Reduced retirement benefits for federal employees

\$40B Overhaul Earned Income Tax Credit and Child Tax Credit

\$38B Curb certain farm subsidies

\$12B A new solvency standard for unemployment insurance

Source: White House Office of Management and Budget

THE WALL STREET JOURNAL.

Trump Proposal Will Kick Off the Next Fiscal Fight

President Donald Trump is releasing his fiscal 2018 budget on Tuesday, the beginning of what could be a challenging, lengthy battle in Congress. Here's a guide to the budget path ahead:

What happens next?

Administration officials, including budget director Mick Mulvaney and Treasury Secretary Steven Mnuchin, will testify on Capitol Hill later this week to explain and defend the plan. Congress will get to work on its part after the Memorial Day recess.

What does Congress do first?

The House and Senate bud-

get committees will write their own plans, known as budget resolutions. They are broad blueprints. To get adopted, the same version of the budget must get through the full House and Senate. Both chambers are controlled by Republicans, and they don't need Democratic help to adopt a budget.

What else is in the congressional budget resolution?

The resolution is likely to contain what are known as reconciliation instructions. Those are directions to certain committees telling them to write legislation on taxes or mandatory spending programs that don't have to be funded anew each year, such as federal employees' retirement benefits and the Medicare and Medicaid health-care programs for elderly and low-income Americans. If a budget is adopted,

those reconciliation bills can speed through the Senate with simple majority votes and bypass the filibuster, which requires 60 votes to overcome.

Why do Republicans want reconciliation instructions?

Republicans plan a major rewrite of the U.S. tax system, and the budget resolution is like the key to the door that unlocks that prize.

Will it be easy for Republicans to agree on a budget?

No. The party is divided among those who prioritize defense spending, balancing the budget and cutting taxes. Placating each of those groups will be very challenging, especially in the Senate, where any three Republicans can derail the process.

—Richard Rubin

conomy will grow at a 1.8% annual rate in the coming years and the Congressional Budget Office projects 1.9% growth.

The administration is counting on tax and regulatory changes to stimulate growth. Faster growth, in turn, is projected to help reduce demand for safety-net programs such as food stamps and welfare.

Taken together with aggressive spending cuts the Trump administration says it can bal-

ance the budget by reducing outlays by \$4.5 trillion over 10 years and increasing revenues—even with cuts in tax rates—by \$1 trillion. Republicans have yet to coalesce around a common plan for cutting corporate and individual tax rates and face procedural hurdles to advancing a program, leaving the tax strategy a work in progress.

At Mr. Trump's direction, the budget includes no cuts to the

most popular entitlement programs: Medicare and Social Security's retirement insurance program, Mr. Mulvaney said.

The president's budget would impose new work requirements for able-bodied individuals to participate in the Supplemental Nutrition Assistance Program, also known as food stamps. It would also phase in a requirement that states match federal funding for the program, changes

aimed at saving roughly \$193 billion over the coming decade.

The budget would also limit eligibility for the earned-income tax credit and the child tax credit, trimming \$40 billion of spending over the next 10 years, and would slash funding for disability insurance by \$72 billion. Other spending cuts include \$143 billion from changes to student-loan programs and \$63 billion in reduced retirement benefits for federal employees.

Thousands Remain Beyond Visa Terms

BY LAURA MECKLER

WASHINGTON—More than 700,000 foreigners who were supposed to leave the country last year stayed beyond the terms of their visas, though some of them later departed, the Department of Homeland Security said Monday.

That figure represents less than 1.5% of the more than 50 million visitors whose visas directed them to depart in fiscal year 2016, which ended Sept. 30. Though the vast majority of visitors left on time, the report suggests a substantial number of people are living in the U.S. illegally who arrived with legal papers.

Most of the attention around illegal immigration involves people who cross into the U.S. illegally, but experts say more than 40% of the estimated 11 million undocumented people overstayed their legal visas and that a majority of newly arrived illegal immigrants came legally and then stayed past their return dates.

Congress has long pressed for a biometric entry and exit system to track foreigners. Biometric information is captured when people enter the U.S., but exit data is currently based on manifests from airplanes and ships that must be cross-referenced with other databases.

Efforts to track air exits using biometric data such as facial-recognition software are still being tested. The Department of Homeland Security said it is committed to completing a biometric system that would cover all visitors.



Protesters in Fort Lauderdale, Fla., on Sunday backed extending the program for displaced Haitians.

Quake Victims Get Reprieve

BY LAURA MECKLER
AND ALEJANDRO LAZO

WASHINGTON—The Trump administration said Monday that it was extending by six months temporary protections for Haitians displaced by the devastating 2010 earthquake, but signaled it would end the program and send home most of the 58,700 affected Haitians living in the U.S. after that.

The decision is a mixed result for activists, who had pushed for an 18-month renewal, as has been granted in the past. Homeland Security officials said Haitians now living in the U.S. should use the next six months to prepare for the likelihood that they will be required to leave then.

"This six-month extension should allow Haitian TPS recipients living in the U.S. to attain travel documents and make other necessary arrangements.

ments for their ultimate departure from the U.S., and should also provide the Haitian government with the time it needs to prepare for the future repatriation of all current TPS recipients," Homeland Security Secretary John Kelly said.

Administration officials signalled they also will reconsider the Temporary Protected Status program now in place for nine other countries, saying these designations will be examined with "a fresh set of eyes" and mindful of what Congress mandated.

Some advocates welcomed the news, relieved that the program for Haitians wasn't being terminated immediately. "The Trump's administration's decision to renew TPS for six months is a bittersweet victory for the Haitian community and the grass-roots activists who engaged in an unprecedented campaign to pressure DHS Secretary Kelly," said Jose

Magaña Salgado, managing attorney at the Immigrant Legal Resource Center. He is glad the program was extended but complained, "the Haitian community continues to be forced to live in limbo, planning their lives out only a few months at a time."

In the case of Haiti, a senior Homeland Security official said, the law allows the administration to look at conditions as affected by the earthquake, not other problems that make life enormously difficult there. If the problems caused by the earthquake have been mitigated, he said, the protective status program that allows Haitians to live here should be terminated.

Haiti's designation followed a 7.0 magnitude earthquake in 2010 that killed as many as 220,000 people. Administration officials made clear that they believe Haiti has largely recovered from that disaster.

High Court Rejects Voting Districts

BY JESS BRAVIN
AND REID J. EPSTEIN

WASHINGTON—The Supreme Court on Monday found that North Carolina's congressional map was illegally drawn to concentrate black voters in two oddly shaped districts.

The full court agreed that the Republican-controlled legislature improperly designed District 1, which extends from the Virginia line to Durham, to pack in more black voters than reasonably necessary to protect African-American political rights.

But it was sharply divided over District 12, which runs through the state's center south to Charlotte. Splitting from fellow conservatives, Justice Clarence Thomas, the court's only African-American, joined four liberal colleagues

to rule that GOP mapmakers, aware that blacks overwhelmingly support Democrats, illegally used race as a proxy for party when it pulled black neighborhoods out of other districts to remake District 12.

"A state may not use race as the predominant factor in drawing district lines unless it has a compelling reason," Justice Elena Kagan said in the majority opinion. She was joined by Justices Thomas, Ruth Bader Ginsburg, Stephen Breyer and Sonia Sotomayor.

The ruling marks the court's second rebuke in as many weeks to the North Carolina General Assembly, which courts repeatedly have found sought to entrench GOP power by illegally undermining black participation in the political process. This month, the court refused to review a lower-court decision that threw out the state's 2013 law imposing identification requirements and other

impediments to voting. A federal appeals court in Richmond, Va., last year struck down the voting barriers after finding they "target African Americans with almost surgical precision."

Racial gerrymanders long have been illegal, but the court has never found that a partisan gerrymander—one designed to secure a majority party's advantage—violates the Constitution. Monday's decision, Democratic strategists and some legal experts said, may make it harder for Republican mapmakers to cluster black voters in a minimum

number of districts by asserting they were targeting these voters for party preference.

"If the partisan gerrymander is in part to effect a racial outcome, that's something the court is going to be skeptical of," said Marc Elias, a Democratic campaign lawyer who argued the case for black voters.

"We have the utmost respect for the Supreme Court, but it is challenging for our lawmakers to draw congressional districts that the courts will accept when the courts regularly change the rules state legislatures must follow when drawing them," a spokeswoman for North Carolina Senate President pro Tempore Phil Berger, a Republican, said.

◆ Supreme Court ruling curbs patent lawsuits..... B1

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WORLD NEWS

U.S. Shift Prompts Angst in Iraq, Lebanon

Some lawmakers fear the administration's pivot will undermine security in the region

President Donald Trump's overture to Muslim leaders in Saudi Arabia has raised concern and anger in Shiite-majority Iraq and among the

By Maria Abi-Habib
in Beirut and
Margherita Stancati
in Riyadh

Christian, Shiite and Sunni population in Lebanon, two of America's most important regional partners in the war on terror, which maintain good relations with Shiite Iran.

The president's speech on Sunday—which singled out Tehran and its proxy, the Lebanese Shiite militia Hezbollah, while cementing the U.S. alliance with Sunni power Saudi Arabia—marked a departure from the Obama administra-

tion's efforts to engage Iran and drew rebukes from Shiite and Christian lawmakers, as well as rights activists.

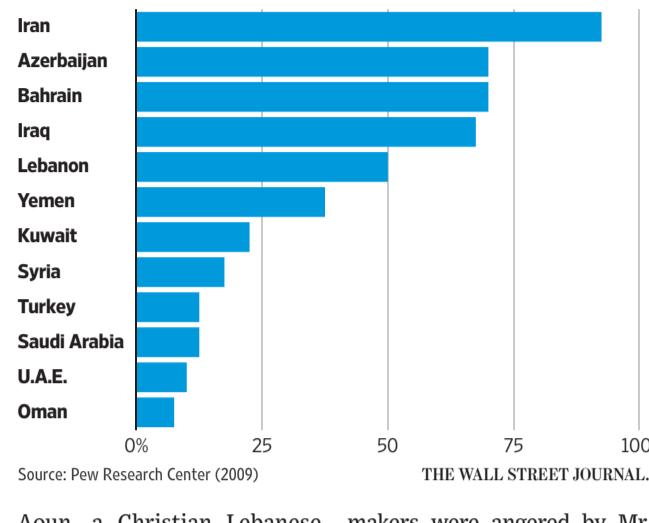
Lebanon stands to be most affected by the new U.S. policy. Hezbollah wields significant political power at home and is fighting in Syria to keep ally Bashar al-Assad in power. Mr. Trump's approach could end up alienating the government and its army, which the U.S. considers one of the most adept in the region in the fight against Sunni terror groups al Qaeda and Islamic State.

Lebanese politicians expressed concern their government would be drawn further into the bitter regional power struggle between Iran and its allies and the Saudis and theirs. Although Hezbollah has government positions and a powerful militia, the rest of the government and national military try to remain neutral in regional affairs.

"We seek friendship with everyone, but not at the stake of our own nation," said Alain

Sectarian Divides

Percentage of Muslim population that is Shiite



THE WALL STREET JOURNAL.

Aoun, a Christian Lebanese member of parliament. "We're worried. If U.S. and Iranian relations deteriorate dramatically, it will definitely sweep up Lebanon."

In Iraq, which has close ties to both Iran and the U.S., law-

makers were angered by Mr. Trump's comments, which they said would undermine their country's security by threatening Iran's. Iraqi forces are currently fighting alongside American troops against Islamic State. Iraqi lawmakers called for

the Saudi ambassador to be summoned and rebuked for the Riyadh conference that Mr. Trump addressed on Sunday. Parliamentarian Mohamed al-Saihood on Monday called the forum a "sectarian summit" aimed against Shiites.

Mr. Trump's speech glossed over the Gulf's past role in spreading religious extremism and played down U.S. interests in protecting human rights in the region.

Newly re-elected Iranian President Hassan Rouhani responded defiantly on Monday. He stood by Hezbollah. He also said the path to peace in the region was through dialogue, but warned at the same time that Iran would strike back if struck first.

Sectarian rivalries are already helping to fuel multiple wars in the Middle East. And Saudi Arabia has a history of interference in its neighbors' affairs and stoking sectarian tensions—notably in its current war against the Iran-linked Houthis in Yemen.

"The region needs less Saudi and less Iran. Otherwise it'll be two models of governance, two geopolitical contenders that can deploy religion as a weapon if and when needed," said Emile Hokayem, a senior fellow at the International Institute for Strategic Studies.

Secular citizens of the region and human-rights activists also said they were dismayed by Mr. Trump's speech, which signaled the U.S. wouldn't push for the Gulf to improve its human-rights record. Human-rights concerns were a point of contention between the Obama administration and America's traditional allies in the region.

"The speech oversimplified the problems in the region or ignored others altogether. Trump didn't talk about governance or the responsibility of states to their citizens, issues which have fueled extremism," Mr. Hokayem said.

—Ghassan Adnan
in Baghdad
and Asa Fitch in Dubai
contributed to this article.



Western Wall Visit Highlights American-Israeli Differences

BY RORY JONES
AND CAROL E. LEE

JERUSALEM—President Donald Trump became the first serving U.S. leader to visit the Western Wall, a shrine holy to Jews that has emerged as a source of discord between the U.S. and Israel.

The disagreement between the two allies over sovereign claims to the wall touches on a sensitive subject—not only for Israel but for other Middle East nations, including Jordan, Egypt and Gulf states.

The wall lies in territory Israel captured from Jordan in the 1967 Six-Day War, land that Israel considers its own

and that Palestinians want as part of a hoped-for future capital. The White House has refused to acknowledge that the wall is in Israeli territory, instead saying it is located in Jerusalem.

Israeli media last week reported that Prime Minister Benjamin Netanyahu requested to join Mr. Trump at the Western Wall, but was told by U.S. officials that the wall wasn't in Israeli territory.

Mr. Netanyahu's office then issued a statement saying it was shocked by the reported U.S. comments. The State Department responded by questioning the accuracy of Israeli media reports that outlined a

bitter argument between Israeli and U.S. officials.

Secretary of State Rex Tillerson on Monday again refused to say the wall is inside Israel.

Mr. Trump was accompanied to the wall by a Jewish rabbi. Wearing a kippah head covering, he placed his right hand on the wall and rocked back and forth, seemingly in prayer. The president then left a personal note in the crevices of the wall, a common gesture.

In the current climate, Mr. Trump's visit to the wall walked a fine line. The U.S. leader showed he supports the Jewish connection to Jerusalem while not endorsing Israel's claim to the holy site.

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WORLD NEWS

Israel Offers Measures To Improve Lives of Palestinians

BY RORY JONES

TEL AVIV—Israel agreed to economic measures aimed at improving the lives of Palestinians in the West Bank ahead of a visit by U.S. President Donald Trump, whose administration has pushed for such initiatives to help restart peace talks.

The measures, decided at a meeting of the government's security cabinet on Sunday, include allowing construction of Palestinian residences in the area of the West Bank under Israeli control. Prime Minister Benjamin Netanyahu's office said on Monday, a controversial issue for right-wing Israelis who don't want to give up the land.

The government also agreed to smooth operation of border crossings from the West Bank into Israel; determine land that could be used for Palestinian industrial use; and examine an extension of a train line from Israel to the Palestinian territory that could increase commerce and the flow of people between them.

The security cabinet said it would create a committee to manage the measures over a three-year period. White House officials have said improving the lives of Palestinians is a key policy goal.

Mr. Trump arrived in Israel on Monday afternoon for a two-day visit. He met with Mr. Netanyahu in Jerusalem and will meet on Tuesday with Palestinian Authority President Mahmoud Abbas in the West Bank city of Bethlehem.

Husam Zomlot, the Palestinian diplomatic representative to Washington, welcomed the Israeli moves as long as they are genuinely enacted. But he expressed skepticism that Israel would follow through with the measures.

TRUMP

Continued from Page One
with Mr. Trump's predecessor, former President Barack Obama.

Mr. Trump also became the first sitting U.S. president to visit the Western Wall in Jerusalem—and threaded a diplomatic needle in the process. The shrine is holy to Jews, and Mr. Netanyahu expressed appreciation to Mr. Trump for the visit.

But by appearing without Israeli officials at his side, Mr. Trump avoided frustrating Palestinians and Arabs who would have seen that as an implicit endorsement of Israel's claim to the site, which lies in territory Israel captured from Jordan in the 1967 Six Day War and that Palestinians want as part of a hoped-for future capital.

As Mr. Trump flew to Tel Aviv, Secretary of State Rex Tillerson tempered expectations, telling reporters traveling with the president that a three-way meeting between the U.S., Israeli and Palestinian leaders is "for a future discussion."

"I think there will certainly be opportunities for that in the future," Mr. Tillerson said.

Mr. Netanyahu faces limits on his ability to negotiate the establishment of a Palestinian state, in that he has political coalition partners unwilling to consider such an outcome.

Palestinians, on the other hand, are unwilling to accept anything less than a Palestinian state. Nor are other nations in the Arab world, despite positive overtures to Israel amid shared concerns about Iran.

"Iran isn't enough to bring people together over the table," David Makovsky, a fellow at the Washington Institute and veteran peace negotiator. "The more people talk about the Gulf standing shoulder to shoulder with Israel, people will ask whether there can be more overt ties."

Mr. Makovsky said the best the U.S. president could currently hope for would be to get Messrs. Abbas and Netan-



Above, Israeli President Reuven Rivlin, left, with U.S. President Donald Trump and Israeli Prime Minister Benjamin Netanyahu on Mr. Trump's arrival Monday in Tel Aviv. Below, a poster in downtown Jerusalem welcoming Mr. Trump.

yahu to agree to direct talks without either side demanding something first.

Israel offered a gesture to Palestinians on Monday, announcing a set of measures aimed at improving the Palestinian economy. Palestinians said it would be important to see how the Israelis follow through on the move.

Israelis for their part hope to hear positive comments from Mr. Abbas during his meeting with Mr. Trump. Mr. Netanyahu has been pushing for the Palestinians, as a gesture toward peace, to stop making payments to families of Palestinians killed or caught while attacking Israelis.

Mr. Trump is focusing on pressing Israeli and Palestinian leaders to negotiate in good faith. White House officials say leaders from both sides have agreed in principle to direct talks, though it is unclear whether or when those would begin.

The U.S. president began speaking hopefully about peace from the moment he ar-

rived in Tel Aviv. Later, in a meeting with Mr. Netanyahu, Mr. Trump described Saudi leaders as "very positive" in their feelings about Israel, with relations between the two countries shaped by a mutual desire to counter Iranian aggression.

"It's forcing people together in a very positive way," Mr. Trump said. "I could see a much deeper path to friendship with Israel and...a lot of it's spurred on by what's happening in Iran."

Mr. Netanyahu expressed hope that one day he could fly between Tel Aviv and Riyadh, as Mr. Trump did.

Saudi Arabia doesn't recognize Israel's right to exist, even though it has privately worked with the country in recent years.

The meeting between the U.S. and Israeli leaders centered on the budding rapprochement between Israel and the Arab world, playing down risks posed by disagreements between Israel and the

U.S.

But the new U.S.-Saudi arms deal raised concerns in Israel. The U.S. has long committed to a policy of maintaining Israel's superior defense capabilities—or "qualitative military edge"—compared with its neighbors in the Middle East. The Obama administration agreed to \$3.8 billion in annual military aid last year, increasing the size of the package for a 10-year period.

Israel's energy minister Yuval Steinitz on Sunday questioned the size and scope of the U.S.-Saudi deal.

"Hundreds of millions of dollars in arms deals is something we need to get an explanation for," he told Israeli media in comments confirmed by his spokeswoman. "We need to ensure Israel's qualitative military edge is maintained."

Mr. Tillerson said that the deal wouldn't affect the longstanding U.S. commitment to Israel's security. Mr. Tillerson said the president and other U.S. officials could address any concerns the Israeli government has about the deals.



MENAHEM KAHANA/AGENCE FRANCE PRESSE/GTET IMAGES

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WORLD NEWS

Pyongyang Revs Up Missile Work

BY JONATHAN CHENG

SEOUL—North Korean leader Kim Jong Un's call to mass produce a relatively new missile it test-launched for the first time just three months ago underscores the isolated country's rapid progress in building up a range of capabilities for its growing missile arsenal.

While most U.S. policy makers remain concerned about North Korea's ability to deliver a nuclear-tipped missile to the continental U.S., the speedy development of the Pukguksong-2, or the Polaris-2, highlights how quickly North Korea is mastering other critical missile technologies that are making Pyongyang a bigger threat to the U.S. military and its allies in East Asia.

The missile, while not designed to reach beyond most of the U.S. bases in South Korea and Japan, can be fired with almost no preparation time from the back of a mobile launcher, giving North Korea more stealth in its launches, as well as the ability to retaliate in the case of a strike against it, experts say.

The North first publicly tested the Polaris-2 in February, in a successful launch of a missile that it said it had adapted from a submarine-launched ballistic missile it launched last year. It test-launched the Polaris-2 again in April, the same month it paraded the missile through the streets of central Pyongyang for the first time.

On Monday, Mr. Kim declared the Polaris-2 "very accurate" and ordered mass production of the missile for military deployment, the state-run Korean Central News Agency reported.

The progress, just three months from first public test to mass production, is a reminder of North Korea's commitment to its missile program, in defiance of international condemnation and sanctions pressure.

"The North Koreans put their best brains on this one," said Joshua Pollack, a senior



North Korean leader Kim Jong Un, above, described the test launch of the intermediate-range ballistic missile Pukguksong-2 as 'very accurate' and ordered mass production of the missile. Below, an image from the test taken from North Korean state TV on Monday.

research associate at the Middlebury Institute of International Studies in Washington.

The declaration of success with the Polaris-2, which the U.S. calls the KN-15, comes just a week after North Korea launched a new missile, the Hwasong-12—which experts say is capable of flying 2,800 miles, more than enough to reach the U.S. base in Guam and farther than any weapon that North Korea has successfully fired to date. Both the Polaris-2 and Hwasong-12 are capable of carrying nuclear warheads, North Korea said.

The Polaris-2 has a shorter range than the Hwasong-12, flying roughly 310 miles in each of its two successful launches. The Polaris-2 missile was fired on Sunday at a steeper-than-usual trajectory, and would have flown 780 miles if it were launched at a lower angle, David Wright, codirector of the Global Security



YONHAP NEWS/ZUMA PRESS

Program at the Union of Concerned Scientists, wrote in an analysis of the launch.

But unlike the Hwasong-12 and the vast majority of the missiles in North Korea's arsenal, the Polaris-2 is a solid-fueled missile. Traditional liquid-fueled missiles require substantial fueling time, making them potential targets for a pre-emptive U.S. airstrike.

In contrast, solid-fueled

missiles such as the Polaris-2 can be wheeled out on the back of a truck and fired with virtually no fueling time. That gives North Korea more capabilities, in particular giving Pyongyang the ability to fire back in the event of a U.S. pre-emptive strike on its main nuclear and weapons sites.

If the Polaris-2 is reliable, said Daniel Pinkston, a North Korea expert and professor at

Troy University in South Korea, "it gives them greater survivability since the launch preparation time is greatly reduced compared to liquid-fueled missiles."

Mr. Pinkston estimates North Korea has about 1,000 missiles, with new ones constantly in production. The bigger limiting factor for North Korea, he added, is the number of launchers, which is much smaller.

Mr. Pollack, of the Middlebury Institute, said the Polaris-2 marks "a big breakthrough" for North Korea, since Pyongyang also appears to have designed launch vehicles to deploy the missile.

Because North Korea can make these vehicles at home, it makes the country less reliant on imports, which are vulnerable to sanctions restrictions.

"They can expand the operational missile force pretty much to their hearts' content," Mr. Pollack said.

Blast at Bangkok Hospital Injures 21

BY ASSOCIATED PRESS

BANGKOK—A bomb exploded at an army-run hospital in Bangkok on Monday, the third anniversary of a military coup in Thailand, and authorities said 21 people were wounded.

Investigators found remnants of batteries and wires at the scene of the blast on the ground floor of Phramongkutklao Hospital, said Srivara Ransibrahmanakul, Thailand's deputy national police chief.

"We can confirm at this stage that it is a bomb," he said.

It wasn't clear who was behind the explosion or if it was linked to the anniversary of the 2014 military coup that overthrew a democratically elected government.

But army chief Gen. Chalermpai Sittisart said it appeared that the explosion and two earlier blasts in recent weeks used similar explosive materials and were likely part of an attempt to disrupt the government.

"All of this was conducted with the goal of creating disorder to the administrative work of the government and NCPO," he said, referring to the National Council for Peace and Order, the official name of the ruling junta.

But he cautioned that "we shouldn't conclude anything yet" about who was behind the attack.

The blast wounded 21 people, one of them severely, said Lt. Gen. Saroj Kiewkajee, a hospital official. Thirteen were discharged soon after the explosion.

Earlier, police said 25 people had been wounded.

Phramongkutklao is a military-run hospital that is also open to civilians. Since the 2014 coup, there have been at least six explosions in Bangkok.

THE FUTURE OF EVERYTHING

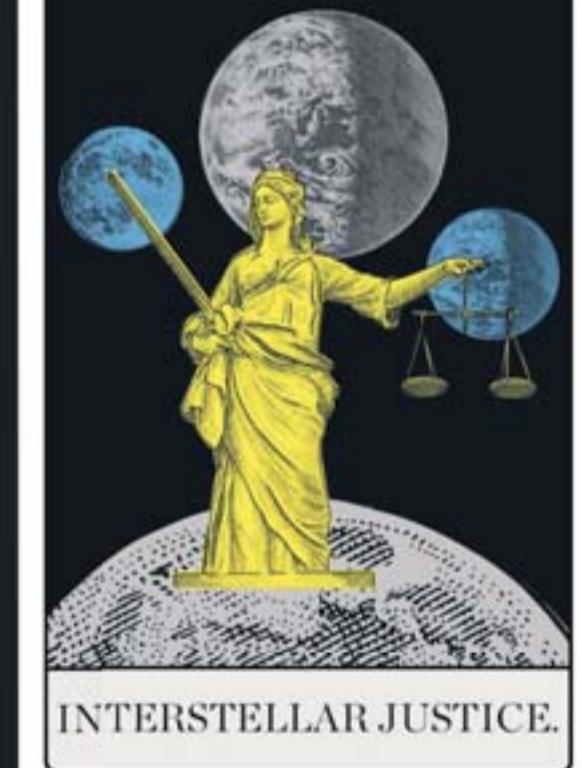
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WORLD NEWS

Turkey Summons U.S. Envoy Over Clash

Protest extends outcry over melee between Erdogan's security, protesters last week

BY NED LEVIN
AND FELICIA SCHWARTZ

ISTANBUL—Turkey's Ministry of Foreign Affairs summoned the U.S. ambassador to protest what it called "aggressive and unprofessional actions" by U.S. security toward Turkish bodyguards during President Recep Tayyip Erdogan's visit to Washington last week.

Clashes involving Turkish security personnel, supporters of Mr. Erdogan, protesters, and District of Columbia police sent nine people to the hospital.

Mr. Erdogan's visit was marred by competing accounts from U.S. and Turkish officials about the violent confrontation, and tensions between the two sides have continued to escalate over the incident.

Local police, U.S. lawmakers and demonstrators said members of Mr. Erdogan's security detail took part in an unprovoked attack on protesters



ADEM ALTAN/AGENCE FRANCE PRESSE/GETTY IMAGES

Turkish soldiers escorted suspects accused of involvement in last year's coup attempt to a court inside the Sincan Prison in Ankara for the start of their trial on Monday.

outside the Turkish ambassador's residence in Washington.

The U.S. State Department said it summoned the Turkish ambassador last week to express its concern over the incident, which D.C. police, the Secret Service and the State Department are investigating.

The summoning of U.S. Ambassador John Bass on Monday added to Turkey's challenges of the prevailing narrative in Washington by casting blame on U.S. security personnel for unprofessionalism outside the Turkish Embassy, as well as unspecified

"lapses of security" throughout Mr. Erdogan's visit.

In a statement, the Ministry of Foreign Affairs called for an investigation into the behavior of U.S. security toward the bodyguards of Turkish Foreign Minister Mevlut Cavusoglu in front of the Turkish Embassy,

which it said was "contrary to diplomatic rules and practices." It wasn't clear whether that criticism covered the incident outside the ambassador's residence, which is in a different location.

The ministry also condemned "the inability of U.S. authorities to take sufficient precautions at every stage of the official program." A spokesman for the ministry declined to further specify Turkey's complaints, pending the investigation it requested.

Monday's developments came as the trial of 221 suspects, including 27 former generals, accused of being the instigators of last summer's failed military coup opened near Ankara.

The main defendants are Gen. Akin Ozturk, a former air force commander, and other alleged members of the so-called Peace at Home Council—a group on whose behalf a coup declaration was read on state television.

The suspects face life in prison if found guilty of charges that include attempting to destroy the government and the parliament, leading an

armed terror group, attempting to assassinate the president and killing some 250 people, the state-run Anadolu Agency reported.

Last week, the Turkish Embassy said Turkish-Americans who had gathered to greet and support Mr. Erdogan in Washington had responded in self-defense to aggressive provocations by protesters. The embassy didn't mention the Turkish security detail. A narrative of the incident published by Turkey's state-run Anadolu news agency said the fight started after protesters threw water bottles at Turkish citizens.

The Turkish government cast the anti-Erdogan demonstrators as sympathizers with the PKK, the Kurdish separatist group classified as a terrorist organization by the U.S. and Turkey.

On Monday, Turkey's ambassador to the U.S. defended his government's response to the protest and said he was "disappointed" to see what he called sympathizers of the PKK demonstrating outside his residence in Washington.

—Dion Nissenbaum contributed to this article.

ATTACK

Continued from Page One
port system in 2005, killing 52 people. The U.K.'s terror threat alert has been at "severe," meaning an attack is highly likely, since 2014. The only higher ranking is "critical," which means an attack is expected imminently.

U.K. Home Secretary Amber Rudd described the explosion as a "barbaric act."

"The full details of exactly what happened are still emerging, but I am proud of the police and first responders who reacted to this tragic incident so swiftly," she said in a statement.

The explosion happened around five minutes after Ariana Grande had closed her concert with the song "Dangerous Woman," said Stefan Petrovic, who was in a hospitality box with some 15 other people.

Mr. Petrovic described the atmosphere of the concert as lively with the mainly teenage audience getting "carried away" with the music. The lights were on and people had risen to leave, playing and hitting pink balloons that had been let out during the show, he said.

Then he heard an explosion and at first assumed it was a large balloon that had burst. But people began running from the back of the concert hall to the front of the stage, the 27-year-old said.

An employee from the arena came into the box and shouted "you need to get out," he said. At that point people started to cry. "As we left we could smell some sort of explosive," he said.

Pictures taken on mobile phones showed concertgoers running from the back of the arena, with pink balloons rising above the crowd. On social media, users posted dozens of photos of people missing after the explosion. The hashtag #roomformanchester was trending on Twitter through the night, with locals offering accommodation and car rides to anybody stranded in the city. There were reports on Twitter and Facebook that taxis in the city center were offering free rides.

Ms. Grande, according to a spokesman for her management company, said that "she is OK." The singer early Tuesday tweeted, "broken. from the bottom of my heart, i am so so sorry. i don't have words."

The suspected terrorist attack comes in the middle of political campaigning ahead of a general election called for June 8.

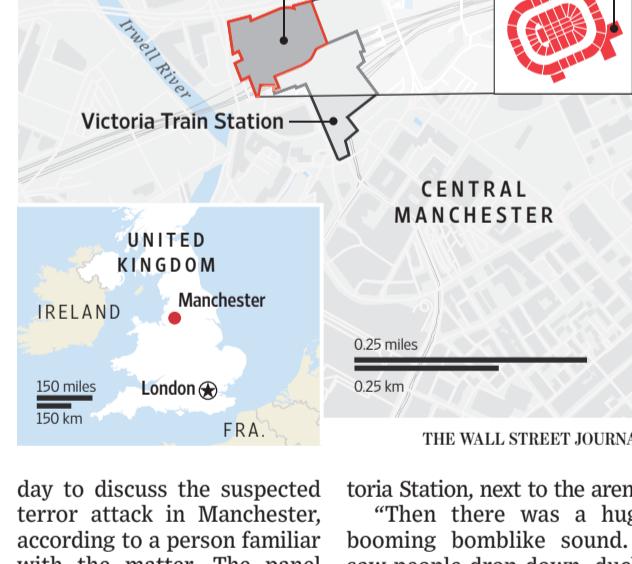
An earlier attack this year in March left six people dead, after a car driver killed four people near the Houses of Parliament in London and then stabbed a police officer to death in London before being shot by police.

It also took place four years to the day after a British soldier Lee Rigby was hacked to death outside an army barracks in south London by two Islamic extremists.

U.K. Prime Minister Theresa May will chair a meeting of the government's emergency "Cobra" committee at 9 a.m. Tues-



People were escorted by police away from the Manchester Arena after the Monday night explosion. The arena tweeted that the blast occurred outside the venue as people were leaving an Ariana Grande concert around 10:33 p.m. local time.



Timeline of Terror

A look at some recent attacks in cities across Europe.

◆ **May 22, 2013, U.K.:** Two British-born Muslim converts drive into off-duty British soldier Lee Rigby in London, then stab and hack him to death.

◆ **May 24, 2014, Belgium:** A gunman kills four people at the Jewish Museum of Belgium in Brussels. A French national with ties to Islamic State is arrested.

◆ **Jan. 7, 2015, France:** Masked gunmen storm the Paris offices of French satirical magazine Charlie Hebdo, killing 12 people. In related attacks, a gunman kills a policewoman and four people taken hostage in a Jewish supermarket in Paris.

◆ **Nov. 13, 2015, France:** A string of coordinated attacks at a soccer stadium, bars, restaurants and a concert venue across Paris leaves 130 dead.

◆ **March 22, 2016, Belgium:** Suicide bombers strike at a Brussels metro station and an airport, killing 32.

◆ **July 14, 2016, France:** Extremist Mohamed Lahouaiej-Bouhlel drives a truck through crowds watching Bastille Day fireworks in Nice, killing 84.

◆ **Dec. 19, 2016, Germany:** Rejected Tunisian asylum seeker Anis Amri rams a stolen truck into one of Berlin's busiest Christmas markets, killing 12. He escapes and travels as far as Milan, where he is fatally shot by Italian police days later.

◆ **March 22, 2017, U.K.:** Khalid Masood plows into pedestrians on London's Westminster Bridge before crashing his car near the gates of Parliament and stabbing a policeman. Five victims die; the attacker is shot dead by police.

◆ **April 7, 2017, Sweden:** A man drives a truck into a crowd in Stockholm, killing four. The suspect, an Uzbek who had voiced sympathy for radical Muslim groups, was wanted for failing to comply with a deportation order.

◆ **May 22, 2017, U.K.:** Suspected terror attack in Manchester, England.

day to discuss the suspected terror attack in Manchester, according to a person familiar with the matter. The panel meets in response to crises. A spokeswoman for Ms. May's Conservative Party said campaigning for the general election would be suspended Tuesday.

Manchester Victoria train station, the city's second-largest mainline rail hub, located

near the arena where the apparent bombing took place, was evacuated and is expected to remain closed Tuesday, according to Network Rail, the organization that manages Britain's trainlines.

"Victoria is located near the arena, the station has been evacuated and all lines closed," Network Rail said.

"Trains are unable to run" to and from the station, it said.

Early Tuesday, police said they had carried out a controlled explosion on a suspicious object near the arena. They later said it turned out to be discarded clothes.

"I must have had about 500 phone calls with parents," she

said. "Hopefully we were able to help a bit in this awful night."

Anne Hidalgo, the mayor of Paris, said in a message on her official Twitter account that "Paris stands with Manchester."

Ninety people were killed in

Paris at the Bataclan theater during a concert in November 2015, as part of a coordinated terror attack on that city.

The greater Manchester metropolitan area, Britain's second-largest urban population with more than two million inhabitants, has suffered previous terrorist attacks dur-

ing a bombing campaign that spanned decades by the Irish Republican Army.

The U.S. government late Monday said it was "closely monitoring the situation" in Manchester and working with its counterparts in the U.K. to gain more information on what transpired.

The U.S. Department for Homeland Security, said it wasn't aware of "a specific credible threat involving musical venues" in the U.S.

—Mike Bird, Georgi Kantchev and Robert Wall contributed to this article.

Desperate Tweets to Help Find Loved Ones

BY ALISTAIR MACDONALD AND GEORGI KANTCHEV

They were looking for Olivia, Lucy, and Chloe and Liam, for cousins, daughters, friends and brothers.

In the hours after a suspected terrorist attack killed at least 19 at a concert in Manchester, England, relatives and friends of people who had attended the event and were still missing sent often desperate appeals for information across Twitter. Thousands retweeted them.

The social media site became a bulletin board for others to offer help. Taxis gave free rides to those trapped in the city center, local residents opened their homes to stranded people, and a hotel acted as a staging post for teenagers whose parents had planned to pick them up outside Manchester Arena.

Several hours after the blast, someone with the account Maddison Allen tweeted that her best friend Lucy was missing. Within a few hours, the post had gotten more than 7,600 retweets and 3,200 likes.

Rebecca Syson asked if anybody had seen her cousin, tweeting a photograph of a teenage girl. Family and friends posted a picture of Chloe Rutherford and Liam Curry, a couple who were at the concert. Charlotte Campbell was looking for her 15-year-old daughter, Olivia.

The Wall Street Journal couldn't verify all the tweets and some of the appeals turned out to be hoaxes.

The hashtag #roomformanchester quickly started trending on Twitter. Rachel Ellis, a blogger and mental health campaigner, used it to offer shelter to those in need.

"I live 15 minutes away and wanted to offer whatever help I could, that concert will have been mostly kids," she said. "Can't begin to imagine how terrified they were."

Paula Robinson, a hospital worker who was out with her husband, said they heard the explosion and then saw dozens of children running away from the concert venue. She took a large group and walked them to a nearby Holiday Inn hotel and started reaching out to parents.

"I must have had about 500 phone calls with parents," she said. "Hopefully we were able to help a bit in this awful night."

But hours later, many parents still hadn't found their children.

Ms. Campbell told CNN she hadn't been able to reach Olivia. She said her husband went looking for their daughter at hospitals without success.

"It's the most horrible feeling...to know your daughter is there and not know if she is dead or alive," she said. "I want her home and I want her safe."

IN DEPTH

BAIL

Continued from Page One
recognition by judges and others that the current system unfairly incarcerates people solely because they can't afford bail amounts as low as \$100, creating overcrowded jails at great cost to taxpayers. Others contend changing the system will improve public safety by preventing those charged with violent crimes who have access to cash from paying their way out.

Momentum for change is coming from both sides of the political aisle. Critics of cash bail range from former Democratic Attorney General Eric Holder to Republican New Jersey Gov. Chris Christie.

In addition, nearly two dozen lawsuits have challenged the constitutionality of setting cash bail without considering an individual's ability to pay it, leading to new procedures in several places. Last month, a federal judge in Houston ordered Harris County, Texas, to stop detaining misdemeanor arrestees if they can't afford bail, finding the practice violates the Constitution's equal-protection rights against wealth-based discrimination. An appellate court is expected to review the case.

The private bail-bonds industry is resisting the push, arguing that a money deposit is still the best way to ensure a defendant's appearance in court.

Long history

Since at least 1835, judges in the U.S. have required arrested individuals to put down money, also known as a bail or bond, as an incentive to appear in court. Defendants who can pay are released, while those who can't remain in jail until trial or until they plead guilty. In most instances, the money is refunded after the cases are resolved, if the defendant makes every court appearance.

Judges typically set bail based on the severity of the charged offense, although bail practices vary widely by state and even by county. Many county judges still use bail schedules, which set dollar values for specific crimes, such as, in San Francisco, \$5,000 for driving with an invalid license.

In most states, those who can't make bail can hire a private bail bondsman, who will charge the defendant a non-refundable fee in exchange for posting bail.

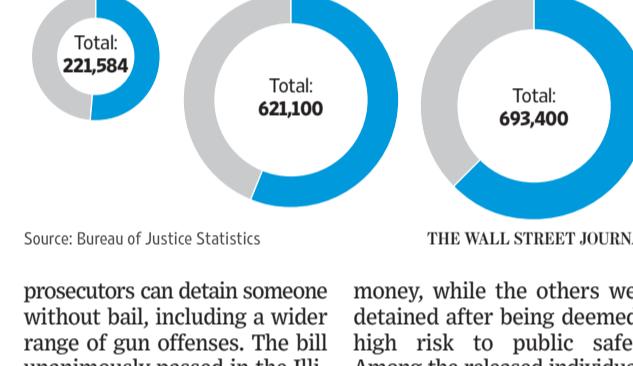
Nearly 500,000 people are awaiting trial in U.S. jails, most of whom are there because they



Pierre Stokes was charged with shooting three people while out on bail. He is now being held without bail in Chicago's Cook County jail, and has pleaded not guilty.

Bail and Jail

As bail amounts have risen, so has the proportion of people in jail who haven't been convicted.



Source: Bureau of Justice Statistics

THE WALL STREET JOURNAL.

can't afford bail, according to the Pretrial Justice Institute, a nonprofit advocacy group. Since 1990, the number of defendants in jail awaiting trial has more than doubled, accounting for nearly 80% of the increase in the U.S. jail population, according to the most recent statistics from the Justice Department. Jails, unlike prisons, hold people awaiting trial or serving short sentences after conviction.

Whether an accused individual should be deprived of his or her freedom before trial is one of the most important decisions in the criminal-justice system, judges said in interviews. One study showed that people who spend even three days in pretrial detention are more likely to plead guilty, lose their jobs, detach from their families and commit crimes in the future.

"If we are keeping in jail people on the basis of the accident of their wallet rather than on the basis of the risk they pose, that's just complete irrational folly for us to do that as criminal-justice policy," said Truman Morrison, a senior judge on the D.C. Superior court.

Those who argue the current cash-bail system allows dangerous criminals with access to money to roam free before trial point to defendants like 26-year-old Pierre Stokes of Chicago.

In June 2015, Mr. Stokes paid \$9,000 to gain release from Cook County jail after he was arrested on a gun charge and aggravated assault. Less than a year later, while out on bail, he shot three people, police say. He is back in jail without the option of bailing out and has pleaded not guilty to the charges. In an interview in the jail's maximum-security ward, he said he has been wrongly accused.

"We continue to see violent offenders returning to the very streets they came from," said Cara Smith, chief policy officer for Cook County Sheriff Thomas Dart. His office is proposing legislation that would expand the circumstances under which

prosecutors can detain someone without bail, including a wider range of gun offenses. The bill unanimously passed in the Illinois senate on May 5 and is being debated in the house.

Other bail critics contend the system leaves too many poor, nondangerous defendants spending long stretches in jail without any finding of guilt or innocence. They are bothered by cases like the one involving Johnnie Smith.

Mr. Smith, 41, who police say had no history of violence and a below-average IQ, spent 534 days in Cook County jail because he couldn't afford to pay a \$100 bond after stealing a television from a friend's house.

He pleaded guilty and served just 13 more days because of his long stretch of pretrial detention.

Instead of using cash bail, many jurisdictions are now releasing low-level offenders and using phone calls to remind them of court appearances. For higher-risk defendants, courts often use electronic monitoring, including ankle bracelets, and require in-person check-ins.

Advocates of reducing the use of money bail point to practices in Washington, D.C., and in federal courts as possible models.

The District of Columbia in 1992 became the first jurisdiction in the U.S. to eliminate cash bail. Last year, almost 95% of individuals arrested there were released without posting

money, while the others were detained after being deemed a high risk to public safety. Among the released individuals, 88% made every court appearance, and 89% weren't rearrested during their release, according to the D.C. Pretrial Services Agency, which supervises defendants awaiting trial. Only 1% of those released were rearrested for a violent crime.

Federal courts hardly ever use cash bail. Under the federal system, defendants can be detained without bail if the government provides evidence the individual poses a flight risk.

Judges can set conditions of release, such as requiring the defendant's family members to co-

Momentum for change is coming from both sides of the political aisle.

sign a bond, often backed by property, in which they would forfeit their assets if the defendant fails to appear in court.

Researchers have estimated that jailing someone frequently costs taxpayers between \$80 and \$150 a day, while monitoring a defendant released pretrial costs between \$5 and \$15 a day.

The Pretrial Justice Institute estimates the U.S. spends at

least \$14 billion a year on pre-trial incarceration.

Mecklenburg County, N.C., had planned to raise \$240 million in 2009 to fund a new jail, but the jail population fell so much after the county began changing its bail practices that year the new facility was no longer needed.

Some sheriffs have raised concerns that eliminating cash bail will reduce public revenue. In Illinois, which doesn't allow private bail bondsmen, county governments retain 10% of every bond paid even if a bond is refunded or charges are dropped.

Brian McFadden, a county administrator for Sangamon County, Ill., said funds from bail payments contribute \$200,000 to the county budget. Defendants who use the jail and court system should share the cost burden, and paying bail is a way for them to have "some skin in the game," Mr. McFadden said. The county, he said, has begun releasing nonviolent suspects without bail, under supervision.

Opponents of overhauling bail say detaining defendants solely based on their risk to public safety is unrealistic. Judges won't have adequate time or evidence to determine whether an individual poses a flight risk, they say, increasing the likelihood that too many people will be released.

Scoring system

New Jersey's new pretrial system allows judges to decide whether a defendant should be released based on a score calculated from the defendant's criminal history and other factors.

Critics have protested some recent release decisions, saying the scoring system overlooks factors such as the defendant's juvenile criminal history.

Christopher Wilson, a 20-year-old registered sex offender who was arrested in January for allegedly soliciting sexual favors from an 11-year-old, had been released by a state judge

after receiving a low score under New Jersey's new bail system. After local prosecutors appealed the decision, the judge in March ordered Mr. Wilson detained until trial. He has pleaded not guilty.

Mr. Wilson's case became part of New Jersey's bail debate. Advocates of overhauling bail say his return to jail shows the process gives judges the flexibility to change their release decisions.

Bail-bonds industry lobbyists say the case shows the new system is causing local residents to fear for their safety.

Jeffrey Clayton, executive director of the American Bail Coalition, a trade association for insurance companies that underwrite bail bonds, said it would be a "make-or-break year" for cash bail. Earlier this year, he traveled to six state capitals—in California, Nevada, Connecticut, New York, Colorado and Texas—in 11 days to try to stop overhaul efforts.

He said he is hopeful the Trump administration will slow momentum for changing bail procedures, including by cutting back on Justice Department grants that help jurisdictions experimenting with new bail systems.

A spokesman for the Justice Department declined to comment.

Bail agents are pouring money into lobbying. Since 2011, bail-bonds companies and insurers have donated more than \$288,000 to the campaigns of Maryland state legislators, including the chairman of the Senate Judicial Proceedings Committee. The state senate recently passed a bill undercutting a court rule that sought to eliminate cash bail in Maryland.

Kirk Shaw, a bail bondsman in Hackensack, N.J., said business is the worst it has been since he joined the industry in 1980. He has gone from six full-time staffers last year to two part-timers this year.

"We have very little business at all," he said. "No one is coming in."

office banana evangelist, offering her co-workers so many they have told her to stop.

A sign next to the stands suggests taking one. (The sign also appropriates a saying from another fruit: "A banana a day keeps the doctor away.") Most visitors take two. Others take close to a dozen, claiming they have hungry co-workers—never, of course, that they hanker to bake banana bread after work. Some post photos on Instagram feeding the bananas to their dogs. The stand offers dog treats for four-legged friends.

"We're banistas, we're not really banista police," explains Mr. Mountcastle, standing beside the wooden wagon on a recent rainy Wednesday.

Mr. Bezos is known to stop by his brainchild banana stand. Once, Mr. Mountcastle offered him a banana fact (banistas share a new one every day): What do you call a cluster of bananas? Answer: a hand.

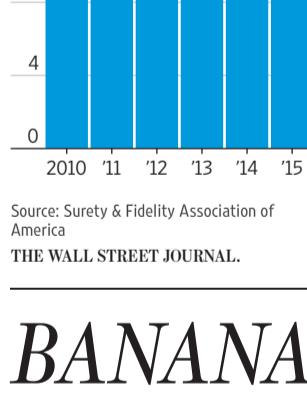
He then asked the CEO what a single piece of the fruit is called. "A finger," Mr. Bezos answered correctly.

"I also would have accepted banana," said Mr. Mountcastle.

BANANA

Threatened Industry

Size of the private bail-bonds industry, by face value of bonds posted nationally



Source: Surety & Fidelity Association of America

THE WALL STREET JOURNAL.

BANANA

Continued from Page One
to change its banana strategy, including featuring a banana-based vegan eggnog and a chocolate banana drink—both hits.

"People have bananas on the brain," Ms. Jouclas says.

At Local Public Eatery, a restaurant next to the original banana stand, customers have slipped up on their manners. "It's very common for them to have bananas when they come in for lunch," says Sam Brown, a manager. Typically, "they eat it at their table," along with whatever food they order. About three to four whole bananas are left behind each day, and they bus away even more peels.

Carly Knox, the manager at Jujubeet, a juice bar five minutes by foot from the original stand, says people jokingly ask if the bananas are free. "Unfortunately, we cannot give those out as freebies," she says. In this case, the "Arrested Development" line that many Amazon fruit patrons quote just isn't true: "There's

always money in the banana stand!"

Amazon has traditionally been more frugal with its perks than other tech companies, which offer dry cleaning, haircuts, cold-brew coffee, nap pods and in-house yoga classes, among other things.

Software developer John Krah recently joined Amazon from a startup that set out a full fruit basket, cereal and milk every day. He thinks "bananas are enough." Now he skips grocery stores in favor of the Amazon stand, saying the economics work.

"Buying one banana is relatively expensive on a unit price, like a dollar," Mr. Krah says, holding up a banana.

"Banistas" oversee the wooden cart operation, stacking up a selection of fruit, which range from green to bright yellow, as fast as passersby can take them. They move about 8,000 a day, Monday through Friday, at the two stands, according to Amazon. Eric Mountcastle, who was promoted last year from front desk receptionist to "bananaman" and team leader, keeps a spreadsheet tracking demand. Apples and other thin-

skinned fruit typically need to be washed and are often wrapped, creating trash. As far as the health codes go, you can hand out bananas and oranges, because they come in their own packaging," says John Schoettler, Amazon's vice president of global real estate and facilities, which in-

clude the banana stands. The stands have a compost bin for peels.

Bananaman Mr. Mountcastle says he frequently fields requests for other types of fruit. "A lot of people have been wanting avocados lately," as well as pears, he says. "Citrus is also very expensive. Ba-

nanas aren't." Amazon buys the bananas from a local supplier.

Kelsey Wildstone, an Amazon data center engineer, lives a few blocks away and has changed her route to work to make sure she can pick up one or two pieces of the fruit. She has become something of an



Amazon.com CEO Jeff Bezos wanted to provide free, healthy snacks to anyone in the neighborhood.

Laura Stevens/THE WALL STREET JOURNAL

GREATER NEW YORK



Tamara Theus helps pre-K students Jenny Zhang and Jaylee Hernandez play a counting game at a school using the Building Blocks program.

City Counts on Pre-K Math Program

By LESLIE BRODY

In a city where 41% of third-graders pass state math tests, education officials are trying to boost children's grasp of numbers, patterns and shapes as early as prekindergarten.

The trouble is, it can be hard to know what works.

The New York City Department of Education bet on a program called Building Blocks that research found had good results in Boston and elsewhere. Mayor Bill de Blasio's administration has launched the program in more than 1,000 prekindergarten classrooms, trained teachers and dispatched coaches to help them use its games, puzzles and hands-on projects.

Yet a 2016 study by the nonprofit research firm MDRC said that Building Blocks had no consistent impact on math skills, language ability or self-control of New York City children. The study compared children in the program with children randomly assigned to "pre-K as usual" classes. It found an early boost from Building Blocks in the fall of pre-K faded out by the end of the school year.

41%

Percentage of city third-graders who pass state math tests

well with lessons designed by the city about plants, families, science and other units, and teacher feedback has been positive. The city is spending \$7.5 million this school year implementing what it calls the "Explore" track, which includes Building Blocks.

"We're putting together what we think makes a curriculum that actually is going to have lasting effects," Ms. Silverstein said. Some education experts have cautioned, however, that success depends

largely on teachers' skills, and their quality varies.

Shira Matterna, a researcher at MDRC, said that perhaps New York City children in Building Blocks didn't show more math skills than peers in "pre-K as usual" because the city has pushed math everywhere. Her study found children typically got 35 minutes a day of playful math in regular prekindergarten; children in Building Blocks classrooms had 12 minutes more daily.

Some parents worry that preschool has become too academic at the expense of free play. Pamela Morris, vice dean for research and faculty affairs at NYU Steinhardt, New York University's school of education, says Building Blocks revolves around games, dialogue and social activities. "It builds on kids' needs for play in effective ways," she said.

P.S. 1 in Chinatown started using Building Blocks for the first time last fall. On a recent morning, two 4-year-olds sat on a carpet with their teacher, Donna Yung-Chan, and her coach, Damaris Rosado. Ms. Yung-Chan laid out a row of 10 numbered cards in order,

face down, and announced she was putting a toy dinosaur on a card with a hidden label of the number 4.

"Where is number 5?" she asked. The goal was to help them visualize a number line, and concepts like "more than" and "between."

A little girl flipped over a card. When she saw she was right, she burst into a smile. "How did you know?" Ms. Yung-Chan asked.

"It comes after 4."

Ms. Yung-Chan turned to her coach. "I told you I can't trick them!"

A teacher for 30 years, Ms. Yung-Chan said Building Blocks added direction to her lessons. "It's tied to objectives and makes your teaching more precise," she said.

NYPD Chief Won't March In Parade

By MARA GAY
AND ZOLAN KANNO-YOUNGS

O'Neill said after testifying at a City Council budget hearing on Monday.

New York Police Commissioner James O'Neill, in a rare public disagreement with Mayor Bill de Blasio, said Monday he wouldn't attend this year's Puerto Rican Day Parade because of plans to honor a recently released convict whose group carried out dozens of deadly bombings in the U.S.

For nearly a year, Messrs. O'Neill and de Blasio have been touting the city's falling crime numbers and presenting a united front on thorny issues including police stops and President Donald Trump's approach to immigration and other issues.

On Monday, an unusual show of daylight emerged over one man: Oscar López Rivera, a 74-year-old Puerto Rican nationalist who was convicted in 1981 of conspiring to overthrow the U.S. government in connection with his membership to Fuerzas Armadas de Liberación Nacional (FALN).

He spent more than three decades in prison until former President Barack Obama commuted his sentence earlier this year before leaving office.

Mr. de Blasio plans to attend the June 11 parade.

Mr. O'Neill described Mr. López Rivera as a terrorist and said he wouldn't participate.

"I cannot support a man who is the co-founder of an organization that engaged in over 120 bombings, six people killed and seriously injuring four police officers," Mr.

The FALN claimed responsibility for more than 70 bombings from 1974 to 1983, including attacks in New York City, Chicago and Washington, D.C. In 1975, the group was blamed for a bombing at Fraunces Tavern in lower Manhattan that killed four people and injured dozens.

A spokesman for Mr. de Blasio said the mayor "respects the commissioner's personal decision."

"The parade is an important cultural event for our city," said Eric Phillips, the spokesman. "The mayor believes Mr. López Rivera served his time and appropriately renounced terror and violence. His involvement isn't good enough reason to boycott an important New York City day."

Mr. López Rivera was never charged with committing acts of violence. He has broad support among the city's nearly 700,000 Puerto Ricans, many of whom see him as part of a long-running political struggle for independence.

City Council Speaker Melissa Mark-Viverito has been outspoken in her support of Mr. López Rivera. Last week, she flew to Puerto Rico to greet him and celebrate his release from house arrest.

Oscar López Rivera "is one of dozens of honorees being recognized at the Puerto Rican Day Parade for his work to highlight the struggles facing the Island," she said in a statement.

After Delay, Cuomo Fills Seats on Appellate Courts

By CORINNE RAMEY

New York Gov. Andrew Cuomo appointed a presiding justice to an appeals court in Manhattan on Monday, filling a position that had been vacant for more than a year.

Mr. Cuomo named Associate Justice Rolando Acosta, who currently sits on the Appellate Division's First Department, as its presiding justice. The intermediate appeals court hears civil and criminal cases from Manhattan and the Bronx.

The governor, a Democrat, also on Monday appointed nine lower-court justices to the appellate division.

The new appointments

mean all justice seats within the state's intermediate appellate courts are now full, state officials said.

Mr. Cuomo has faced criticism for the slow pace of his judicial appointments to these appellate courts. In early 2016, nearly a quarter of the seats on the four appellate courts were vacant.

"I hear concerns from people who practice in front of those courts all the time about the delays in calendaring cases to be heard," said Dennis Hawkins, executive director of the Fund for Modern Courts, an organization that seeks to improve the court system.

A spokesman for Mr. Cuomo said court administrators have

stated the vacancies hadn't affected work flow. "The fact is finding the best candidates takes time and involves an in-depth judicial screening—after which each of these appointees was deemed 'highly qualified,'" the spokesman said.

Justice Acosta was born in the Dominican Republic and raised in the South Bronx and Manhattan's Washington Heights neighborhood, state officials said. He graduated from Columbia Law School.

Before his judicial career, he worked at the Legal Aid Society, a public-defender organization. He was elected as a Supreme Court justice in 2002 and appointed to the appellate division in 2008.

Cognitive Scientist to Lead Barnard

By MELANIE GRAYCE WEST

Barnard College announced Monday that its new president will be Sian Beilock, a cognitive scientist who has focused her research on the way people perform in high-stress and pressured situations.

Ms. Beilock, 41 years old, will take the reins July 1 as the eighth president of the women's college, which is part of Columbia University.

She comes to Barnard from the University of Chicago where she has been an executive vice provost and a member of the psychology faculty since 2005. She is the author of two books and her recent research interests include helping children overcome anxiety and pressure in school,

and studying children's attitudes toward math.

During an interview Monday, Ms. Beilock said she was attracted to Barnard's liberal arts focus and how it educates

**Sian Beilock,
the next
president of
Barnard, has
focused on how
people perform
under pressure.**

women. Ms. Beilock said she has spent her life studying the psychological tools that people can use to perform at their best and under stress, and her focus has been on women and young girls succeeding in

math and science.

"It's just an exciting time to be at a place that really, I think, puts forth those same values—how we help women and students ensure that they are equipped to put their best foot forward," Ms. Beilock said.

Ms. Beilock grew up in the San Francisco Bay Area and earned her undergraduate degree from the University of California, San Diego, and her Ph.D. from Michigan State University. She has a young school-aged daughter and two teenage stepchildren.

She succeeds Debora L. Spar, who left Barnard earlier this year to become the president and chief executive of Lincoln Center for the Performing Arts.

OCEANA

The New Era of Oceana

We are honored to welcome Executive Chef Bill Telepan, formerly of Michelin-starred Telepan Restaurant, into our kitchen.

Bill Telepan is standing in the kitchen of Oceana, wearing a chef's coat and glasses, smiling at the camera. The background shows the restaurant's kitchen equipment and staff.



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GREATER NEW YORK

Court to Hear Case on Doctor Aid in Dying

By ZOLAN KANNO-YOUNGS

Eric Seiff says his mother begged his father to end her life throughout the two years she suffered from breast cancer before dying in 1955. Mr. Seiff told himself at the time he would never prolong his death.

Mr. Seiff, an 84-year-old lawyer, is among those plaintiffs arguing that doctors should have the right to prescribe a fatal dosage of medication, in most cases barbiturates, to mentally competent terminally ill people. Their case against the state is scheduled to be heard May 30 in the New York Court of Appeals in Albany, the state's highest court.

Some disability organizations argue allowing doctors to assist in one's death would put the vulnerable at risk. Health officials should prioritize providing the best treatment to the disabled and ill, said Diane Coleman, president and chief executive of Not Dead Yet, a disability-rights group.

"The proper role of health-care providers and other professionals is to be telling people that their lives are worth living whatever they may experience," said Ms. Coleman, who is 63 years old and has a neuro-



Eric Seiff is one of the plaintiffs arguing doctors should be able to prescribe a fatal dosage of medication.

muscular disability. She is siding with the state in the case.

New York Attorney General Eric Schneiderman, who is representing the state, contends there is no legal basis for giving this right to doctors, and maintains that the issue should be decided by the legislature. The lower courts

have sided with the state and dismissed the case before it could go to trial.

Edwin G. Schallert, a partner with Debevoise & Plimpton, will argue in the Court of Appeals that the plaintiffs have a right to have their argument heard. "Our view is that there should be legal protection around that

decision so that someone who is facing unbearable suffering has an option of achieving a peaceful death," he said.

A spokesman for state Assembly Speaker Carl Heastie said "aid-in-dying is a very sensitive issue," which is being discussed in the chamber.

At the center of the case is

a debate about whether a state statute prohibiting people from aiding in suicide applies to doctors who would prescribe these medications.

The plaintiffs argue that doctors would be helping people who are terminally ill achieve a more peaceful death, similar to when physicians remove patients from ventilators. Those terminally ill people wouldn't be committing suicide, said David Leven, senior consultant for End of Life Choices New York.

"[Suicides] are often done impulsively and violently by people who could continue to live and choose not to. Suicides are tragic," Mr. Leven said. "To the contrary, aid-in-dying is a process in which a person who is going to die is only choosing the means in which they will die."

Ms. Coleman said regardless of the patient's condition, helping someone end their life would be aiding a suicide.

The practice is legal in Oregon, Washington, Montana, Vermont, Colorado and California, as well as the District of Columbia. The plaintiffs said there haven't been many people who have used the medication or reports of dis-

abled people being exploited in those states. Ms. Coleman contends there haven't been enough investigations into the practice in those states.

Timothy Quill, a doctor and plaintiff in the case who treats the terminally ill in Rochester, N.Y., said he would suggest more treatment or therapy for patients who want to die.

"It's only once you've done all those things...and somebody is still ready to go that you look at alternative avenues," Dr. Quill said. If a patient still can't bear the pain, he would suggest other methods such as not eating or drinking, he said.

Ms. Coleman said if people want to end their life, it is their choice. She just doesn't want the medical profession to support it. "Why is our society talking about taking this group—old, ill and disabled people—and carving them out of that policy of suicide prevention," said Ms. Coleman. "To us it seems like here we are being devalued again."

But Mr. Seiff, one of the plaintiffs who was diagnosed with cancer four years ago, said he deserves an option if he ever ends up in the same position as his mother.

NYPD Aims At Opioids Via Proposed Budget Boost

By ZOLAN KANNO-YOUNGS

The New York Police Department said Monday it plans to use some of a proposed funding increase of more than \$400 million in the coming fiscal year for opioid programs.

"It's a crisis that we've never seen before," NYPD Chief of Detectives Robert Boyce said, noting that there have already been 334 fatal opioid overdoses in the city this year, up from 283 at the same time last year.

The NYPD budget would grow to \$5.6 billion for the coming fiscal year under Mayor Bill de Blasio's proposed executive budget. That is \$417 million above the 2017 adopted budget of \$5.2 billion, an increase of more than 8%.

The city must approve its budget before the start of the new fiscal year, which begins on July 1.

The department will have \$17.9 million to combat the opioid epidemic, which Mr. Boyce said drove overall fatal overdoses in the city to 1,300 last year.

The funding will allow the NYPD to assign 84 detectives to launch long-term investigations into each overdose, and 50 lab analysts dedicated to testing heroin. Because much of the heroin is laced with fentanyl, a dangerous chemical, investigators no longer handle the drug at crime scenes.

Governor Shares the Stage at Statehouse



June 1 Eyed for Release of Penn Train Schedule

By PAUL BERGER

The 200,000 rail commuters who use New York Penn Station each day are going to have to wait at least another week to find out just how disrupted the train schedules will be this summer.

Mitchell Pally, a Metropolitan Transportation Authority board member, told the agency's Long Island Rail Road committee Monday that the agency's goal is to release a revised schedule by June 1.

That is just five weeks before Amtrak is expected to reduce service at Penn Station by 20% as it carries out track and switch repairs, and nearly four weeks after Amtrak's Chief Executive Charles "Wick" Moorman said the summer schedule would be announced.

A spokeswoman for NJ Tran-

sit declined to say when the New Jersey railroad expects its revised schedule to be ready. Mr. Moorman announced in April that the national passenger railroad would conduct ex-

tensive track work at Penn Station following two derailments in as many weeks. At the time, Mr. Moorman said he hoped that passengers would learn the extent of the disrupt-

tion the week of May 8.

Amtrak is squeezing several years' worth of work, which normally would be conducted during evenings and weekends, into July and August.

A draft plan of Amtrak's work schedule obtained by The Wall Street Journal shows that the railroad hopes to close several tracks at a time for almost three weeks beginning July 7 and for more than three weeks beginning Aug. 4.

But negotiations between Amtrak, which owns and operates the tracks at Penn Station, and LIRR and NJ Transit, which carry the majority of commuters to the terminal, have dragged on leaving commuters to wonder how painful their summer commute will be.

Asked why the negotiations haven't been completed, Chelsea Kopta, an Amtrak spokeswoman,

said: "All groups are working with the common goal of creating service schedules that minimize impact on the traveling public when we do the necessary upgrades to Penn Station."

LIRR and NJ Transit have stressed that they are searching for an equitable division of pain during the summer.

Nancy Snyder, a spokeswoman for NJ Transit, said: "Our focus remains our customers as they are the ones who will bear the brunt of this harsh reality."

Patrick Nowakowski, president of LIRR, told the MTA committee Monday that the disruption would affect LIRR services during the morning and evening peak hours, but not at other times of the day.

New York Gov. Andrew Cuomo warned that the disruption could overwhelm the region's infrastructure.



CARLO ALLEGRI/REUTERS

GREATER NEW YORK WATCH

CONNECTICUT

Labor Leaders Weigh Job-Concessions Pact

State employees could receive four years of job security if they agree to concessions such as a two-year wage freeze and higher insurance premiums and pension contributions that add up to an estimated \$1.5 billion in savings over two years, according to summaries of a draft framework for a labor concession agreement being considered by labor leaders.

Union officials still need to

decide whether to present the proposal to rank-and-file members for consideration.

Democratic Gov. Dannel Malloy has been seeking \$700 million in labor savings in the new fiscal year beginning July 1 and an additional \$870 million in the second year of the two-year budget.

Cutting state worker costs is considered crucial for covering the state's projected \$2.3 billion deficit in the first year of the approximately \$40 billion two-year budget. The second year is predicted to have a \$2.7 billion deficit.

—Associated Press

NEW JERSEY

Corinthian Students Can Seek to Nix Loans

State officials say thousands of New Jersey residents who attended schools operated by Corinthian Colleges can seek to have their federal student loans canceled.

Attorney General Christopher Porrino said letters have been sent to residents who enrolled in Everest Institute, Everest College, Everest University, Heald College and Wy-

otech.

Mr. Porrino said any canceled loans would include refunds on any payments made.

Corinthian Colleges abruptly ceased operations in 2015.

Federal education officials then determined Corinthian Colleges misrepresented the job-placement record of its graduates between 2010 and 2014.

Mr. Porrino said about 2,200 New Jersey residents are eligible to have their loans canceled.

—Associated Press

TRENTON

Fantasy Sports Bill Passes in Assembly

New Jersey's Assembly on Monday passed legislation to regulate and tax daily fantasy sports.

The Assembly voted 56-15 on a bill that would impose a quarterly fee of 10.5% of gross revenues on daily fantasy sports providers. A bill moving through the state Senate would impose a 9.25% tax rate on daily fantasy sports companies' gross revenue.

—Associated Press

LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

When a Little Agonizing Helps

During the wait for news, taking a pessimistic view is actually best, researchers say; how to 'wait well'

EVERYONE—moms, therapists, rock stars—says the waiting is the hardest part.

It turns out there is a way to "wait well," researchers say.

People who feel anxious or pessimistic or who ruminate while awaiting news fare better than others when it finally arrives, the researchers say. They're more prepared for bad news and more excited about good news.

"If you are blindly optimistic and you haven't steeled yourself for the possibility of failure, you might be caught flat-footed," says Kate Sweeny, an associate professor of psychology at the University of California, Riverside, who studies how people cope with waiting. "But if you've worried, you've done a lot of the psychological work already, no matter the outcome."

Most people find it torturous to wait for personal news—the results of a job interview, a pregnancy test, a medical exam or a bid on a home—whether they anticipate it to be good or bad.

In multiple studies people report that the anticipation makes them feel sick and sleep poorly. They also say they felt psychologically paralyzed, because they couldn't plan for the future, and that this made them anxious. Some studies have shown that people feel better after receiving bad news than they did while they were waiting for it.

In a study published in the journal "Emotion" in February, 2016, Dr. Sweeny and colleagues at the University of California, Riverside, showed that people resort to a number of coping strategies to manage their discomfort while waiting for an outcome. Dr. Sweeny calls this "misery management."

The researchers surveyed 230 law school graduates from 27 law schools, all of whom were awaiting their result on the California bar exam. Participants completed questionnaires about their stress levels and anxiety at several points and reported how they attempted to cope: They braced to fail, especially as they got closer to hearing the news.

They hoped for the best. They looked for silver linings in a potential bad outcome or attempted to play down its implications. ("The bar exam isn't important anyway.") They tried to distract themselves.



JON KRAUSE

They refused to think about the outcome at all.

They also used a strategy called "proactive coping," where they planned how they'd cope if the news was bad. (Who would they call for support? What would they do to move on?)

None of these coping mechanisms worked, according to the study. They failed to reduce the participants' distress—and some even made it worse.

A better way to wait, the researchers found, is when participants agonized through their waiting period, ruminating and feeling anxious and pessimistic rather than attempting to minimize their anxiety and worry. Those who did this responded

more productively to bad news and more joyfully to good news than participants who suffered little during the wait. This is "waiting well."

How do you do it?

Stay in the present.

Research shows that people feel more pessimistic at the beginning and the end of a waiting period. Take advantage of the middle and get absorbed in an activity that forces you into the "flow"—that feeling of time flying by. This will be distinctive to each person, but strive for an activity you find absorbing. Mindfulness meditation has been proven to work. Or you could focus on your breath or a mantra.

Delay your worry for as long as you can.

Set a date close to when you will learn the news and don't allow yourself to worry before then. If you find yourself becoming pessimistic sooner, remember that your worries are a natural part of the waiting process, not necessarily based in reality. Picture a stop sign.

Give in to pessimism at the end.

Remind yourself that everyone feels more anxious at the end of a waiting period, right before they hear the news. And it is healthy to prepare for bad news. Picture how you'd physically brace yourself if you were about to take a fall. Now imagine shoring up your psycho-

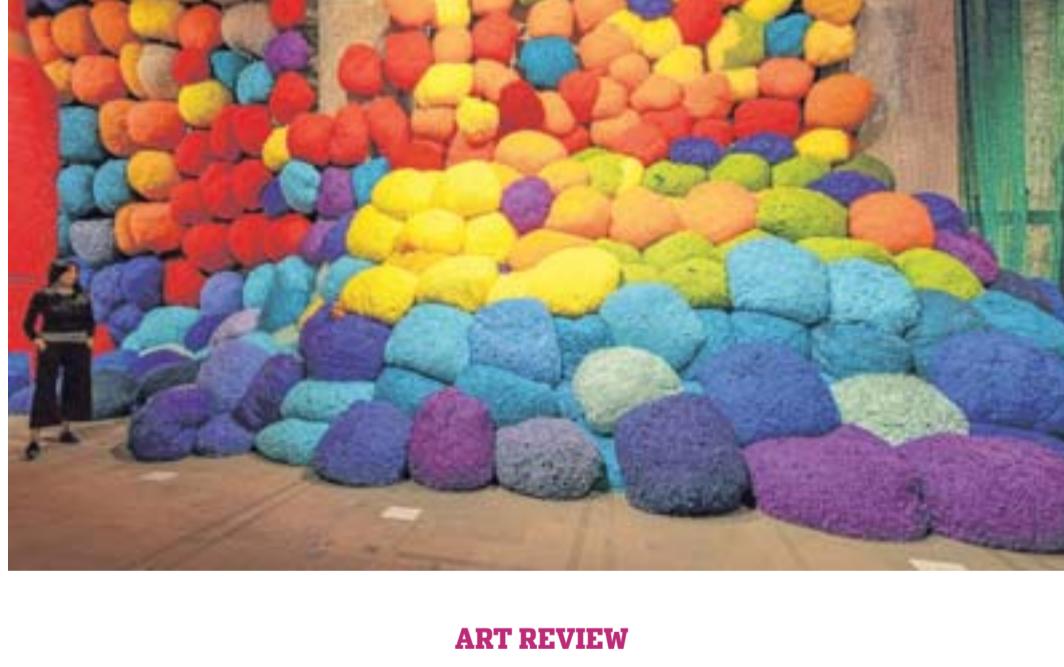
logical resources. What will you do if the news is bad?

Reason with yourself if all else fails.

Ask yourself if there is anything else you can be doing to be proactive, rather than just worrying. (Waiting for the result of a medical test? Check your insurance. Expecting to hear whether your bid on a house was accepted? Look at other houses in the neighborhood.)

"You'll feel like you've taken a little bit of control back from the universe," says Dr. Sweeny.

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ



ART REVIEW

A BUOYANT BIENNALE

BY MOIRA HODGSON

Venice

AT THE GERMAN PAVILION of Venice's 57th Biennale, two Doberman Pinschers are on patrol behind a heavy metal fence. Inside the building, visitors walk over a plate-glass floor, an experience all the more unsettling because young people in black athletic gear are trapped below in sanitized rooms strewn with manacles, mattresses, bars of soap, and steel dog bowls. Accompanied by a pulsing electronic soundtrack or mournful chanting, their faces are emotionless as they crawl along the floor, climb up and fall back.

This chilling dystopia is a per-

formance piece called "Faust" by German artist Anne Imhof. It's riveting, disturbing and a challenge to watch. You want to turn away but can't. Deservedly it won the Venice Biennale's first prize, the Golden Lion, and attracted large crowds.

Thought-provoking work is what you come for at the Biennale, and it's always a thrill to wander through the myriad exhibits. This year there are 86 national pavilions, either in the Giardini park or off site, many in palazzi not normally open to the public. The exhibition in the Arsenale, "Viva Arte Viva," is curated by Christine Macel, director of Paris's Centre Georges Pompidou.

While the last Biennale was bleak and overtly political, Ms. Ma-

cel's show is more buoyant. Exhibits fill the red-brick Arsenale shipyard, which has been divided into nine sections under themes with names such as "Pavilion of Joys and Fears" and "Pavilion of Shamans." The works include conceptual art, film, photography, video, textiles, sculpture, painting and live performance. You can even bring your clothes to be repaired by Paris-based Taiwanese artist Lee Mingwei, who attaches them by a string to a wall of colored reels.

Many of the national pavilions ask unsettling questions about the state of the world, in particular the refugee crisis and political oppression. The Tunisian pavilion makes

Please see VENICE page A14



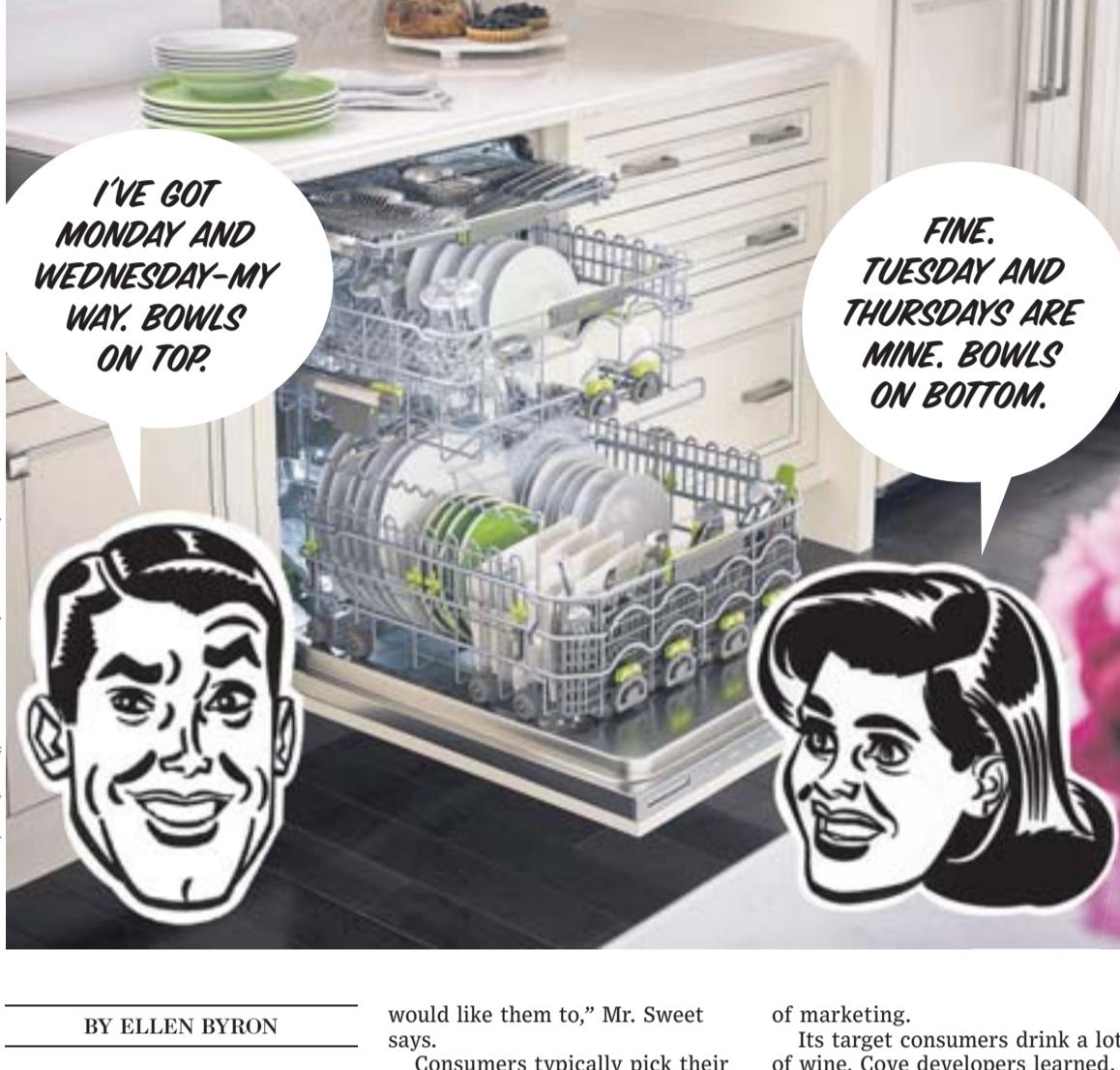
'Escalade Beyond Chromatic Lands,' above left, by Sheila Hicks; above, one of Damien Hirst's works in 'Treasures From the Wreck of the Unbelievable.'

LIFE & ARTS

HOME

To Build a Dishwasher, Sub-Zero Gets the Dirt

Designers studied why we fight over loading and hate puddles on glasses



BY ELLEN BYRON

TO BUILD A NEW luxury dishwasher, **Sub-Zero Group** Inc. developers aimed to clean dirty dishes and ease marital discord.

And they came up with Cove, which Sub-Zero plans early next year to introduce as its first dishwasher. The luxury appliance maker, whose namesake refrigerators and Wolf stoves can top \$10,000, expects its new dishwasher to cost around \$2,000.

Loading the dishwasher is usually among the most contentious household chores. "When we asked the wife or the husband if the other loads it the right way, nine times out of 10 they said 'absolutely not,'" says Jeff Sweet, product marketing manager for Sub-Zero and Cove.

So Cove made adjustable racks so everyone can load correctly. Bright green coatings mark areas of the racks that adjust to better accommodate many different dishes and arrangement quirks. "Children didn't use the dishwasher as much as their parents

would like them to," Mr. Sweet says.

Consumers typically pick their stove or refrigerator first, and design the rest of the kitchen around one of those appliances. "The dishwasher just tags along," says Mr. Sweet. "And it's the hardest-working appliance."

The Cove dishwasher has more than 200 cycle options, 41 jets and three spray arms. Its marketers, though, choose the name Cove because they wanted to convey "a tranquil bay of water," the company says. Quietness is the most important feature to buyers, its research showed. Cove dishwashers will be quiet, it promises, and have an "Extra Quiet" cycle that runs at a slower speed.

Sub-Zero views European luxury brands as its main competitors, so it says its dishwasher will better suit North American tableware styles. Americans tend to use deeper bowls, bigger platters, thicker stoneware, concave plates and larger lasagna pans and casserole dishes, says Brian Jones, Sub-Zero Group's director

of marketing.

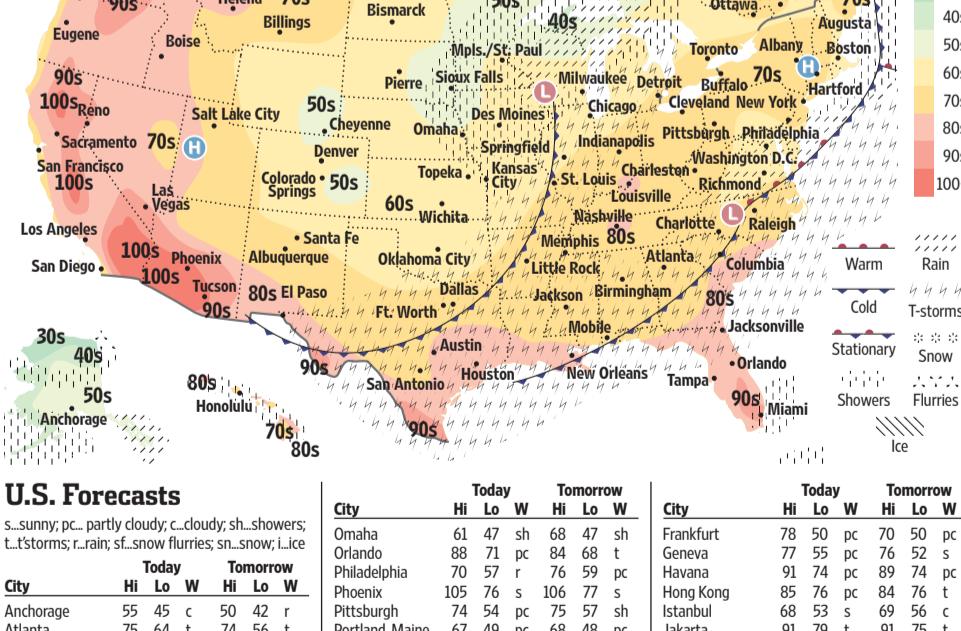
Its target consumers drink a lot of wine, Cove developers learned. "We wanted to be able to put in as many wine glasses as it would allow," says Mr. Sweet. Shelves fold down to hold stemware on the top and bottom racks.

The launch has been delayed repeatedly. Sub-Zero started the project 10 years ago. But when the recession hit, the project was put on hold. It resumed in 2012. Cove designers discovered that during the hiatus, features like sound levels and racking flexibility had become more important to consumers. So they changed designs.

They expected to launch this year, but delayed again to adjust features including Cove's drying cycles and tine angles as well as make the controls that operate the wash cycles more intuitive.

A dishwasher's inability to dry is another major user gripe, Cove developers say. The angling of tines and rack baskets were of particular focus for designers so that water could run off the bottoms of glassware and bowls.

Weather



U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	55	45	c	50	42	r
Atlanta	75	64	t	74	56	s
Austin	81	53	c	85	61	s
Baltimore	67	54	r	74	58	pc
Boise	85	59	s	72	45	pc
Boston	67	56	pc	66	53	pc
Burlington	74	53	pc	77	57	pc
Charlotte	71	62	r	72	61	t
Chicago	69	52	t	61	49	sh
Cleveland	76	56	pc	72	56	r
Dallas	73	55	t	81	59	s
Denver	61	38	sh	78	50	s
Detroit	74	56	c	71	54	sh
Honolulu	85	70	sh	85	72	sh
Houston	82	59	c	82	62	s
Indianapolis	75	56	c	66	55	r
Kansas City	65	48	pc	64	45	r
Las Vegas	98	74	s	102	76	s
Little Rock	75	53	c	68	50	pc
Los Angeles	83	60	pc	74	58	pc
Miami	90	79	s	91	77	t
Milwaukee	64	49	t	58	49	c
Minneapolis	61	47	sh	66	49	pc
Nashville	81	60	c	71	54	sh
New Orleans	80	66	t	77	61	pc
New York City	72	59	r	72	59	pc
Oklahoma City	66	47	t	71	49	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	67	50	pc	69	52	pc
Athens	102	62	t	77	60	s
Baghdad	95	81	t	94	67	s
Beijing	85	77	s	97	79	t
Berlin	74	50	pc	75	57	s
Brussels	70	48	t	73	51	c
Buenos Aires	66	54	c	66	56	s
Dubai	98	78	s	100	83	s
Dublin	69	53	c	69	51	pc
Edinburgh	62	55	c	66	52	pc

LIFE & ARTS



Mark Bradford installation in the American pavilion.

VENICE

Continued from page A13

a point by showing no art at all but putting up kiosks where an "official" issues "universal passports." In the Russian pavilion the work of several artists is shown, bringing together art, video and sound. Grisha Bruskin has created stark, terrifying landscapes filled with tiny, ghostly sculpted figures. In one, a double-headed eagle looms over a crowd marching with raised fists; in another, lines of faceless soldiers spy through binoculars.

Being black, gay and liberal, Mark Bradford at the U.S. pavilion has said he finds himself representing a country that no longer represents him. He's littered the outside with rubble, and getting past the door you must squeeze

around a huge object hanging above your head. He wants you to feel oppressed. You do.

One of the themes of "Arte Viva Arte" is the artist's well-being, so you are greeted at the Arsenale by photographs of Austrian sculptor Franz West having a good nap. This is amusing, but as I continued through the displays of embroideries, woven books, bales of colored wool, hanging sneakers acting as flowerpots, and the like, I began to feel I was at an arts-and-crafts fair. One installation comes perilously close to exploitation: Ernesto Neto's huge gold-mesh tent where members of a Brazilian rainforest tribe sing and chant. Come and watch the natives!

While much of this year's show is weak, some exhibits left an indelible impression. One is the old wooden house, abandoned in a Georgian mountain village, that Vajiko Chachkhiani has erected here. Through its grimy windows you can make out a table set with plates and glasses; a tin washing bowl decorated with large flowers is placed on a chair near a bed. Indoors, a steady rain pours down over everything. It is beautiful but bleak, conveying a feeling of hopelessness, like a scene



Anne Imhof's installation at the German pavilion.

"Wreck of the Unbelievable," are audacious and clever, but ultimately exhausting. The black headless giant that fills several floors in the courtyard of the Palazzo Grassi is powerful, but in the Punta della Dogana where I looked at more and more of his finely crafted renderings of fictional Egyptian heads, Greek armor, gold coins and barnacle-encrusted statues, I found myself wondering where the gift shop was. But, of course, this is the gift shop—if you are a billionaire.

As I walked around Venice, a weird androgynous, middle-aged couple with shaved heads and heavy makeup kept popping up, giving out big smiles as they strolled hand-in-hand. They wore identical clothes—high heels, orange tutus and boletos—and carried white lace parasols and handbags. The couple, a man and a woman from Berlin known as Eva and Adele, consider themselves to be walking artworks. This is what the Venice Biennale is all about, for better and for worse.

Ms Hodgson is the author of *"It Seemed Like a Good Idea at the Time: My Adventures in Life and Food"* (Nan A. Talese/Doubleday).

The WSJ Daily Crossword | Edited by Mike Shenk



- | | | | |
|------|---|----|---|
| 55 | Maybe | 24 | Campbell's offering |
| 56 | Vault | 25 | Steinbeck novel with a title from Genesis |
| 57 | Path to enlightenment | 26 | Unstressed vowels |
| 58 | Letter before iota | 27 | One of 500 in a ream |
| 59 | Aboard | 28 | Barista's creation |
| Down | | 29 | Order to Spot |
| 1 | Nods, perhaps | 30 | Caiman's cousin |
| 2 | "Zip-__-Doo-Dah" | 34 | Almost |
| 3 | Boat's backbone | 35 | Musical that includes the song "The Name's LaGuardia" |
| 4 | Youthful time | 36 | Junior to Senior |
| 5 | Narrow cut | 37 | Like some poker games |
| 6 | Brewery product | 38 | Up to |
| 7 | Junior, to Senior | 40 | Crow cry |
| 8 | The curb is often painted next to them | 41 | Prodigious pipes |
| 9 | Nods, perhaps | 44 | Singer Joan |
| 10 | Brand whose first flavor was Pep-O-Mint | 45 | Electrically hot |
| 11 | Muffin material | 46 | Eva's "Green Acres" role |
| 12 | Singer Joan | 47 | Have __ for (crave) |
| 14 | As __ (generally) | 48 | Teenys pest |
| 17 | Lovish cards | 49 | Trade show |
| 21 | Take to the slopes | 52 | Take to court |
| 23 | John or Paul | 53 | Match division |

Previous Puzzle's Solution

HMS [] OBAMA [] WROTE []
OOD [] LUPI [] IN HONOR []
STANDS [] SPAT [] ITEMS []
TEPEES [] IOTA []
SLEWS [] POCKET [] PET []
STERNS [] SHEAVE []
ITISY [] GETS [] OSCAR []
SUP [] MOSHPIT [] EDS []
AROMA [] SELL [] TREE []
ABOUND [] GILDA []
COFFEE [] POT [] ERASE []
FACE [] HARMON []
SHALT [] NICELY [] PUT []
EMCEE [] ADORE [] USE []
TOERR [] LOWER [] PAR []

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

LIFE & ARTS

MOVIE REVIEW

The Dead: Smothered by Love

BY JOHN ANDERSON

THERE AREN'T many acts in American music that warrant a four-hour, flashback, less-than-linear biopic, especially one as wry, ironic and sad as "Long Strange Trip." But Amir Bar-Lev's documentary on the Grateful Dead is an epic, and one that should not be dismissed by eye-rolling millennials as just another reverie about someone else's youth, or another solemn bout of baby boomer navel-gazing. Yes, the film harks back to the '60s. Whether it's the 1960s or 1860s is an open question.

Fanaticism, the source of "fan," is as American as apple pie; from the Civil War to the Vietnam era, and all the untidy moments in between, Americans have always been vulnerable to spiritual, social, political and even musical obsessions. And weird fixations. And dubious causes. The fundamentalist impulse is almost a default mechanism. Anyone familiar with the Know-Nothing Party, early 20th-century Pentecostalism, the Temperance Movement or the late-20th-century Deadhead is familiar with the American capacity for unblinking, militant belief.

The Grateful Dead fans' worldview won't be undermined by Mr. Bar-Lev. Far from it. The history is well told. The music is occasionally sublime. The interviews are insightful and, now and then, unnerving: The demise of Jerry Garcia, who died in 1995 at age 53, is told in stark, depressing detail. Mr. Bar-Lev is certainly a fan but has enough distance to separate the musicians and their music—an amalgam of folk, rock, bluegrass, ragas, ragtime, country and the kind of old blues recordings made by men who may actually have been insane—from the movement of fanatics who fol-



Donna Jean Godchaux, Jerry Garcia and Bill Kreutzmann in 1978, above; Amir Bar-Lev, Annabelle Garcia, Mickey Hart, Bill Kreutzmann and Bob Weir in 2017, right; Mickey Hart, Bob Weir, and Jerry Garcia in 1977, below.

had a warmly distinctive voice, and that "erratic" was part of the brand.) How the band saw their fans and their fame—and how they should sensibly be seen—is something Mr. Bar-Lev makes uncharacteristically obvious in his use of clips from "Bride of Frankenstein" (1935) and "Abbott and Costello Meet Frankenstein" (1948), favorites of Garcia's. Yes, "Long Strange Trip"—which begins a limited theatrical release Friday and will be available on Amazon Prime on June 2—is a monster movie. The first line of the film, in fact, is from Boris Karloff, as Frankenstein's unhappy Monster (and muttering, "I love dead...").

You laugh, but "Long Strange Trip" is much more tragedy than it is comedy. Over the band's 35-year history, four of its keyboard players died prematurely; one, Vince Welnick, cut his own throat. As critic Nick Paumgarten of the New Yorker notes in the film, there was a subtext of death and dread in much of Garcia's work, specifically the stuff written with lyricist Robert Hunter. The Dead did not sing love songs. The topics were often a little gothic, a little mad, a little evocative of Thomas Hart Benton, or Appalachian

gothic, or Philip Roth's indigous American berserk.

The creator most painfully consumed by the monster was Garcia. Reportedly, Mr. Bar-Lev was encouraged by the surviving band members (who continue to perform in various incarnations) to include more about the post-Jerry band. But the movie becomes more and more focused on Garcia, whose presence on stage late in the game—his once-piratical black beard almost luminously white, his skin ashen, his posture crumbling—is like a nightlight during a ghost story, a story about an otherworldly brand of fame that couldn't be outrun and which smothered the group artistically. Smothered it, in fact, with love.

It wasn't as if they didn't push their music forward, night after night. They did. It just didn't matter: The Dead, for its fans, had moved beyond criticism and Garcia, perhaps alone, seems to have fully known this. As the film explains, he really wanted to reduce his touring obligations in the early '90s. But he was too central to an operation with an extensive payroll; he had too many people dependent on him to stop. So he waited to be stopped. And he was.

—Mr. Anderson is a critic in New York.

A group for whom stardom seemed anathema got swallowed up by it.

lured them around for years on end. His approach mirrors, without aperç or mockery, the free-form aesthetic the Dead tried to capture on stage so many nights, and he creates a sincere tribute to a group for whom the whole idea of celebrity/immortality once seemed anathema. And who got swallowed up by stardom just the same.

As such a case study in incongruity, the Dead story makes a good subject for Mr. Bar-Lev, who has produced several other very thoughtful documentaries that make profound statements, sometimes sideways: "The Tillman Story" (2010), for instance, was about the friendly-fire death of the patriotic Pat Tillman and the paradoxical aspects of that case; "Happy Valley" (2014) was about Joe Paterno and Jerry Sandusky, but also confronted the moral blindness of Penn State football fans.

These films are about hypocrisy, in a certain sense. But they're more about the incompatibility of reality with certain deeply held beliefs. And how, for the faithful, it never really matters.

What did Deadheads believe about the Grateful Dead? That the rambling jams the band embarked on, night after night, were close to holy; that the followers and the followed were all in together; that the Dead were the world's greatest band, never mind that none of them could really sing and their playing was wildly erratic. (It should be said that Jerry Garcia, the bearded, charismatic lead guitarist and centerpiece,

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The Chicago Cubs' Circle of Trust

The team's round clubhouse at Wrigley Field is designed to be a place where players are encouraged to talk to each other

BY JARED DIAMOND

Chicago

BRETT ANDERSON JOINED the Los Angeles Dodgers in 2015 not long after the team unveiled a new home clubhouse at its aging ballpark. He marveled at the modern amenities, the attention to detail and the organization's willingness to help players feel comfortable in their work environment.

But a key element now stands out, one that he hardly considered until signing with the Chicago Cubs this year: the shape.

"It's a long rectangle," said Anderson, a veteran starting pitcher currently on the disabled list. "It feels like you're 100 yards away from some guys."

Anderson noticed the difference because his workspace in Wrigley Field's new clubhouse is so radical by baseball standards: It's a circle.

On the surface, the Cubs' unorthodox design in the facility opened last year, might seem like a minor detail for a team that prides itself in its quirkiness. In reality, however, it provides deep insight into one of the most progressive franchises in all of sports.

"It is a really important clue to the players about what's important," said Sally Augustin, a practicing environmental psychologist and a principal at the consulting firm Design with Science. "It's an unmistakable message."

Led by team president Theo Epstein and general manager Jed Hoyer, the Cubs won their first World Series in more than a century last season because they assembled the league's best roster. They accomplished this not only by acquiring a vast collection of talent, but also by emphasizing in-factors like chemistry and character more than many of their peers.

The round clubhouse exemplifies that commitment by promoting unity and equality within the inherently hierarchical constraints of a team setting. More important, the Cubs wanted to foster collaboration by creating a place that encouraged conversation among unlikely groupings and serendipitous encounters between people who might not normally interact otherwise. David Ross, a former Cubs catcher and current ESPN analyst, called it "a subliminal message they're sending."



The center of the Chicago Cubs' clubhouse. The room has a diameter of 60 feet, 6 inches—the distance between the pitcher's mound and home plate.

In this age of information, the Cubs believed that encouraging their players to talk would give them an advantage. So when Cubs leadership visited other major-league clubhouses in preparation for outlining their own, they paid special attention to features that impeded communication. Though they didn't directly confer with any design psychologists, they noted studies about the benefit of eliminating corners that could hide people from view.

They concluded that most contemporary locker rooms overvalue sheer size, offering players vast amounts of space at the sake of proximity to one another. From that, the Cubs devised the circle, with a diameter of 60 feet, 6 inches—the distance between the pitcher's mound and home plate.

"The common thought is to have as big a locker room as you possibly can," Hoyer said. "Our thought was to go a little smaller on that and more on player intimacy. If it gets too big, people will

feel more spread out."

The players notice the difference. Pitcher Adam Warren arrived in Chicago in December 2015 in a trade from the New York Yankees, only to return to the Bronx in a separate deal between the two teams in July. After only knowing the enormous and luxurious Yankee Stadium clubhouse, which he described as "so big you can almost get lost in here sometimes," Warren saw a different perspective at Wrigley Field.

To reach the weight room or dining area, players walk around the circle, passing by lockers along the way, ensuring that "you would see most guys every day," Warren said.

"It's just the vibe you get when you join that organization," he added. "That's what they preach: team unity. It was already part of the culture, and [the clubhouse] helped bring it out."

Most teams organize locker placement based on defensive position—outfielders next to out-

fielders, relievers next to relievers and so on. This can lead to cliques, something the Cubs hoped to avoid. Though they maintained certain natural clusters—keeping starting pitchers together, for instance—the Cubs didn't hesitate to mix up locker assignments within the circle, allowing different cultures and perspectives to mingle.

"I've talked to more position players so far than I probably have in years past because of the culture of the clubhouse," Anderson said. "You can see everybody regardless of where you're at, so it invites camaraderie and interaction with guys."

Experts say the Cubs' thinking reflects the latest research into mainstream workplace design. Apple's new futuristic headquarters in Cupertino, Calif., is built as a large ring.

Primo Orpilla, a co-founder of the San Francisco-based design firm Studio O+A likened the Chicago clubhouse to the increasingly popular open-plan design, saying

it "is definitely more democratic. If there was any hierarchy, this was the way to neutralize it."

Augustin said that the bonds forged become particularly important in crisis, which for a baseball team "would be at the World Series when there's a tremendous amount of pressure." Indeed, in Game 7 of the World Series last November, Cubs players cited a speech delivered by outfielder Jason Heyward during a late-inning rain delay as a pivotal moment that propelled them to victory.

Of course, the shape of a clubhouse can't compensate for mediocre players. But it seems possible that moving forward, other teams could learn from and model future clubhouses after the Cubs'. They did just win the World Series, after all.

"It's always great to go last," Hoyer said. "Other teams will build a new one and steal ideas from us. That's what should happen. We'd open it up to anyone who wants to see it."

NBA

THE MOST IMPROBABLE UPSET OF THE YEAR

BY BEN COHEN

THE BOSTON CELTICS were on the road without their best player against a team that was undefeated in the playoffs and had blown them out the last time they were on the same court. So their last-second win over the Cleveland Cavaliers on Sunday night was more than surprising. It was the single biggest statistical upset of the entire NBA season.

That kind of shocker is not supposed to happen in the conference finals simply because the point spread between two of the best teams in the league should never be wide enough to let it happen. But teams in the conference finals aren't supposed to lose by 44 points, either, as the Celtics did in Game 2. By the time the Celtics trudged into Cleveland for Game 3—with their leading scorer Isaiah Thomas still in Boston with an injury—they had been left for dead.

The Celtics were 17-point underdogs, according to bookmaker William Hill. That's right: *There was a 17-point underdog in the conference finals.* Their chances of winning the game outright were 17-to-1. You were more likely to wander into a Boston sports bar and sit next to someone who thinks the Yankees are underrated and Dunkin' Donuts is overrated.

The majority of William Hill's bettors still liked the Cavs to cover the spread. And the money line appeared even safer. In the last decade, after all, there have been 153 games with spreads of 16 points or more according to Team Rankings. The record of the underdogs: 2-151.

But the difference between the East's top seed and those other



Celtics guard Avery Bradley hits the game-winning shot in Game 3.

teams is that Boston is actually good. The Celtics also had an incentive to keep playing hard even when they were down by 21 points in the second half: Their season was all but over if they lost.

It seemed impossible that such a huge underdog losing by so many points could actually come back to win—Boston's win probability at one point was 0.2%—only until it wasn't. A buzzer-beating 3-pointer from Avery Bradley became intimately familiar with every part of the rim before it fell through the net to give the Celtics a 111-108 lead. Boston's 0.2% was 0.1 seconds away from 100%.

All it took for the undermanned Celtics to knock off the unbeaten Cavaliers was LeBron James,

Cleveland's best player, having his worst game of the season and Marcus Smart, Boston's worst outside shooter, having the best shooting game of his career. They also needed a go-ahead jumper in the last minute of the fourth quarter from Jonas Jerebko. He averaged 3.8 points this season and didn't get off the bench in Game 1 (or Games 5, 6, and 7 in their last series). Game 4 is Tuesday night—and Boston has opened as a 15-point underdog.

Even if the Celtics lose, though, there are some people who have already won. One gambler at William Hill was brave enough to bet \$1,000 on the Celtics before the game began—and was \$17,000 richer when the game ended.



Tim Tebow leads the minors with a 4.73 ground-ball to fly-ball ratio.

THE COUNT

TEBOW: WELL GROUNDED

Tim Tebow's professional baseball career came with an expected slew of jokes and doubts. Even more so because he signed with the New York Mets, a perennial punchline for baseball wisecracks. But Tebow hasn't actually been terrible. He even hit his third home run of the season on Sunday for the Columbia Fireflies.

And his first two months in single-A have given Tebow a claim that he's the absolute best at something: hitting ground balls.

Entering Monday, Tebow led the minor leagues with a 4.73 ground-ball-to-flyball ratio. Which means on his balls in play, he's nearly five times as likely to dribble it on the ground than he is to hit it in the air. His rate is by far the highest of any of the 993 qualified minor leaguers at any level, according to FanGraphs. Los Angeles Angels outfielder Cameron Maybin has the highest groundball-to-flyball ratio among qualified big-league hitters at 3.30.

Through 35 games, Tebow has hit .230 with 14 RBI. He has also struck out 37 times. In some respect, his three homers are impressive because he so rarely hits the ball in the air. Beyond his three home runs, he has managed to hit just 11 other

Into the Swing

Tim Tebow's stats and where they rank among the 101 qualified hitters in the single-A South Atlantic League:

Batting avg.	.230 (80th)
Home runs	3 (T-29th)
RBI	14 (T-27th)
Strikeouts	37 (T-28th)
Age	29 (1st)
Ground-ball/ Fly-ball ratio	4.73 (1st)

Source: FanGraphs

Note: Through Sunday

WSJ.

outfield fly balls in total.

At a time when baseball has become more home-run dependent than ever, a batter with Tebow's strength (and middling speed) should be expected to hit the ball in the air and for power. But Tebow is doing the exact opposite.

None of this has stopped fans from packing ballparks in the South Atlantic League just to see the former Heisman Trophy quarterback. Besides, his hitting style is strangely reminiscent of his throwing woes in the NFL. In both sports, aiming at the ground isn't ideal.

—Andrew Beaton

OPINION

The Pontiff and the President

Is Pope Francis the Donald Trump of popes?

The Argentine pontiff and the American president meet for the first time at the Vatican on Wednesday. In the run-up to this meeting, the press has been playing up the contrasts: the brash billionaire who celebrates his wealth versus the humble Jesuit who calls the unfettered pursuit of money "the dung of the devil."

The irony here is that Pope Francis and President Trump are more alike than commonly supposed. The similarity begins with how insulting both can be to folks they disagree with. In his presidential bid, Mr. Trump turned name-calling into an art. Jeb Bush became "Low Energy Jeb," Marco Rubio "Little Marco," Ted Cruz "Lyin' Ted," and, most notable of all, Hillary Clinton "Crooked Hillary."

But the Holy Father casts a mean first stone himself. The same man who famously said who-am-I-to-judge had no problem—in the thick of a U.S. presidential election—anathematizing anyone who would even think of building a border wall as "not Christian." Scarcely a year later, just as Mr. Trump was being inaugurated, the pope was back at it, saying he didn't like "to judge people prematurely" even as

he invoked Hitler as a warning about the danger of electing populist leaders.

Mr. Trump is not the only one to feel the papal sting. Manifestly Pope Francis regards a good part of his own flock as deplorable. Whether he's warning Catholic women not to "breed like rabbits" or suggesting that anyone who disagrees with him must suffer from some psychological defect, there is something distinctively Trumpian about the way Pope Francis speaks about his critics.

With all this, the penchant for insults is not nearly as dispiriting as another Francis-Trump commonality that gets almost no attention: The zero-sum mentality each brings to the debate about trade and a liberalized global economy.

Mr. Trump famously rails against trade deals such as the North American Free Trade Agreement as helping Mexicans and other foreigners at the expense of Americans. Long before he arrived in the Oval Office, he campaigned on the idea that U.S. companies were unpatriotic if they relocated factories overseas. In this cramped view, whether they labor in these factories on their home soil or come here to find work, Mexicans are no more than job-stealers.

Alas, the pope is the other side of the same materialist coin. He treats commerce from North America as but the latest form of *yanqui* imperialism rather than the liberating investment ordinary Venezuela.

Latin Americans so desperately need. He betrays not the slightest understanding of the difference between a genuine free market—in which a little guy with a good idea can challenge the business status quo—and the crony variety that predominates in his native Argentina and much of his home continent.

Donald Trump and Pope Francis may be more alike than anyone realizes.

Typical is the pope's railing against "unfettered" or "unbridled" capitalism—an abstraction that exists nowhere on this planet. Typical too is this line from his apostolic exhortation "Evangelii Gaudium," in which he excoriates a world where "it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points?"

Awkward question for His Holiness: Isn't this a perfect description of the silence on the human tragedy that is today's Venezuela, a once-rich nation whose people are now reduced to picking through garbage heaps to ward off starvation? The pope complains about "an economy that kills," but it isn't free-market Hong Kong where citizens are being killed by their economy. It's socialist Venezuela.

For his part, Mr. Trump sees Mexican workers as a threat. But the Mexican people have as much of a moral right to compete for their place in a global economy as we do—which includes competing for U.S. investment and manufacturing. As for Mexicans coming here to work, no one likes illegality, but Mr. Trump would have a far better time addressing the problem if he could first acknowledge the reality that, at least in free societies, human beings are assets and not liabilities.

Unfortunately, Mr. Trump's low view of Latin American labor is matched by the pope's crude and materialist understanding of North American capital and capitalism. Never does it occur to Pope Francis that one reason economies supposedly based on greed do better by the poor than socialist or "third way" rivals is that, in a system of voluntary exchange, competition means that to succeed businesses must please their customers.

No one would ever confuse the Golden Rule with the breaking down of barriers that stop people from voluntarily exchanging their goods and services across borders. But for the poor struggling to build a future of hope and dignity and possibility for their families, the two are not as far apart as thought. The real tragedy of Wednesday's Vatican get-together is that neither the president nor the pope is in a position to let the other in on it.

Write to mcgurn@wsj.com.

A Debate on America's Role—25 Years Late

By Walter Russell Mead

Watching Donald Trump on the world stage must be surreal for the academics, politicians, diplomats and soldiers of the foreign-policy establishment. They haven't been this alarmed since the Senate failed to ratify the Treaty of Versailles. Yet Mr. Trump is merely a symptom of America's greatest problem in international affairs, and the crisis in foreign policy will not disappear when he leaves office.

The roots of the problem go back to the late 1940s,

disappeared, the U.S. should retreat.

After World War I, and again at the start of the Cold War, Americans had held great debates over whether and how to engage with the world. But that debate didn't happen after the Soviet collapse. Elites felt confident that the end of history had arrived, that expanding the world order would be so easy and cheap it could be done without much public support.

When the U.S.S.R. fell, elites envisioned a new U.S.-led order. Voters were skeptical.

Instead they install untried outsiders who want increased focus on issues at home. Thus Clinton over Bush in 1992, Bush over Gore in 2000, Obama over McCain in 2008, and Trump over Clinton in 2016.

Today the core problem in American foreign policy remains the disconnect between the establishment's ambitious global agenda and the limited engagement that voters appear to support. As Washington's challenges abroad become more urgent and more dangerous, the divide between elite and public opinion grows more serious by the day.

The establishment is now beginning to discover what many voters intuitively believed back in the 1990s.

Building a liberal world order is much more expensive and difficult than it appeared in a quarter-century ago, when America was king. Further, Washington's foreign-policy establishment is neither as wise nor as competent as it believes itself to be.

Meantime, the world is only becoming more dangerous. North Korea threatens to take America hostage. The Middle East burns. Venezuela descends into chaos. Jihadist groups develop new capacities. A failing Russia lashes out. The European Union risks breaking apart. China presses toward regional hegemony. Trade liberalization

grinds to a halt. Turkey turns away from democracy. And the U.S. still lacks a strong consensus on what its foreign policy should be.

Washington's foreign policy needs more than grudging acquiescence from the American people if it is to succeed. How to build broad support? First, the Trump administration should embrace a new national strategy that is more realistic than the end-of-history fantasies that came at the Cold War's conclusion. The case for international engagement should be grounded in the actual priorities of American citizens. Second, Mr. Trump and other political leaders must make the case for strategic global engagement to a rightfully skeptical public.

For much of the establishment, focusing on the Trump administration's shortcomings is a way to avoid a painful inquest into the failures and follies of 25 years of post-Cold War foreign policy. But Mr. Trump's presidency is the result of establishment failure rather than the cause of it. Until the national leadership absorbs this lesson, the internal American crisis will deepen as the world crisis grows more acute.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.

A Triathlon Is Easy Next to Soviets and Polio

By Jake Halpern

In two weeks I'm competing in a triathlon—on a relay team with my in-laws, Polish immigrants in their mid-60s. My mother-in-law, Barbara, is a three-time cancer survivor who lost the use of one eye because of radiation treatment. She'll do the 1.2-mile swim in 60-degree water. My father-in-law, Mirek, who had polio as a child, will do the 56-mile bike ride, across very hilly terrain, on his one good leg. And me? I'm doing the 13.1-mile run.

But as a healthy 41-year-old, I don't have any against-all-

odds story line.

My wife, Kasia, it should be noted, is doing the entire race: swim, bike and run. This is fine with me because, honestly, she has always been three times the man I am. Kasia was born in 1975 in Warsaw. These were the cold, hard days of communism. She recalls the winter when temperatures dropped to 22 below zero and the school's

coal-fed heating system failed. Put on your coats and hats, the teachers told students, before resuming class. No one complained because it would make no difference.

</p

OPINION

REVIEW & OUTLOOK

Voting Rights Confusion

State legislatures have been trying to figure out how much they can or should consider race when redrawing political districts and on Monday the Supreme Court increased the confusion. In a 5-3 decision, the four liberals plus Justice Clarence Thomas struck down North Carolina's congressional map, ruling that the district lines were drawn in a way that disadvantaged black voters.

After the 2010 census, North Carolina Republicans drew up a congressional map that moved more black voters, who tend to vote Democratic, into two districts. Republicans said their motivation was partisan, with an eye toward improving Republican odds in other districts. Democrats challenged the law on grounds that by altering the concentration of black voters, the gerrymander violated the Constitution's guarantee of equal protection.

In her opinion for the Court, Justice Elena Kagan wrote that race was the predominant factor in redrawing the maps and that "a State may not use race as the predominant factor in drawing district lines unless it has a compelling reason" (*Cooper v. Harris*).

Yet under the 1965 Voting Rights Act, state legislatures are required to take race into account when drawing district lines. When North Carolina drew its maps, it sought pre-clearance from the Obama Justice Department. In its application, the state noted that the increase of black voters in District 12 to 50.66% from 43.77% "maintains, and in fact increases, the African-American community's ability to elect their candidate of choice in District 12."

Democrats argue that those numbers are evidence of impermissible concentration of black voters. But the legal uncertainty has created a tightrope for state lawmakers, who must find a balance between impermissible black vote dilution and impermissible black vote concentration. If they fail to take race into account when redrawing districts, they can fall afoul of the 1965 Voting Rights Act. If they take race into account too much they fall afoul of the Equal Pro-

tection Clause of the Constitution.

In his dissent, Justice Samuel Alito notes that the problem is complicated by the fact that race and political affiliation are highly correlated, making it hard to tell why a redistricting decision was made. "If around 90% of African-American voters cast their ballots for the Democratic candidate, as they have in recent elections," Justice Alito wrote, "a plan that packs Democratic voters will look very much like a plan [sic] that packs African-American voters."

Justice Thomas's vote with the liberals is an extension of his consistent and principled absolutism on issues of race. Once the state conceded it had used race, even benignly, Justice Thomas was out. "I think North Carolina's concession that it created the district as a majority-black district is by itself sufficient to trigger strict scrutiny," he wrote.

The opinion is also notable for the fact that it gets all the Court's liberal justices on board with the argument that the use of race is always subject to strict scrutiny, not merely sometimes as they have argued in past cases. That could be tricky for liberals if a future case challenges Section 2 of the Voting Rights Act on grounds that it requires states to take race into account when redrawing their districts.

As Justice Thomas wrote in his magnificent 1994 opinion in *Holder v. Hall*, "few devices could be better designed to exacerbate racial tensions than the consciously segregated districting system currently being constructed in the name of the Voting Rights Act," and "our drive to segregate political districts by race can only serve to deepen racial divisions by destroying any need for voters or candidates to build bridges between racial groups or to form voting coalitions."

Meantime, the Court's decision is most likely to guarantee more litigation by Democrats, who are happy to use the courts as a way to maximize the opportunities for Democratic candidates, and race as a sword for partisan purposes.

Supreme Court Patent Victory

Unanimous Supreme Court decisions that create tectonic shifts in law are rare, but on Monday an 8-0 majority in *TC Heartland v. Kraft Foods* rejected a lower court's statutory interpretation that has enabled rampant forum shopping in patent infringement cases.

The case hinged on a 1948 law that limits patent litigation to "the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." Kraft sued Indiana-based TC Heartland, which distributes products under the Sunkist and Skinnygirl brands, in the federal district of Delaware for patent infringement.

Heartland challenged Kraft's ability to bring suit in Delaware and sought to move the case to Indiana, but its motion was denied based on the U.S. Court of Appeals for the Federal Circuit's 1990 precedent that rewrote the statute to include any place a defendant conducts business or sells a product. Nowadays, that can be anywhere.

So-called patent trolls who extort businesses by obtaining intellectual property rights and demanding large settlements to avoid litigation have made their home in the plaintiff-friendly Eastern District of Texas. During the last two years, about 40% of patent cases were filed in lovely, restful Marshall, Texas, which boasts fewer than 25,000 residents.

Trolls who forum shop for judges will now have a harder time.

As 17 states noted in an amicus brief supporting Heartland, the Eastern District of Texas is popular because "local practices and rules depart from national norms in ways attractive for incentivizing settlement for less than the cost of litigating the early stages of patent cases." The district's judges are averse to summary judgment, and its case assignment system provides a "predictable formula litigants can use to select their preferred jurist." Translation: Plaintiffs can't lose in Marshall.

The Heartland case didn't involve patent trolls or the Eastern District of Texas, but both will likely be significantly affected by the Supreme Court's ruling. In a 13-page opinion for the Court, Justice Clarence Thomas overturned the Federal Circuit's 1990 ruling and harked back to the Supreme Court's 1957 *Fourco Glass* decision that "definitively and unambiguously held that the word 'residence' in the 1948 law 'refers only to the State of incorporation.'"

Antonin Scalia must be smiling upstairs at the Court's return to the plain meaning of the statutory text.

Board of Scientific Conformity

Time was when a newly elected American government could appoint its people to run it. These days that's a source of controversy, as Trump cabinet officials seek to name new science advisers.

Administrator Scott Pruitt is replacing half the members of the Environmental Protection Agency's Board of Scientific Counselors, and Interior Secretary Ryan Zinke has suspended some 200 science panels pending a review. To listen to the critics, they are "gutting" and "shutting down" federal science and "ousting" and "silencing" respected academics.

Ignore the hyperventilation. Mr. Pruitt is merely choosing not to renew some board members nearing the end of their first, three-year term. Nobody is getting fired, and board members can reapply. Past practice has been to hand scholars a second term, but Mr. Pruitt is under no obligation to accept Obama appointees. Mr. Zinke's review is temporary, and America will survive if the invasive species advisory panel misses a meeting.

Both actions are a step toward reforming a scientific bureaucracy that holds enormous power over regulations despite uniform points of view and clear conflicts of interest. The EPA's Board of Scientific Counselors, which is charged with ensuring that the agency's science is sound, nonetheless waved through the Obama Administration's dubious climate models and arbitrary "social cost of carbon" calculations.

The EPA's more than 20 scientific advisory boards are in particular stocked with academics who receive EPA grants. As part of a 2016 law-

suit, the Energy and Environment Legal Institute showed that 24 of the 26 members of EPA's then clean-air advisory panel had received or were receiving EPA grants. The institute estimated the 24 received \$190 million. At the EPA's ozone panel, 17 of 20 advisers received \$192 million in agency grants.

House Science, Space and Technology Chairman Lamar Smith has shown that advisers use these grants for research—and then sit on the government panels that peer review that research. They then review EPA rules based on their own research.

Greens are slamming Mr. Pruitt's office for suggesting he may consider industry experts for board positions, but why not? This was routine before greens intimidated Administrations into barring those voices. A rigorous science doesn't shrink from competing points of view or evidence. The EPA should have conflict-of-interest rules that apply equally to grant-receiving academics and business executives.

Mr. Zinke's review is aimed at ensuring that Interior's boards contain more state and local advisers, particularly from communities near public lands. This is part of the Trump Administration's broader goal of re-establishing a more balanced partnership between the federal government and the states—much-needed after the imperial dictates of the Obama years.

Messrs. Pruitt and Zinke could eliminate those boards that aren't required by statute. But if they're going to exist they should be more than rubber stamps for the progressive agenda or tickets for federal grants.

Join an EPA advisory panel and get an EPA grant.

LETTERS TO THE EDITOR

Puerto Rico's Bankruptcy Wasn't Inevitable

In "Puerto Rico's Debt Lessons" (Review & Outlook, May 16), you note that the presidentially appointed Oversight Board justifies its decision to interfere in negotiations between the Puerto Rican government and its creditors by claiming that "Promesa's Title III bankruptcy process to reduce the debt was all but inevitable."

This is not true. While Title III may have been "inevitable" for some of the island's 18 different public-debt issuers, the Oversight Board intervened in consensual negotiations between the Commonwealth and its general obligation (GO) bondholders when they were close to reaching a last-minute agreement that would have kept Puerto Rico itself out of bankruptcy. This deal would have provided Puerto Rico with significant relief and a realistic pathway to growth and resumed market access.

This type of agreement was exactly what Congress envisioned and intended to encourage in passing Promesa. That is why Promesa reserves bankruptcy as a last resort to be invoked only after the failure of negotiations, and why the statutory purpose of the Oversight Board is to "provide a method for a

covered territory to achieve fiscal responsibility and access to the capital markets." Rather than carry out that mission, the Oversight Board has, from day one, pushed the Commonwealth headlong into a devastating and legally dubious bankruptcy.

Your editorial states that Puerto Rico's creditors "knew what they were getting into" when they lent to the Commonwealth. This framing ignores key facts: The Commonwealth, in need of financing, offered potential GO bondholders its most sacrosanct bond, backed by the strongest possible pledge of seniority—a provision in Puerto Rico's own Constitution guaranteeing the "public debt and amortization thereof shall first be paid." GO bondholders acted as a partner to the Commonwealth then and stand ready to do so again. They are not asking for special treatment, merely for the federal Oversight Board to respect the rule of law.

GEORGE PATAKI
New York

Mr. Pataki, a former governor of New York, is an adviser to Ad Hoc Group of Puerto Rico General Obligation Bondholders.

Purdue Move Is Smart and Forward-Looking

When Purdue President Mitch Daniels creates "New U," he is merely diversifying his portfolio by reaching out to a new segment (nontraditional students) with a new product (online degree) while jealously guarding the Purdue brand ("The Innovator's Dilemma Hits Higher Ed" by Alana Dunagan, op-ed, May 16). That is a smart move for a college president looking for new sources of revenue. The true disruption that is hitting the classrooms and putting administrators on notice is that the traditional students are now clamoring for a better experience and pointing out that most of what is taught in the classroom today is freely available on the internet and often of better quality. One result is that the traditional classroom is now more focused on experiential learning, and students pick up the routine contents on their own from some of the wonderful online sites that have cropped up over time.

The disruption has created a new "blended" classroom, flipped the class (students do the homework in class and study the lectures at home

or Starbucks), forced instructors to rethink their approach to teaching and, I dare say, provided students with a better experience. True disruption is much more than looking for more revenue—it changes what we do and how we do it—and always for the better.

PROF. SUBIMAL CHATTERJEE
State University of New York
at Binghamton
Binghamton, N.Y.

It took me 25,000 miles of driving from Columbus, Ind., to Indianapolis from 1960 to 1972 for my Purdue engineering masters, and Indiana U. M.B.A. courses. Most of these courses could as easily have been taken online, but that option wasn't available. Having a full-time Cummins Engineering job, plus evening classes for 12 years, wasn't easy.

Under Purdue's management Kaplan University will offer continuing education at a lower cost for millions.

JOSEPH J. NEFF
Indianapolis

Wage Doldrums? The Competition Is Global

William A. Galston explains that the flattening of wages lies in labor productivity, which Mr. Galston points out has been growing at sub-par rates since the Great Recession ("An Econ Mystery: Why Did U.S. Wages Flatten?", Politics & Ideas, May 10). Profits have managed to grow at double-digit rates in the face of this miserable productivity improvement. So why have firms, as Mr. Galston puts it, chosen not to share those profit gains with workers? The answer to this question lies in the global nature of the economy and the labor market.

The labor market may be very tight in the U.S., but the global labor market

has plenty of slack. Hundreds of millions of workers who were previously shut out of the world labor market by policy, ideology or other forms of isolation have entered the world labor market over the last 30 years. Hundreds of millions more wait right behind them for the opportunity to enjoy the vastly improved living standards globalization makes possible. The global supply of labor is seemingly infinite, especially when workers are eager to learn and earn and the capital is available to hasten their acclimation to industrial processes.

Why is an ever-greater share of output going to capital in the form of profits rather than to labor in the form of wages? Because while capital is abundant, labor is far more abundant on a global scale. The terms "international economics" and "international finance" are redundant. All economics and finance is global. Taking a global perspective provides a relatively obvious answer to the "mystery" of flattening wages.

MARK M. QUINN
Northern Illinois University
Naperville, Ill.

Did I See the Dead, Live?

Regarding Andy Kessler's "How Deadheads Sped Ahead" (op-ed, May 8): The first thing I remember after walking into the Watkins Glen '73 Summer Jam was walking out several days later. Is it all right for me to tell people I saw the Grateful Dead live?

STEPHEN BORKINSKI
Pittsburg, Texas

Pepper ... And Salt

THE WALL STREET JOURNAL



"The initial consultation is free. Hand-holding is extra."

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MARK McALLISTER
Johnston, Iowa

OPINION

The New Foreign Policy, Same as the Old

By John Bolton

The White House decided last week to continue President Obama's waiver of significant economic sanctions against Iran. The news, coming hard on the heels of Secretary of State Rex Tillerson's April 18 certification that Iran is complying with the 2015 Vienna nuclear agreement, was both revealing and distressing. New missile-related sanctions, simultaneously imposed, were small consolation.

This continuity with Obama-era policies fits a larger pattern. Despite generally tougher rhetoric against Iran and North Korea—including the president's weekend speech in Saudi Arabia—the Trump administration's actions against the proliferation of weapons of mass destruction increasingly resemble its predecessor's.

Rhetoric doesn't faze Iran so long as the nuclear deal's goodies keep coming, and the ayatollahs have had the effrontery to complain they aren't flowing fast enough. President Obama and Tehran crafted the Vienna accord in ways that front-loaded the benefits for Iran, intending to lock America and Europe into economic ties that would be too costly to untangle. Every passing day validates that strategy.

Meanwhile, Iran's violations—regarding uranium enrichment, heavy-water production, ballistic-missile testing and concealed military dimensions such as warhead development—continue unimpeded.

Unexpected, unnecessary and divorced from reality, Mr. Tillerson's certification of Iranian compliance blindsided the White House, which responded by toughening up the final presentation but lacked the wherewithal to reverse the decision. Friday's election returning Hassan Rouhani to Iran's presidency changed nothing, since the nuclear and ballistic-missile programs are controlled by Supreme Leader Ali Khamenei and Iran's Revolutionary Guard Corps.

A similar policy continuity can be seen regarding North Korea. Unlike his predecessors, Mr. Obama did not obsess over negotiations with North Korea (preferring to obsess over negotiations with Iran). Instead, he propounded the doctrine of "strategic patience," a synonym for doing nothing, which proved equally as dangerous as making foolish concessions. Predictably, Pyongyang took advantage of American passivity. It concentrated on making steady, significant progress on both nuclear weapons (a sixth test is reportedly being readied) and long-range missiles.

Mr. Trump's current policy differs little from that of Bill Clinton, George W. Bush or Mr. Obama, relying mistakenly on China to pressure Pyongyang. As before, Beijing is feigning pressure, but as yet there is no evidence it will be any tougher than is necessary to quiet America down. South Korea has just thrown Kim Jong Un a lifeline by electing a president eager to return to the "sunshine" policy—ap-

peasement by another name. And the full scope of Pyongyang's cooperation with Tehran remains unknown.

Why do President Trump's proliferation policies increasingly echo his predecessor's? Although Mr. Obama's aides derided Washington's foreign-policy establishment as "the blob," they were part of it, and, progressively, so are Mr.

Despite tougher rhetoric, Trump's actions on Iran and North Korea echo Obama's strategic vision.

Trump's. The failure to make decisive changes in policy during the administration's early days, coupled with delays in making presidential appointments in the national-security departments, is taking its toll. Washington's political distractions aren't helping.

Mr. Trump's "new" power elites are increasingly succumbing to (or were already adherents in good standing of) the conventional wisdom, as their respective agency bureaucracies define it. The "capture" problem (more pointedly known as "clientitis" or "going native") is hardly new. Jim Baker once wisely said about becoming secretary of state under President George H.W. Bush: "I intended to be the president's man at the State Department, not State's man at the White House."

The State Department is Washington's most sophisticated bureaucracy in capturing political appointees and acculturating them to accept existing policies, but the military and intelligence bureaus are no slackers. The policies they pursued on Jan. 19, the day before Mr. Trump's inauguration, are the same they pursue on Jan. 21, and Jan. 22, and so on until their direction is changed. Pushing through that change is what presidential appointees are needed to do.

What is true in proliferation policy is also true more broadly. Example: Before Mr. Trump's current trip to the Middle East, senior administration officials repeated the mantra that Jerusalem's Western Wall was not "in Israel" because Jerusalem's final status remained to be negotiated. The White House responded that the wall is "clearly in Jerusalem"—a point no one has disputed for several thousand years.

Curiously, the State Department's incantation apparently never reached U.S. Ambassador to the United Nations Nikki Haley, who cheerily opined that the wall was in Israel. Likewise, Mr. Trump's campaign promise to move the U.S. Embassy from Tel Aviv to Jerusalem remains in limbo, just like his predecessors' pledges did.

Despite the furor over Mr. Trump's purported Moscow connection, his administration's policy regarding sanctions on Russia over its Ukraine adventure is essentially the same as Mr. Obama's. When Mr. Trump exhorted NATO allies to

meet their commitments to increase defense expenditures to at least 2% of gross domestic product, critics acted as if the barbarians had breached the gates of civilized national-security discourse. But Barack Obama previously characterized many of these same allies as "free riders."

There are exceptions to this policy continuity. Proposed increases in Washington's defense budget are a major example. But even there critics like Sen. John McCain have rightly argued that the increases need to be significantly larger.

But by default, and perhaps by accident, the Trump White House has left Mr. Obama's flawed and otherworldly strategic vision in place. It isn't enough for the administration to say that a strategy is being written. The strategy must come first, with the clerical task of writing it down coming last, reflecting what is actually being done day by day. That isn't happening.

The Trump administration has not yet passed the point of no return on these critical issues, but it is getting perilously close. Warning flags are multiplying. Ronald Reagan once said he wanted a Republican Party that stood for "bold colors, no pale pastels." Mr. Trump should get out his paintbrush.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

Deregulators Must Follow the Law, So Regulators Will Too

By Alexander Acosta

President Trump has committed—and rightly so—to roll back unnecessary regulations that eliminate jobs, inhibit job creation, or impose costs that exceed their benefits. American workers and families deserve good, safe jobs, and unnecessary impediments to job creation are a disservice to all working Americans. As the Labor Department approaches this regulatory rollback, we will keep in mind two core principles: respect for the individual and respect for the rule of law.

As the Labor Department acts to revise the Fiduciary Rule and others, the process requires patience.

America was founded on the belief that people should be trusted to govern themselves. Citizens sit on juries and decide the fate of their fellow citizens. Voters elect their representatives to Washington. By the same token, Americans should be trusted to exercise individual choice and freedom of contract. At a practical level, this means Washington should regulate only when necessary. Limiting the scope of government protects space for people to make their own judgments about what is best for their families.

The rule of law is America's other great contribution to the modern world. Engraved above the doors of the Supreme Court are the words "Equal Justice Under Law." Those four words announce that no one is above the law, that everyone is entitled to its protections, and that Washington must, first and foremost, follow its own rules. This means federal agencies can act only as the law allows: The law sets limits on their power and establishes procedures they must follow when they regulate—or deregulate.

The Administrative Procedure Act is one of these laws. Congress had good reason to adopt it: In the modern world, regulations are akin in power to statutes, but agency heads are not elected. Thus, before an

agency can regulate or deregulate, it must generally provide notice and seek public comment. The process ensures that all Americans—workers, small businesses, corporations, communities—have an opportunity to express their concerns before a rule is written or changed. Agency heads have a legal duty to consider all the views expressed before adopting a final rule.

Today there are several regulations enacted by the Obama administration that federal courts have declared unlawful. One is the Persuader Rule, which would make it harder for businesses to obtain legal advice. Even the American Bar Association believes the rule goes too far. Last year a federal judge held that "the rule is defective to its core" and blocked its implementation. Now the Labor Department will engage in a new rule-making process, proposing to rescind the rule.

Another example of a controversial regulation is the Fiduciary Rule. Although courts have upheld this rule as consistent with Congress's delegated authority, the Fiduciary Rule as written may not align with President Trump's deregulatory goals. This administration presumes that Americans can be trusted to decide for themselves what is best for them.

The rule's critics say it would limit choice of investment advice, limit freedom of contract, and enforce these limits through new legal remedies that would likely be a boon to trial attorneys at the expense of investors. Certainly, it is important to ensure that savers and retirees receive prudent investment advice, but doing so in a way that limits choice and benefits lawyers is not what this administration envisions.

The Labor Department has concluded that it is necessary to seek additional public input on the entire Fiduciary Rule, and we will do so. We recognize that the rule goes into partial effect on June 9, with full implementation on Jan. 1, 2018. Some have called for a complete delay of the rule.

We have carefully considered the record in this case, and the requirements of the Administrative Procedure Act, and have found no principled legal basis to change the June 9

date while we seek public input. Respect for the rule of law leads us to the conclusion that this date cannot be postponed. Trust in Americans' ability to decide what is best for them and their families leads us to the conclusion that we should seek public comment on how to revise this rule. Under the Obama administration, the Securities and Exchange Commission declined to move forward in rule-making. Yet the SEC has critical expertise in this area. I hope in this administration the SEC will be a full participant.

America is unique because, for more than 200 years, its institutions and principles have preserved the people's freedoms. From administration to administration, respect for the rule of law has remained, even when Americans have been bitterly divided. Some who call for immediate action on the Obama administration's regulations are frustrated with the slow process of public notice and comment. But this process is not red tape. It is what ensures that agency heads do not act on whims, but rather only after

considering the views of all Americans. Admittedly, this means deregulation must find its way through the thicket of law. Casting aside the thicket, however, would leave Americans vulnerable to regulatory whim.

The Labor Department will roll back regulations that harm American workers and families. We will do so while respecting the principles and institutions that make America strong.

Mr. Acosta is secretary of labor.

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Ruling Curbs Patent Suits

Supreme Court limits plaintiffs shopping for favorable jurisdictions; a boost for tech firms

BY BRENT KENDALL
AND JOHN D. MCKINNON

WASHINGTON—The Supreme Court limited the ability of patent holders to bring infringement lawsuits in courts that have plaintiff-friendly reputations, a major decision that could provide a boost to companies that defend against patent claims.

The high court, in an opinion by Justice Clarence

Thomas, ruled unanimously that a specialized appeals court has been following an incorrect legal standard for almost 30 years that made it possible for patent holders to sue companies in almost any U.S. jurisdiction.

Under the relevant statute interpreted by the court, companies can be sued for patent infringement where they reside, or where they have committed regular acts of patent infringement and have a regular and established place of business.

The high court's ruling Monday focused on the "reside" prong of that test, saying a corporate defendant resides

only in the state where it is incorporated, a much narrower standard than lower courts had been using.

The ruling could significantly shift patent-infringement lawsuits out of a handful of federal districts, including one in east Texas, that have been home to large numbers of patent cases because patent holders believed those courts provided a favorable venue for their claims.

The federal district court in the rural Eastern District of Texas has been home to more than 30% of patent cases filed in recent years, including a significant number of lawsuits filed by firms that hold patents

not to make products but for the purposes of asserting them in litigation.

Some of those firms have been referred to derisively as patent trolls.

In the first quarter of 2017, the Eastern District saw more patent cases brought than all other district courts, and more cases by nonpracticing entities than all other districts, according to data from Unified Patents, an analytics firm that helps businesses avoid patent litigation.

Stanford Law School professor Mark Lemley said many cases would likely now move out of the Eastern District.

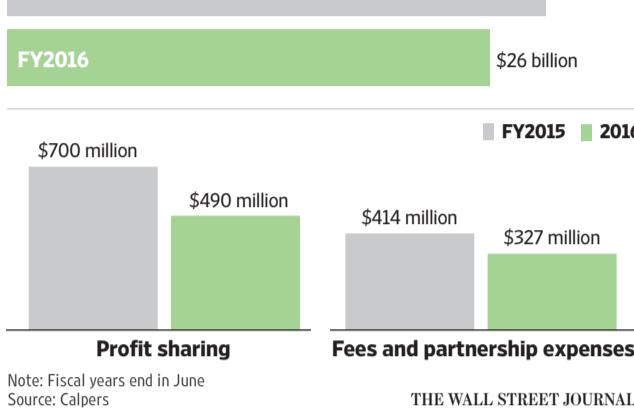
Please see PATENT page B2

What Pensions Pay

Thanks in part to new computer modeling, Calpers is now able to determine the share of profits its private-equity managers take home.

Private-equity holdings

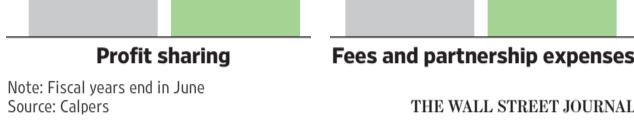
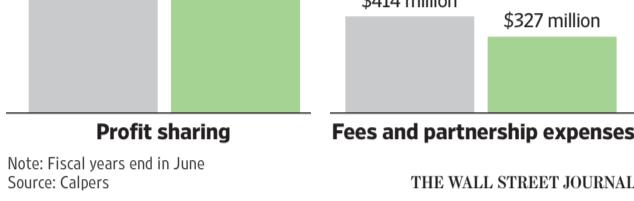
in billions



Profit sharing

Note: Fiscal years end in June

Source: Calpers



THE WALL STREET JOURNAL.

Algorithms Help Calpers Tally Fees

BY HEATHER GILLERS
AND DAWN LIM

The nation's largest pension plan has 380 people overseeing roughly \$320 billion in assets. But when one of its top officials was asked during a board meeting how much in performance fees was paid to private-equity managers, he had to acknowledge no one knew.

"We can't track it today," said Wylie Tollette, chief operating investment officer of the California Public Employees' Retirement System, at the 2015 meeting. The disclosure surprised board member JJ Jelincic, who said: "If you can't track them they are kind of hard to manage."

Only algorithms could find the answer. A software program developed by outside firms determined at the end of 2015 that Calpers had paid \$3.4 billion in performance fees over the past quarter-century to the private-equity firms that managed its money. In 2016, that number was \$490 million.

As the nation's largest public pension funds plunge deeper into complicated investments as a way of chasing returns, they are relying more on machines to make sense of it all. Some execu-

tives worry that a greater dependence on databases, coding and other quantitative tools creates the false impression that they have a better handle on their investments than they actually do.

"If you're using software to deal with the complexity in your portfolio maybe you should simplify your portfolio

THE QUANTS

Machines and their masters are the undisputed new kings of Wall Street

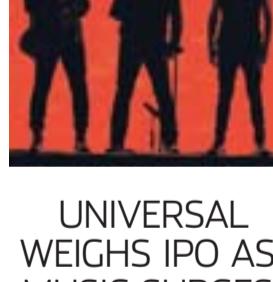
first," said Marc Levine, chairman of the Illinois State Board of Investment, which oversees \$20 billion for state employees, judges and lawmakers.

The complexity results from a push by public pensions to boost investment profits to fill funding gaps that make it more difficult to handle future obligations to retirees.

Of the 73 largest state-sponsored plans, 44 had more than 20% of their assets in alternative investments such as private equity, hedge funds,

Please see FACTOR page B4

INSIDE

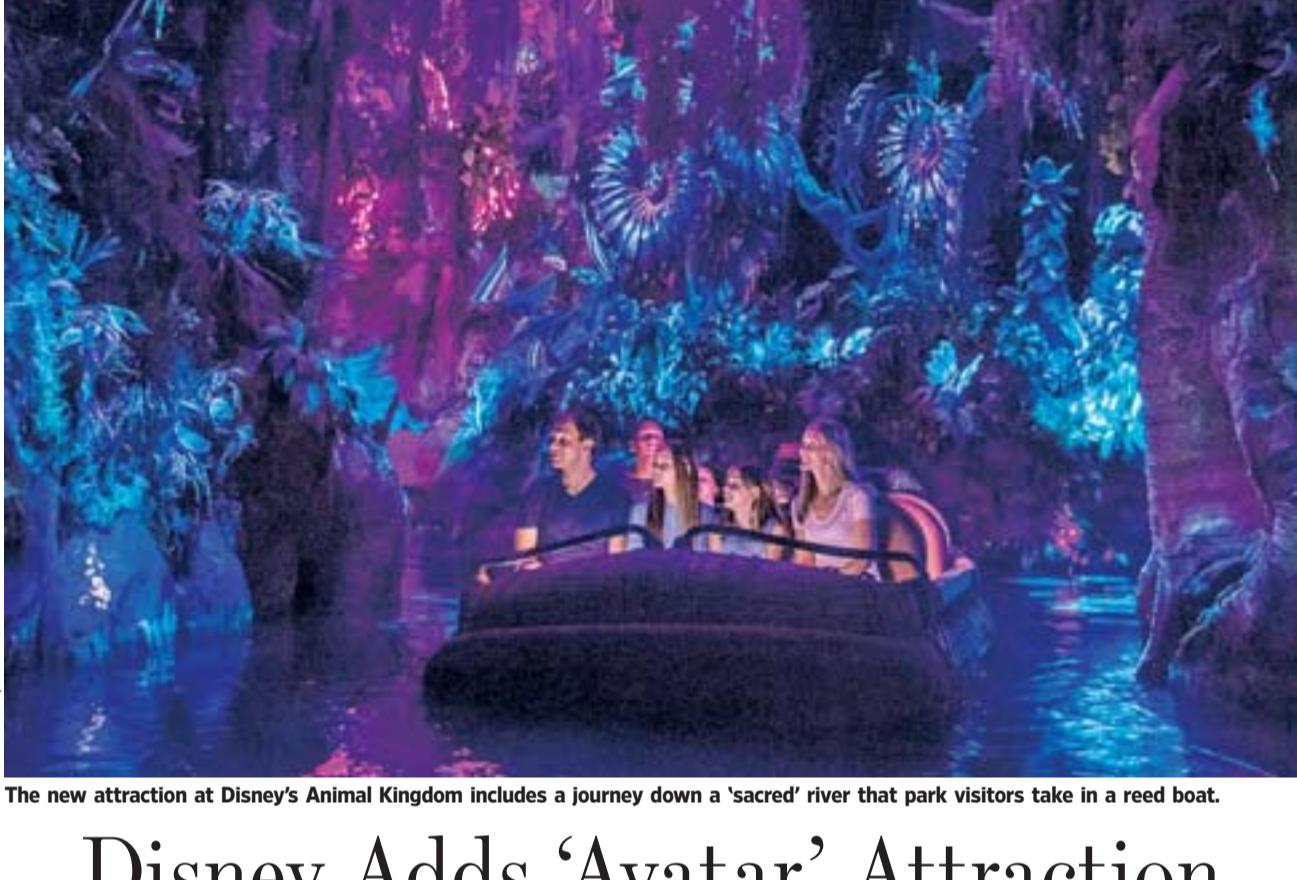


UNIVERSAL WEIGHS IPO AS MUSIC SURGES

ENTERTAINMENT, B3

CEO COUNCIL: JAPAN'S ABE TALKS TRUMP

JOURNAL REPORT, B7-B8



The new attraction at Disney's Animal Kingdom includes a journey down a 'sacred' river that park visitors take in a reed boat.

Disney Adds 'Avatar' Attraction

Expansion in Florida costs \$500 million, but is 2009 movie now out of mind?

By BEN FRITZ

Walt Disney Co. is betting that the most successful movie of all time will help its theme-park business continue a hot streak eight years after the film came out.

The media giant this week opens Pandora—World of Avatar, a \$500 million attraction at Walt Disney World's Animal Kingdom near Orlando, Fla., the biggest expansion of one of its American theme parks in more than a decade. Based on James Cameron's 2009 movie "Avatar," which grossed nearly \$2.8 billion, Pandora is part of a multibillion-dollar effort by Disney to expand its theme parks around the world.

The spending is a sign of Disney's confidence that it can keep its parks and resorts business growing even after the division posted record profit recently. Operat-

ing income grew by 73% between fiscal 2012 and fiscal 2016 to \$3.3 billion. Revenue in the same period rose 31% to just shy of \$17 billion.

It is also something of a gamble. The movie, which has been out of the public eye for years, owed at least some of its success to then-groundbreaking technology, and it lacks the marketable characters of Disney blockbusters like "Frozen."

Disney executives say the quality of the park's attractions will draw people to Pandora regardless of their interest in the film that inspired it.

Five years ago, Disney executives indicated they had reached a peak in annual capital spending. After a brief lull, though, such expenditures have again accelerated, with parks investment doubling to \$4.2 billion a year between fiscal 2013 and 2016.

Please see AVATAR page B4

Much of that is due to the opening last year of the \$5.5 billion Shanghai park, in which Disney holds a 43% interest. But the company has also increased its annual investment in its two domestic parks by a total of \$1 billion.

Disney has new "Star Wars" lands in the works at Disney World near Orlando and Disneyland in Anaheim, Calif., as well as a "Toy Story"-themed land at Shanghai Disneyland, "Marvel" and "Frozen" lands at Hong Kong Disneyland, and rides based on "Finding Nemo," "Beauty and the Beast" and "Big Hero Six" in Tokyo. The company also is planning "long-term investment" in Disney Paris, Chief Executive Robert Iger said on a recent earnings call.

Disney wants to expand its parks business and also represent as many of its franchises as possible, said Rob-

Please see AVATAR page B4

Sunrun Sales Data Seen as Skewed

By KIRSTEN GRIND

Former managers at one of the largest U.S. solar-energy companies say they manipulated a key sales metric around the time of the company's August 2015 initial public offering.

The former managers of Sunrun Inc. say they were told by their superiors to hold off on internally reporting hundreds of customers who canceled their contracts during a roughly five-month period in the middle of 2015.

Sunrun and other solar companies typically give homeowners at least several days to back out of a contract before their home-energy systems are installed. Delaying the internal reporting of canceled contracts would make the company's

sales figures appear stronger.

"The big internal push was to cram as many sales as we could through the pipeline," says Darren Jennings, who says he was a Sunrun regional sales manager in Hawaii from February 2015 until February 2017. "If those deals canceled, we would not report it."

Mr. Jennings says in Hawaii, one of the San Francisco company's largest markets, sales employees didn't process about 200 cancellations, which represented about 40% of total orders in Hawaii during the May–October period of 2015.

Three other former managers also say they were aware of or took part in delaying the reporting of hundreds of customer cancellations.

Please see SUNRUN page B2

STREETWISE | By James Mackintosh

Time to Bring Back Pre-Trump Playbook

A week is a long time in politics, and last week the reality-TV show that is Donald Trump's administration packed in enough extra episodes to fill a box set. But investors have hit mute.

Stocks remain strong, although not because of bets on tax cuts, easier regulation or an infrastructure boom.

In fact, quite the opposite. Stocks that should benefit from lower corporate taxes, cuts to red tape or infrastructure building have seen bets against them leap this year. J.P. Morgan strategist Nikolaos Panigirtzoglou calculates that relative to marketwide short positions—bets on a falling price—there is

now more shorting of stocks that should be tax-cut winners than before the election.

Stocks in S&P 500 high-tax companies that ought to be the biggest winners from lower taxes have this year given back all of their early postelection outperformance and more, according to Goldman Sachs calculations. Similarly, smaller companies have underperformed bigger rivals, which tend to be better able to manipulate loopholes in the tax code.

Investors don't think Mr. Trump will be impeached. But he was already finding it difficult to get his policies through Congress, and last week's White House shenanigans will make it harder still.

Even before the latest episodes of "All the President's

Tweets," speculators had been paring bets on the dollar, and it has now completed a full reversal of its postelection gains against developed currencies. Mr. Panigirtzoglou estimates dollar bets overall are now flat, with speculators positioned for the euro to gain.

So what should worry investors? The biggest support for markets as the Trump trade evaporated was the widespread belief in synchronized global growth. Europe, the U.K. and Japan have surprised economists with the strength of their recoveries this year. In the eurozone, there is even optimism about earnings again. Analyst upgrades outnumber downgrades by the most since the Greek bailout in 2010.

The bond markets have already accepted weaker growth, with the 10-year Treasury yielding 2.25%, down from December's peak above 2.6%. The gap between the two- and 10-year yields, which typically widens when growth and inflation are ex-

pected to leave the U.S. behind. Estimates of U.S. output this year have been cut back, even as economists surveyed by Consensus Economics raised forecasts for Europe, the U.K. and Japan. U.S. economic data have been coming in below expectations this month, too, with Citigroup's economic-surprise and inflation-surprise indexes turning negative for the U.S.

The bond markets have already accepted weaker growth, with the 10-year Treasury yielding 2.25%, down from December's peak above 2.6%. The gap between the two- and 10-year yields, which typically widens when growth and inflation are ex-

Please see STREET page B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Brazil Bull 3X Shares	B12
AirAsiaB3	
AirbusB3	
Akzo NobelB3	
AlcoaB2	
Alibaba Group HoldingB4	
Amazon.comA1,B4	
Apollo Global ManagementB6	
ArconicB2	
Ashmore GroupB12	
B	BlackRockB4
BoeingB13	
Boston ScientificB6	
C	California Public Employees' Retirement SystemB1
Cathay Pacific AirwaysB3	
CBSB6	
ChainB12	
ChairsevenB6	
CircleCIB6	
Cisco SystemsB13	
CitigroupB12	
ClariantB3,B14	
CME GroupB12	
Coca-ColaB6	
ComcastB6	
D	Direxion Daily MSCI	
E	Brazil Bull 3X SharesB14
Elliott ManagementB2	
ELXB12	
EmiratesB3,B14	
Exxon MobilB4	
F	Fiat Chrysler AutomobilesB14
Fidelity InvestmentsB12	
Ford MotorA1,A2,B13,B14	
G	General MotorsA2,B14
H	HNA Holding GroupB3
HuntsmanB3,B14	
I	iShares MSCI Brazil Capped ETFB14
J	JBSB6
JD.comB4	
K	Kraft FoodsB2
L	LindeB3
Lockheed MartinB13	
M - N	MedtronicB6
W	Walt DisneyB1

INDEX TO PEOPLE

A	G	B4
Acosta, Alexander	Gianopoulos, JimB4
al-Falih, KhalidB13	
Augustin, SallyB6	
B	Hackett, JimA1,B13,B14
Bajaj, MohitB14	
Bake, ChristopherB13	
Barra, MaryA2	
Barshefsky, CharleneB8	
Bass, Robert T.B4	
Batista, JoesleyB6	
Bezos, JeffA1	
Bilelo, CharlieB14	
Bloomberg, MichaelB6	
Brann, PeterB2	
C	Cameron, JamesB1
Chapek, RobertB1	
D	de Puyfontaine, ArnaudB3
Duffy, TerryB12	
E - F	Einhorn, DavidA2
Fields, MarkB14	

STREET

Continued from the prior page
pected, is again narrower
than on Election Day.

S&P 500 companies make about a third of sales overseas, so they should show less concern than Treasurys about economic expansion. But even for equities the post-election euphoria about U.S. growth has gone, and with it the bets on growth-sensitive cyclical stocks and smaller companies. The extreme example is **U.S. Steel Corp.**, which should win big from protectionism, lower tax rates, infrastructure spending and domestic growth. Its shares doubled from Election Day to late February, and have now fallen all the way back down.

Instead, U.S. markets have been led since the end of February by the big technology companies that can thrive even in a weak econ-

omy, and by the bond proxies of defensive utility stocks. (A rise in a third sector, consumer discretionary, is usually a sign that the economy is doing well, but this time it was because of the soaring price of Amazon.com Inc., by far its biggest component.)

Investors who still think Mr. Trump will be able to work with Congress to cut corporate taxes and boost the economy should be buying smaller stocks, infrastructure plays and nontech cyclicals.

The alternative for those

who want to keep money in the U.S. market is to pick from the pre-Trump playbook of paying up for earnings growth in the tech sector or paying up for safe yield from the bond proxies. Faced with these expensive choices, a lot of money is being sent abroad, making it even more important that the European and Japanese economies don't, as so often, disappoint investors.

American Exceptionalism

Growth forecasts have been pared back for the U.S. this year, even as the rest of the developed world is upgraded...

Forecast 2017 GDP growth

3%

Nov. 8, 2016 U.S. election ►

2016 2017

U.S. Japan Eurozone U.K.

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97 98 99

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103 104 105

104 105 106

BUSINESS NEWS

Huntsman And Clariant To Combine

Tie-up forms \$14 billion chemicals giant in an industry increasingly marked by mergers

Huntsman Corp. and Switzerland's **Clariant** AG struck a deal that would create a chemicals giant worth about \$14 billion, as companies in the industry seek ways to cut costs and boost revenue.

By Ben Dummett,
Dana Mattioli
and Dana Cimilluca

The deal entails Clariant shareholders owning about 52% of the new entity, and Huntsman investors owning the rest. Huntsman Chief Executive Peter Huntsman will retain his job title at the new company, with Clariant CEO Hariolf Kottmann taking the chairman role. The new group, with board representation evenly split, will be called HuntsmanClariant.

Shares of Huntsman fell 2.1% to \$26.15 on Monday, while shares of Clariant climbed 3.1% in Swiss trading. As of Friday, each had a market value of roughly \$7 billion. The Wall Street Journal reported the talks on Sunday.

The deal would create a trans-Atlantic company valued at about \$20 billion including debt. Its array of chemical products would include polyurethanes, pigments, automotive fluids, additives and resins that are used across industries ranging from aerospace to agriculture to household cleaning.

Together Huntsman, based in Woodlands, Texas, and its Swiss merger partner would operate in more than 100

countries and employ 32,000. Combined they would generate annual revenue of more than \$13 billion. Huntsman still plans to spin off its Venator pigments and additives business through an initial public offering this summer.

The Huntsman-Clariant tie-up comes amid a period of consolidation in the chemicals industry as companies seek to cut costs by eliminating overlapping operations and products, and identify new sources of revenue by tapping new markets and customers. Such deals also enable companies to combine resources for research and development.

"Combining our companies should give us more stable and steady earnings, increased margins and new growth opportunities," Mr. Huntsman said in an interview. "For either side to get to a \$20 billion enterprise value would take many, many years of organic growth." He added that the deal will "double our reach without stressing the balance sheet."

The companies said the merger also offers a more-balanced geographic footprint, and so-called synergies from combining operations could reach \$400 million a year.

U.S. paint and coatings maker **PPG Industries** Inc. is trying to acquire Dutch rival **Akzo Nobel** NV for \$27 billion in cash and stock—though the advance has been rebuffed. Meanwhile **Praxair** Inc. and Germany's **Linde** AG are trying to complete their merger to create the biggest industrial-gas player with a market value of more than \$66 billion.

◆ Heard on the Street: This deal has chemistry..... B14



U2 in concert in Pasadena, Calif., on Sunday. Vivendi's flirtation with a Universal IPO shows how the music industry has begun to turn the corner.

Vivendi Is Considering Music IPO

By NICK KOSTOV

PARIS—A resurgent music industry, fueled by the rise of streaming services, is tempting the parent company of Universal Music Group to cash in with a public stock offering.

In an interview, **Vivendi** SA Chief Executive Arnaud de Puyfontaine said the French media conglomerate could float a minority stake in the music company, a departure from its longstanding opposition to selling any part of California-based Universal.

"This is not a sacred cow," Mr. de Puyfontaine said, adding the firm has no imminent

plans to carry out the initial public offering.

Vivendi's flirtation with a Universal IPO shows how the music industry has begun to turn the corner on nearly two decades of decline. Record labels that once suffered steep declines in CD and download sales are growing again as **Spotify** and other services pay license fees for the rights to stream songs from their libraries.

"I remember the people a few years ago who explained to us that music was a dying business and would never recover," Mr. de Puyfontaine said. "I have a good memory,

and facts are proving them wrong."

Universal Music has been a bright spot for Vivendi as subscription-based streaming is emerging as a possible business model for the music industry, with growth outpacing declines in physical music sales and digital downloads. Universal and its rivals—Warner Music Group Corp. and Sony Corp.'s Sony Music Entertainment—rake in royalty payments whenever listeners access their songs through the streaming services.

In 2016, the industry's global revenue from recorded music grew by 6% to \$15.7 billion, the largest year-over-year

gain since the International Federation of the Phonographic Industry started tracking the market in 1997. The rise owed largely to a 60% increase in streaming revenue, which now amounts to \$3.9 billion.

While label executives are relieved to see industry revenues rise, they also recognize that a single year of robust growth is hardly a guarantee that their fortunes have reversed.

Among other issues, Spotify and its rivals have never reported a profit.

—Ethan Smith in Los Angeles contributed to this article.

IRA Fiduciary Rule Takes Effect June 9

By LISA BEILFUSS

The retirement-savings regulation known as the fiduciary rule will take effect June 9 without further delay, Labor Department Secretary Alexander Acosta said Monday.

In an opinion piece for The Wall Street Journal, the new

Labor Department chief said "respect for the rule of law" precludes a further delay in next month's applicability date, which had been postponed from April 10 after President Donald Trump directed the department to re-evaluate the Obama-era regulation meant to protect

retirement savings from conflicted investment advice.

"We have carefully considered the record in this case," Mr. Acosta wrote, "and have found no principled legal basis to change the June 9 date while we seek public input."

The rule takes only partial effect on June 9. Brokers and

insurance agents don't need to comply with certain parts of the regulation until Jan. 1, 2018.

Still, Mr. Acosta left the door open for repeal or revision after the Labor Department completes its economic review, a process that includes taking public comment.

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Struggling Cathay Cuts Jobs

By JOANNE CHIU

HONG KONG—Cathay Pacific Airways Ltd., one of Asia's largest airlines, said it would lay off about 600 people as it grapples with tough competition and bad bets on oil prices, despite robust travel demand in the region.

The cuts, announced Monday as part of a broader restructuring, are Cathay's largest in 20 years. In March, the Hong Kong-based carrier posted its first annual loss in eight years and embarked on cost-saving measures.

Cathay said it would cut about 190 managers and 400 nonmanagerial jobs, representing 25% and 18% of each category, respectively. No pilots or cabin crew will be affected, it said, and the restructuring will be completed by the end of 2017.

Asian full-service carriers, especially Cathay Pacific and rival **Singapore Airlines** Ltd., have faced intense competition in recent years that has crimped their ability to charge premium fares. Persian Gulf-based carriers such as **Emirates Airline** and **Qatar Airways** have chipped away at their business on high-yielding European and North American routes. Closer to home, discount carriers such as **HNA Group** Co.'s Hong Kong Express Airways Ltd., China's **Spring Airlines** Co. and Malaysia's **AirAsia Bhd.**, have taken away leisure travelers.

Meanwhile, airlines in mainland China are boosting their international reach with new, more efficient long-range jets and offering deep discounts to lure customers.

Earlier this month, new Chief Executive Rupert Hogg succeeded Ivan Chu Kwok-leung. Mr. Hogg said the carrier, founded in 1946, had to make tough but necessary decisions for the future of the business

and customers.

Cathay Pacific recently spent millions of dollars on a revamped loyalty program, new airline lounges, and improved premium-class products on new aircraft.

Its latest efforts haven't been rewarded, however, as demand for first- and business-class services weakened. Meanwhile, competition on economy class has intensified.

plane deals. The panel will report to Chief Executive Tom Enders and the board.

"To embed irreproachable behaviors in all our business undertakings sustainably, we must take a hard look at both our systems and our culture," Mr. Enders said Monday in a statement announcing the latest review.

Austrian officials said Mr. Enders is one of the people it is investigating in its probe, which is examining whether the company overcharged the government for the sale of military planes.

Airbus has denied wrongdoing and said it was cooperating with authorities.

The Austrian probe is one of several corruption investigations Airbus is battling. The British Serious Fraud Office has been examining alleged bribery by an Airbus subsidiary in business dealings in Saudi Arabia for several years.

—Robert Wall

TECHNOLOGY

WSJ.com/Tech

Chinese Retailer Tries Heavy-Duty Drones

After handling small packages, JD.com's goal is to deliver loads weighing 1 ton or more

BY BRIAN BASKIN AND LIZA LIN

China's Shaanxi province is famous for being the start of the Silk Road, an ancient trade network where silk and spices were transported by camel across the Asian continent.

Soon, the central Chinese province will be recognized for a different form of transport.

Chinese e-commerce provider JD.com said Monday it is developing heavy-duty drones capable of delivering payloads weighing 1 ton or more, which it plans to deploy in Shaanxi.

JD, China's No. 2 e-commerce company after Alibaba Group Holding Ltd., in 2016 started delivering small packages via drone as a way to bring online orders to shoppers in remote rural villages. Its fleet of about 30 drones has already been bringing shipments to customers in the remote areas of Beijing, and in Sichuan, Jiangsu, Shaanxi and Guizhou provinces, which are home to more than 230 million people.

The larger drones would also ferry goods in the other direction. For example, farmers looking to reach far-off urban markets could quickly ship fruit and vegetables, said Josh Gartner, a JD spokesman.

E-commerce and logistics companies around the world are



Drones built by the company have been transporting goods between distribution centers in Jiangsu province.

XING GUANG/XINHUA/ZUMA PRESS

experimenting with drone delivery, but most are focused on moving small, high-value packages, such as electronics or medicine. Amazon.com Inc. made its first delivery to a customer in December, in rural England, but is limiting the service to items under 5 pounds. A United Parcel Service Inc. drone dropped off an inhaler to an island near Boston in September.

Earlier in May, Airbus SE said it

would start selling commercial drones in the U.S. for purposes such as monitoring crops and inspecting cellphone towers.

Efforts to launch large-scale drone service in the U.S. have run into regulatory roadblocks, with many of the technology's proponents predicting they won't see widespread use until at least 2020. Regulations are

less of an issue in China, home to the world's largest civilian

drone maker and where commercial drones are already widely used in farming. Local governments have offered up their airspace for drones and helped fund research. An arm of Shaanxi's government is covering part of the roughly \$150 million JD plans to invest in the province.

Heavyweight drones have their own set of problems. Where a small drone can be

launched from almost anywhere, larger models need dedicated landing pads. Big, heavy drones can also be noisier, making them unwelcome in residential neighborhoods. Their extra size and weight also raise the potential damage from a crash, requiring extra motors, backup flight control systems and other fail-safes.

"The larger the vehicle and the higher the potential risk to

people or property, the more redundancy and reliability you need," said Ben Marcus, chief executive of AirMap, which helps drone operators navigate airspace.

Giant military drones and other unmanned aircraft have been in use for decades, Mr. Marcus said, but it is only recently that companies have begun exploring their commercial use. However, the bulk of investment is going toward smaller drones because "last-mile" delivery to customers' homes is usually the most expensive leg of the supply chain, he said.

In China, unauthorized drones have also caused flight delays in several cities this year, leading authorities to introduce tighter regulation.

JD Chairman Richard Liu sees drones as a way to reach millions of potential customers outside China's major cities, an enormous market in which it competes with Alibaba. In one Chinese province, Mr. Liu plans to build 150 drone delivery sites within the next three years.

Delivery costs in Chinese cities are inexpensive, as order densities are high and labor costs are low. However, in the rural areas, shipments are fewer and the road infrastructure is less developed, making deliveries inefficient and costly. JD, which operates its own logistics network, first sends order parcels from its warehouses to delivery stations, where the drones pick them up and send them to villages for distribution.

FACTOR

Continued from page B1
real estate and commodities as of 2014, according to a recent report from the Pew Charitable Trusts.

These alternative investments can be more difficult to value when compared with stocks and bonds, and typically mean higher fees for investors. The added complexity also makes it more difficult to be transparent.

about what is being paid, according to Pew, which estimates that \$4 billion in fees paid by the 73 plans hadn't been reported publicly.

Some public pensions say computer models can help manage their complex portfolios and predict how their assets will behave in different economic environments.

Grouping investments by risk rather than type, they said, exposes dangers that might otherwise remain hidden.

"You can look at your portfolio and say 'Oh wow, I've

got a lot more inflation risk than I should have or a lot more credit risk than I should have,'" said Robert T. Bass, a BlackRock Inc. managing director, who provides software that conducts this analysis for pension funds. "Maybe I should take that down a little."

In Fairfax County, Va., new software programs allow public pension-fund managers to plug their assets into a computer and ask what they should buy if, say, they want better protection against in-

flation.

"You can put in what you want to solve for at the outset," said Andy Spellman, senior investment officer for the county's \$3.7 billion employee retirement system.

In California, Calpers turned to computer models to understand its private-equity costs. Calpers has roughly \$26 billion invested with private-equity firms, which buy companies with the goal of earning more in a later sale or public offering.

They typically charge pen-

sion-fund clients a management fee of 1% to 2% of assets and a performance fee of as much as 20% of the gains when they sell companies for a profit.

Calpers was long unable to separate one set of fees from the other, relying in part on a set of spreadsheets to keep track of the data. Additionally, the information was stored in a range of different formats, making it difficult to aggregate and analyze.

It took five years to develop a new data-collection

system that relies on private-equity managers to fill out new templates describing their various fees. A data and accounting firm then compiles the information and feeds it into the software program.

The new quantification is changing the way Calpers operates, one official said. It is "motivating us to explore alternative ways of investing in private equity that might have less of a fee burden," Mr. Tollette said in an interview.

BUSINESS NEWS

AVATAR

Continued from page B1
ert Chapek, chairman of its parks and resorts business.

Attendance at its domestic parks has grown substantially, with a rising number of days when Walt Disney World and Disneyland parks have had to turn away guests. To address that issue, the company last year introduced seasonal pricing at its domestic parks and launched Shanghai Disneyland in June with a similar policy.

As a result, attendance at its domestic parks fell 1% in fiscal 2016, the first drop since fiscal 2010, but per-capita guest spending increased 7%; the company doesn't disclose the actual per-guest figure, just the change.

The 12-acre "Avatar" attraction marks an effort to increase both capacity and guest spending. Disney hopes

it will turn Animal Kingdom, one of four parks at Walt Disney World, from a place where guests typically spend a few hours to one where they can spend a full day. It features a flight simulator, a river journey and a huge mountain that appears to float in the air.

"It was not a park that had a lot of demand in the evening," said Mr. Chapek.

Disney made a deal with Mr. Cameron's Lightstorm Entertainment and studio Twentieth Century Fox, owned by 21st Century Fox, in 2011, before it bought

"Star Wars" and before "Frozen" had made its debut. The company pursued the rights aggressively, driven in part by frustration it had let the rights to "Harry Potter" go to competitor Universal Studios,

which had a large attendance and earnings boost from new lands based on the boy wizard, according to people with knowledge of the

deal.

Mr. Iger and then-parks chief Tom Staggs had brunch with Mr. Cameron and his producing partner, Jon Landau, at the home of then-Fox co-chief Jim Gianopulos.

They pitched their ideas to collaborate on a series of

"Avatar" attractions in Animal Kingdom. "They said they wanted to create a totally immersive experience and that it would have an ethos behind it," recalled Mr. Landau. The film's message of conservation was important to Mr. Cameron, and Disney

convinced him that it would be a good fit with the similarly themed Animal Kingdom.

Disney agreed to pay Fox and Lightstorm tens of millions of dollars a year, in addition to a cut of "Avatar" merchandise sales, according

to people with knowledge of the agreement. It also has rights to open "Avatar" rides at its other parks, though none are planned.

At the time of the deal, the parties expected a sequel to "Avatar" would be released by the time the theme park opened. But due to delays, the first of a planned four sequels won't come out until 2020.

That has raised concerns about whether tourists will be as drawn to the theme-park area the way they are to rides based on newer hits like "Guardians of the Galaxy." In addition, the success of "Avatar" was due as much to its 3-D technology as to the characters and world that have informed the new attractions. "Avatar" merchandise didn't sell well around the movie's release, said a person with knowledge of the matter. A Fox spokesman declined to comment on merchandise sales.



The new attraction at Disney World in Florida, set to open this week, features 'floating mountains.'

REIN PHILLIPS/DISNEY

deal.

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BEIJING—Seeking to build national champions to rival the likes of Exxon Mobil Corp., China is moving to boost private investment in its oil companies and may be willing to cut their workforces in the process.

China's oil and gas sector has been struggling under a combination of low energy prices and a weaker economy, sapping profits of its state-owned energy companies.

A new policy road map, unveiled late Sunday and backed by the Communist Party's Central Committee and the government's cabinet, indicated leaders are considering more aggressive action to make state-owned companies operate more like global peers.

Market forces "should play a decisive role in resource allocation," the state-run Xinhua News Agency quoted the overhaul plan as saying.

The government offered eight general targets, including better managing oil imports and exports, upgrading refineries and boosting reserves. Details are expected in coming months, said Lin Boqiang, who researches energy policy at Xiamen University.

According to Xinhua's account, the newly released plan pledges to allow state-owned oil and gas companies "to lose weight and be fit," suggesting job reductions, Mr. Lin said.

The government also said it is committed to carrying out more "mixed-ownership reform" sectorwide. Beijing has been experimenting for several years with letting more outside investors take minority stakes.

China Wants More Private Money For State-Owned Energy Giants

BY BRIAN SPEGELE

Counting Heads

Workforces of China's energy companies dwarf global competitors'



Note: Figure for Saudi Aramco as of end-2015; figures for other companies as of end-2016.

Source: the companies

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BUSINESS NEWS

Bosses Say They Want Their Offices Back

CEOs move against open-floor plans; 'It's not about status or privilege,' says one

BY VANESSA FUHRMANS

The lofty building Jordan Hamad moved his tech-advisory firm into four years ago had the trappings of a startup idyll: open-floor plan, polished concrete floors, custom-built communal tables.

Soon, the 33-year-old founder of Chairseven says he craved something else: walls and a door.

The floors, it turned out, damped none of the sound. Instead of constantly trading ideas, he and his team often wore noise-canceling headphones to block out the din. For private meetings or calls, he would sequester himself in the noisy printer room or at home. "It was, 'Yay, we have this great space, but I can't really use it,'" he said.

Now as he moves the company from Portland, Ore., to New York, Mr. Hamad has joined a cadre of bosses chucking the egalitarianism of working alongside their employees for the old-fashioned private office. Their open-office revolt, they say, is less about reclaiming the corner office than about needing a quiet place to think.

"People will say it's so cool to have the CEO right next to you, but at the end of the day your team sometimes needs their space and you need yours," says Mr. Hamad, who has leased a private office for himself and co-working space for other staff.

Bosses like him are swim-

ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL



Blake Harvey, CEO of a New York communications firm, works in an office he leased from Servcorp just down the hall from his employees.

ming against the workplace tide. Nearly 70% of U.S. office spaces are open-concept, according to the International Facility Management Association, compared with 64% two decades ago. Led by CEOs such as Michael Bloomberg, AB InBev NV's Carlos Brito and Zappos.com Inc.'s Tony Hsieh, more executives have ditched the corner office for an open desk to project camaraderie with the masses.

But as employees and managers squeeze closer together, productivity and morale have suffered.

In a review of more than 100

studies of work environments, British researchers found that despite improving communication in some instances, open-office spaces hurt workers' motivation and ability to focus.

Employees seeking privacy resort to conference-room squatting or ducking into "focus" booths, quiet refuges that companies are increasingly building into open offices.

CEOs have the license to go further. For seven years, Blake Harvey and his employees at his New York communications firm, Lawrence Blake Group, toiled together in co-working spaces. His

staff sometimes felt self-conscious working under their boss's gaze. When he was worried about the business, there was no hiding. "If I was a little down, they could see that, and that affects the whole team," he says.

So when the firm signed a few new clients this year, he leased an office from office-space provider Servcorp Ltd. just down the hall from his employees. Having his own space, he says, makes him feel more like a leader. After brainstorming or regrouping with some music or even watching an inspirational video, "I can

get back out there with my Superman cape on," he says.

Another upside: His pedometer registers at least 10,000 steps by the end of the workday, thanks to the to and fro from his office to employees' desks.

"When you're in a territory that's clearly yours, you perform better," says Sally Augustin, an environmental psychologist and principal at La Grange Park, Ill.-based consulting firm Design With Science.

Even watching a boss and co-worker move into a separate space for a meeting can be distracting, she adds.

"People's minds never go to 'Bob must be getting a promotion,'" she says. "It's, 'Bob must be in trouble. This is the beginning of the end for Bob.'"

For some bosses, though, the future may resemble the setup of Jim Keane, CEO of Steelcase Inc., maker of office furnishings. Last year, he and the rest of Steelcase's leadership team worked in their own open-style wing, his desk

Some are chucking the egalitarian ways for the old-fashioned private place.

semi-enclosed by partitions.

He has since moved to a 5-by-8-foot pod in the company's innovation center. He retreats to it when he needs to focus or switch mental gears between meetings. Otherwise, he is out on the floor, with customers and employees, or in other enclaves for meetings.

"It's not about status or privilege," he says of the pod, a prototype with still-exposed two-by-fours. "This is a space where you do certain kinds of work."

Open offices are so popular among tech companies that when CircleCI's founders moved the startup in 2014 from an open space in San Francisco and worked for a while in one with 25 closed offices it paid half the market rental rate, says co-founder Paul Biggar.

He says, engineers need quiet—and so does he. "I love the private office," he says.

BUSINESS WATCH

CBS

CEO Moonves Extends Contract

CBS Corp. said Monday it reached a two-year contract extension with Chief Executive Leslie Moonves, who is now expected to stay with the media company through June 30, 2021.

Mr. Moonves's annual salary remains at its current level of \$3.5 million. Contract provisions regarding annual bonus payments and other long-term incentives aren't changing with the extension.

Once his term as chief executive expires, Mr. Moonves, 67 years old, can become a senior adviser to the company for an additional five years. The agreement also includes an option for him to establish a production company with CBS's support.

—Bowdye Tweh

JBS

Stock Plunges On Brazilian Scandal

Shares of Brazilian meatpacker JBS SA plunged more than 30% Monday, costing the company about \$2 billion, after President Michel Temer accused its owners of insider trading in a battle over the country's corruption scandal.

JBS's shares have slumped since its executives said in documents made public last week by the country's top court that they bribed Mr. Temer and his two predecessors as part of its involvement in the graft scheme.

In a televised address Saturday Mr. Temer said JBS's executives were lying and accused JBS Chairman Joesley Batista of making "millions and millions of dollars" by buying \$1 billion in dollar con-

tracts and selling the company's shares before leaking the allegations about him to the press.

The accusations accelerated JBS's share losses Monday, sending its shares in São Paulo down 31% to 5.98 reais (\$1.80). The drop erased about 7 billion reais (\$2.14 billion) of its market cap, said Guilherme Figueiredo of investment firm M. Safra.

JBS has denied wrongful trades. In a note late Monday, JBS said: "JBS's operations are continuing at a normal pace, as set out in the business plan. The company has a robust financial situation and believes in the quality of its products and services."

—Luciana Magalhaes and Samantha Pearson

REDBOX

Movie-Rental Kiosks To Get Films Sooner

Redbox got a boost in its efforts to compete with digital outlets as Hollywood's largest studio agreed to make its movie discs available earlier in the company's movie-rental kiosks.

Time Warner Inc.'s Warner Bros. will now let Redbox rent its DVDs and Blu-ray discs seven days after they are available to buy, the companies said Monday.

Warner previously made Redbox wait 28 days out of fear its \$1.50-a-night rentals depressed more profitable sales and digital rentals. Two other major studios, Comcast Corp.'s Universal Pictures and 21st Century Fox Inc.'s Twentieth Century Fox, still have similar policies in place.

Redbox's parent, Outerwall Inc., was acquired last year by private-equity firm Apollo Global Management for about \$895 million.

—Ben Fritz

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Firms Persuade SEC on Profit Metric

BY TATYANA SHUMSKY

Companies are winning over the Securities and Exchange Commission in their use of unofficial accounting figures, a year after a crackdown on the practice.

Medtronic PLC, Coca-Cola Co. and Boston Scientific Corp. are among the 35 out of 51 companies that have successfully demonstrated to the regulator that their adjusted earnings figures aren't misleading investors.

That outcome highlights how the complexities and nuances in corporate accounting are complicating the SEC's job in policing earnings.

For example, some companies are vulnerable to customer lawsuits that can blur the line between an occasional expense and a regular cost necessary to operate the business.

Similarly, a restructuring plan announced in one year can bleed across several years, clouding the distinction between a discrete cost and a recurring expense.

An SEC spokeswoman declined to comment.

Large companies have the money and resources to lay out a successful, detailed defense of disputed accounting practices. Chief financial officers can tap a vast brain trust of internal finance teams, consultants and legal counsel, as well as the board's audit committee, to respond to SEC concerns.

The agency last May issued new guidelines on the use of adjusted earnings and other figures inconsistent with U.S. Generally Accepted Accounting Principles. The move came amid concerns that these figures can misrepresent company performance and often furnish investors with a rosier picture of results by excluding unusual charges or the impact of currency swings.

The regulator questioned dozens of companies on whether some of these adjustments exclude regular business expenses and could be misleading, according to an Audit Analytics analysis for The Wall Street Journal. In 69% of cases the SEC backed down and concluded its conversations with the company without forcing a significant change to its adjusted earnings presentation.

"What is reasonable to exclude and how do you decide what is normal?" said Paula Hamric, national assurance partner at accounting firm BDO USA LLP. "Even SEC staff haven't been able to answer



Coca-Cola has convinced the SEC its adjusted results aren't misleading. Above, a Coca-Cola plant in Utah.

Regulator Doesn't Buy Five Star Case

Some companies have been less successful in defending their adjusted figures.

The Securities and Exchange Commission asked senior-housing provider Five Star

Senior Living Inc. to explain why rent wasn't a recurring, cash operating expense necessary to run the business. The Newton, Mass., company rented 88% of the units it operated as of the end of 2016 and had furnished investors with adjusted earnings that omitted rent costs.

Five Star in January argued that the figure wasn't misleading

because rent is analogous to the interest paid on the loans for company-owned properties. But by the end of February, CFO Richard Doyle told the SEC that Five Star would no longer use the adjusted figure in future filings "in light of discussions with SEC staff."

A spokeswoman for Five Star declined to comment.

Tesla Inc., for example, said in an Oct. 2 release it would drop non-GAAP revenue and other custom metrics. The decision came after the SEC in an August letter questioned the company's use of "individually tailored" accounting figures.

The challenge for the SEC lies in drawing a distinction between outliers and regular business expenses, when many fall into a gray area. Finance chiefs and regulators must examine the company's particular facts and circumstances to decide whether adding back certain expenses is misleading.

Coca-Cola told the SEC that what may at first appear to be recurring business expenses are in fact unique charges. The beverage maker adjusted its 2016 results for costs from an overhaul and subsequent divestment of its bottling plants in Germany. It also excluded nonroutine charges such as severance pay, consulting fees and write-offs linked to a cost-cutting program expected to end in 2019.

Moreover, 29 out of 42 companies that were questioned about their use of tailored revenue metrics, another non-GAAP figure forbidden by the new rules, changed their presentation of results to satisfy the SEC's concerns, according to Audit Analytics data.

We believe these restructuring charges and charges re-

lated to our productivity and reinvestment program are not representative of the company's underlying operating performance and thus are appropriately excluded," said Larry Mark, controller, in a letter to the SEC in October.

A Coca-Cola spokeswoman declined to comment. A spokesman for Medtronic said in an email that the company "responded directly and openly" to the SEC.

SEC correspondence becomes public about 20 days after the regulator judges the matter closed, although conversations can last for months and cover multiple topics. It isn't known how many matters are pending, as the SEC doesn't comment on cases.

Companies should establish a policy for how they calculate non-GAAP figures to ensure the practice is consistent from one period to another, said Beth Paul, partner at accounting firm PwC. Executives should work through the nuance and judgment and be prepared to defend it to the audit committee.

JOURNAL REPORT | CEO COUNCIL: ASIA

Japan's Abe Talks Trump

How the prime minister views the next steps

Japan has seen an economic revival in recent years. But now it faces an uncertain world, as North Korea makes increasingly aggressive moves and the mood in the U.S. turns against free-trade deals.

To assess the progress Japan has made and look ahead, The Wall Street Journal's Gerard Baker sat down with the prime minister of Japan, Shinzo Abe, who spoke through a translator. Edited excerpts follow.

The path of progress

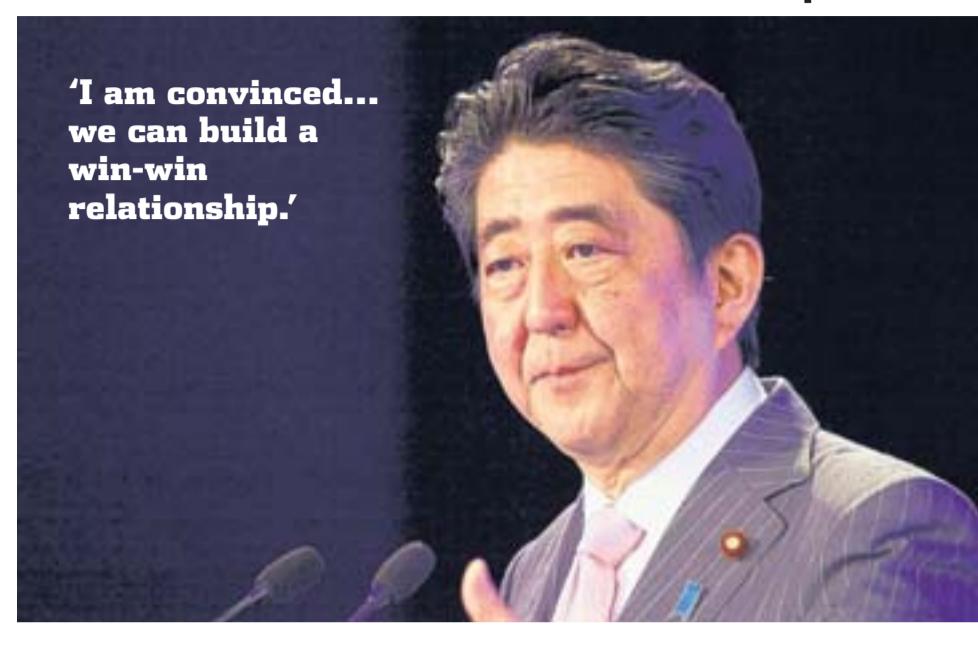
MR. ABE: It has been more than four years since I retook the government. Japan before that was enveloped in a mood of pessimism, a sense of resignation. The economy was in deflation. I promised to bring Japan back. What have the results been?

During the past four years, through our economic policies, nominal GDP has grown by 9.5%. Employment, which decreased by 290,000 jobs in the previous administration, rose by 1.85 million during these four years. The unemployment rate is at 2.8%, almost full employment. Wage levels will rise and the exit from deflation will draw nearer.

My policy is to put the economy first, to exit from deflation and to keep pursuing the three arrows of monetary, fiscal and structural reform to those ends. This policy is absolutely unchanged. Economic growth in Japan and a stable livelihood for our people cannot be realized unless we cooperate and collaborate with the global economy.

Ensuring peace and security is the foundation for this. To that end, my consistent position is to strengthen the Japan-U.S. alliance and to broaden the range of diplomacy with nations of the Asia-

'I am convinced... we can build a win-win relationship.'



ARON KREMER/DOW JONES

Pacific. Last month, Vice President Pence and Deputy Prime Minister Aso held the first Japan-U.S. economic dialogue and agreed to continue consultation on common strategy on trade and investment rules and issues.

Of course, we cannot allow ourselves to let down our guard. Despite strong warnings by the international community, North Korea once again has pushed ahead with the launch of a ballistic mis-

sile. The threat from North Korea has risen one step further. Terrorism is spreading across the world. We shall have to maintain our alert and reinforce global collaboration in an unprecedented way. Without peace and stability, there can be no growth or prosperity.

Talking with Trump

MR. BAKER: You've had a chance to meet twice with President Trump since he was

elected. By all accounts you struck up a good relationship, and you've talked about the importance of the U.S.-Japan relationship. But you weren't able to persuade him to back off his campaign promise to withdraw the U.S. from the Trans-Pacific Partnership. And he's spoken very critically about TPP, indeed about international trade arrangements with other countries.

Japan still has a very, very large trade surplus with the United States. Are you confident that you can get a constructive trading relationship with the United States?

MR. ABE: I am convinced that economic cooperation can be expanded between Japan and the United States and that we can build a win-win relationship. I explained to him the current status of Japan-U.S. trade. For example, in the past there was trade friction between Japan and the U.S. in the automotive industry. But now Japanese companies are building factories in the U.S., ensuring many jobs in the U.S. and contributing to the development of the U.S. economy. Or to take another example, you won't find cases of us expanding market share by selling cheaply when currencies

fluctuate. I explained to President Trump that the trade and economic environment between Japan and the U.S. has greatly changed in this way, and he understood me well. We agreed that Japan and the U.S. should work toward free and fair rules.

MR. BAKER: Is there a possibility for a bilateral U.S.-Japan free-trade agreement at some time in the Trump administration?

MR. ABE: We need to discuss what is best, keeping various options in mind. I fully acknowledge President Trump's position on multilateral arrangements. But I have explained many times to him why it matters to create free and fair rules in a multilateral setting given the supply chains that exist today. President Trump listened earnestly, without any expression of annoyance.

MR. BAKER: There's a lot of concern that the U.S. may not be as engaged in these important Asian economic and security conversations as its traditional allies, Japan perhaps most of all, would like it to be. Are you concerned about that?

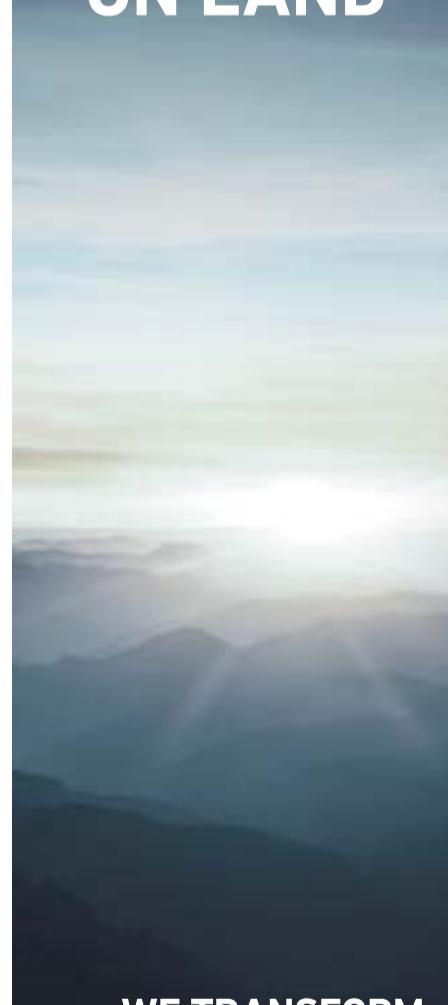
MR. ABE: Since the Trump ad-

ministration began, I think the commitment to the security of Northeast Asia has in a sense strengthened. For example, in the case of North Korea, the Trump administration is truly tackling the situation seriously.

MR. BAKER: In the last three years, North Korea has tested more missiles than it had in the previous 30 years. The U.S. seems to be still relying on China to exert pressure on North Korea. Is the approach through China the most effective way to get North Korea to back off this increasingly aggressive posture?

MR. ABE: Already Japan, the United States and many other countries impose economic sanctions on North Korea through United Nations resolutions. Today, it is said that China accounts for more than 80% of overall trade with North Korea. I believe that China, by playing its role properly, can change North Korea's policies. If a nuclear test is conducted, we will need additional economic sanctions. We will have to pursue further U.N. resolutions. On this count as well, China should properly take action and China should understand fully.

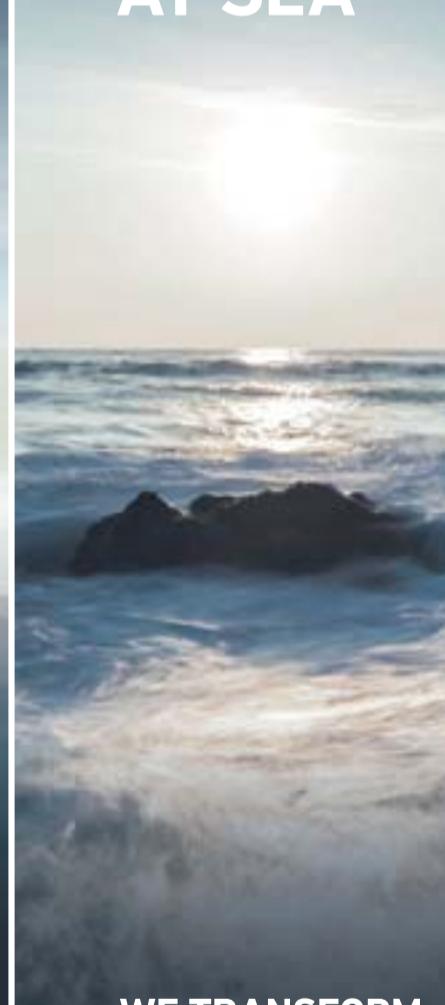
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JOURNAL REPORT | CEO COUNCIL: ASIA

The Banker's Viewpoint

Haruhiko Kuroda on economic inequality, protectionism and monetary policy

Monetary policy can stymie or enhance free trade and global economic growth. And one of the biggest influencers of monetary policy in the world is the Bank of Japan. Gerard Baker, editor in chief of The Wall Street Journal, sat down with the bank's current governor, Haruhiko Kuroda, to discuss the populist backlash against globalization, the rise of economic nationalism, and the economic health of the world. Edited excerpts of their discussion follow.

MR. BAKER: Governor, you just got back from a G-7 finance ministers and central bank governors meeting in Bari, Italy. Economists such as yourself have argued for a very long time that global economic integration and cooperation has been very good for global growth and has lifted incomes, particularly in parts of the world like Asia. If we're going to see a revival of economic nationalism, a rolling back of economic integration, what does that mean for the economy, Japan's economy in particular?

MR. KURODA: In Italy we discussed economic growth and

inequality. This is a very topical agenda faced by many countries, including G-7 countries, and we agree that free trade actually contributed to reducing global inequality.

But at the same time, it is true that in the last couple of decades, inequality within each country has increased. We discussed how to address this issue in each country. Now, protectionism, I don't think it will contribute to reducing inequality. Trade restriction would decelerate global trade, and that would dampen global growth. Without growth, living standards cannot be raised. I think it is well understood that free trade is key for global growth and continued improvement of living standards of the people.

At the same time, in the last couple of decades, a very defined, delicate, intertwined global supply chain has developed, not just in Asia, but in the Western Hemisphere as well as Europe. And without this extensive supply chain, any economy cannot prosper. If any country introduced a protectionist measure, that would hurt that country and hurt the world economy. So I

don't think that protectionists are likely to prevail in the world.

MR. BAKER: To be fair, the critics—especially people like Donald Trump—say they're not protectionists. They want to encourage trade. What they argue is that the trade deals over the past 20 years, many of them—the World Trade Organization, the North American Free Trade Agreement—have been unfair, because they haven't been genuinely free-trade deals. Countries have been able to exploit opportunities. China in particular. Japan is also criticized in this way. Whereas the U.S. in particular runs a massive trade deficit and has seen a lot of manufacturing jobs disappear.

So people are arguing that trade itself is maybe not the problem. It's actually unfair trade and the fact that some countries give themselves unfair advantages. How do you address that?

MR. KURODA: There are many detailed economic analyses already made by trade economists and they show that the WTO round of negotiations to improve free trade in the world actually haven't resulted in any major negative impact on the U.S. economy.

But some economists argue that after China joined the WTO, China expanded its global trade, and, in some countries, a too-rapid expansion of Chinese exports to their economies might have had some negative impact.

But, that said, I really don't think WTO has created the huge problems. In general, I think free trade has contributed. And I don't think any particular economy has made a negative impact on the U.S. economy.

MR. BAKER: In the past six months, there has been signifi-

'I really don't think WTO has created the huge problems.'



ARON KREMER/DOW JONES (3)

cantly increased optimism about the U.S. economy in particular. The stock market has done extremely well. There are expectations of much stronger growth on the back of a tax cut, and maybe infrastructure spending and various other things associated with deregulation and the Trump administration. That seems to have helped the background for the Federal Reserve, which has been tightening policy and looks like it's going to be tightening possibly further.

Where does that leave the rest of the world and, in particular, Japan?

MR. KURODA: Actually, the world economy, including the U.S. economy, started to recover from the bottom by the

middle of last year—well before the U.S. presidential election. I agree that the market has anticipated that under the new administration more aggressive economic policies would be implemented so that the U.S. economy could grow faster. That also means interest rates might rise faster than expected before. That might also have implications for exchange rates.

But if you carefully look at those market data, interest rates and the dollar haven't risen so much.

MR. BAKER: Not since that initial rise—

MR. KURODA: That's right.

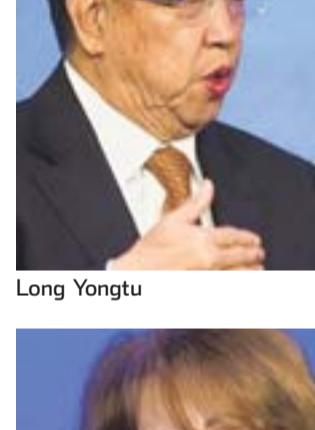
MR. BAKER:—in November.

MR. KURODA: The Federal Reserve would normalize its monetary policy in view of a very strong U.S. economic outlook, this year, next year, and that would be good not just for the U.S. economy but for the world economy. So I'm not very much concerned. Because that reflects a strong economic recovery.

On the other hand, Europe and Japan are lagging behind. The Japanese economy is growing by about 1.5% now, and is expected to continue to grow like that. Our inflation rate is still quite low. So our monetary policy is targeted at price development. That is to say to achieve the 2% price-stability target at the earliest possible time.

Putting China in Perspective

Charlene Barshefsky and Long Yongtu on misconceptions about the impact of China's entry into the WTO



nese counterparts. I think this is their problem.

MR. BROWNE: Bill Clinton suggested China's accession to the WTO was the start of a period of liberalization, that the country would become more open, more transparent, more rules-based. What happened is WTO accession marked the high-water mark of liberalization in China. What happened?

MS. BARSHEFSKY: First of all, it can't be U.S. policy that poor countries should remain poor because that is somehow advantageous to the United States. And it can't be U.S. policy that we should discourage poor countries from reforming and making their market more attractive for fear that the U.S. can't compete with low-wage countries.

So what happens when poor countries become more attractive venues? No. 1, trade flows increase, which is clearly the case. The question for the United States is, how do we maintain our competitiveness, recognizing that trade flows do increase aggregate GDP?

On the question of job loss, there is no question that trade is, in part, responsible for job loss in the United States, but a tiny fraction relative to automation and innovation in the U.S. When people lose their jobs, either for trade or for technology but no fault of their own, the United States has an obligation to undertake programs that assist them.

MR. BROWNE: Minister Long, can you take us back to the years leading up to China's accession to the WTO? There was huge resistance from conservatives within the Chinese system to opening up.

MR. LONG: The benefit of the WTO agreement for China isn't that China increases its trade. The most important thing is that the trade agreement triggered and accelerated internal domestic reform.

At the time, all the Chinese import-export were monopolized by a few dozen state-owned trading companies and ministries.

But once we accepted the terms of liberalizing, then tens of thousands, hundreds of thousands of Chinese enterprises start getting into the business of import-export.

You can trade directly with Americans, with Europeans, with all these Asians. So that gave a great acceleration of the trade volume of Chinese import-export.

MR. BROWNE: The U.S. had a trade deficit of something like \$80 billion in 2000. And within a decade, it is tripled. What did you get wrong?

MS. BARSHEFSKY: Remember that we have a substantial services surplus with China. That's point one. Second point is that the trade deficit is a function of macroeconomic factors.

Principally, the difference between what Americans save, which is nada, and investment, which is plentiful.

Americans could save more. The deficit would go down.

We could discourage inward investment. The deficit would go down. I can't imagine why we would discourage inward investment. What does have to be fixed is a China that has stopped the process of economic reform and opening and that, instead, has put in place

I think the Chinese leadership is still very determined to push for economic reform. But we have to ensure that it will benefit most of the people. It isn't reform for reform's purpose.

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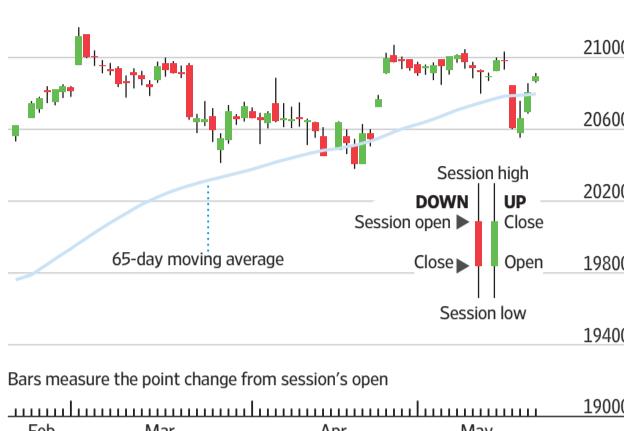
Read ambitiously

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

20894.83 ▲ 89.99, or 0.43%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Feb. Mar. Apr. May

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2394.02 ▲ 12.29, or 0.52%
High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

65-day moving average

Nasdaq Composite Index

6133.62 ▲ 49.91, or 0.82%
High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

65-day moving average

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	20914.26	20860.16	20894.83	89.99
Industrial Average	20914.26	20860.16	20894.83	89.99	▲ 0.43%	21115.55	17140.24	19.4	5.7	8.1
Transportation Avg	8974.25	8898.32	8964.65	85.46	▲ 0.96%	9593.95	7093.40	17.4	-0.9	4.2
Utility Average	710.32	701.83	709.21	5.94	▲ 0.84%	720.45	625.44	10.1	7.5	9.8
Total Stock Market	24797.02	24704.93	24783.07	134.12	▲ 0.54%	24878.35	20583.16	17.5	6.5	7.8
Barron's 400	635.35	632.27	634.86	4.47	▲ 0.71%	643.82	491.89	24.3	5.5	7.6

Nasdaq Stock Market

Nasdaq Composite	6135.92	6097.24	6133.62	49.91	▲ 0.82%	6169.87	4594.44	28.7	13.9	13.9
Nasdaq 100	5701.05	5661.59	5699.40	47.84	▲ 0.85%	5724.44	4201.05	30.9	17.2	16.0

Standard & Poor's

500 Index	2395.46	2386.92	2394.02	12.29	▲ 0.52%	2402.32	2000.54	16.9	6.9	8.2
MidCap 400	1722.42	1715.33	1720.61	8.53	▲ 0.50%	1758.27	1416.66	19.0	3.6	8.1
SmallCap 600	835.14	829.60	834.31	6.19	▲ 0.75%	863.08	670.90	22.8	-0.4	9.0

Other Indexes

Russell 2000	1378.30	1367.88	1377.14	9.81	▲ 0.72%	1419.43	1089.65	23.9	1.5	7.3
NYSE Composite	11592.52	11560.38	11585.21	42.52	▲ 0.37%	11661.22	9973.54	13.3	4.8	2.9
Value Line	517.91	514.46	517.54	3.08	▲ 0.60%	529.13	435.06	15.6	2.2	2.4
NYSE Arca Biotech	3633.61	3594.75	3631.44	22.41	▲ 0.62%	3690.00	2818.70	18.0	18.1	12.4
NYSE Arca Pharma	521.22	518.63	518.91	0.32	▲ 0.06%	554.66	463.78	2.6	7.8	0.7
KBW Bank	90.54	89.51	90.23	0.21	▲ 0.23%	99.33	60.27	31.5	-1.7	9.9
PHLX® Gold/Silver	86.81	85.67	86.16	1.00	▲ 1.17%	112.86	73.03	1.2	9.3	-1.0
PHLX® Oil Service	154.28	151.36	152.17	-0.29	-0.19%	192.66	146.14	-5.4	-17.2	-19.1
PHLX® Semiconductor	1072.77	1065.13	1072.30	11.54	▲ 1.09%	1076.85	648.32	60.2	18.3	22.4
CBOE Volatility	12.52	10.89	10.93	-1.11	-9.22%	25.76	9.77	-30.9	-22.2	-3.1

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt 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	14,089.6	239.70	0.18	▲ 0.08%	239.73	238.32
Technology Sel Sector	XLK	4,236.5	55.68	...	▲ unch.	55.77	55.68
iShares MSCI Emg Markets	EEM	3,526.9	41.19	...	▲ unch.	41.23	41.19
Pfizer	PFE	3,397.9	32.12	...	▲ unch.	32.27	32.10
Hewlett Packard Ent	HPE	3,134.6	18.79	...	▲ unch.	18.84	18.75
Qualcomm	QCOM	2,914.0	59.15	-0.13	-0.22%	59.35	58.38
CVS Health	CVS	2,216.3	76.34	...	▲ unch.	76.52	76.06
Microsoft	MSFT	2,146.7	68.45	...			

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2,565.0	2,595.0	2,563.5	2,589.0	0.0150	1,712	
May	2,567.0	2,604.5	2,566.0	2,595.5	0.0140	122,716	
Gold (CMX)-100 troy oz.; \$ per troy oz.	1,251.70	1,252.00	1,251.70	1,260.70	8.00	23	
June	1,257.50	1,262.60	1,251.60	1,261.40	7.80	184,463	
Aug	1,260.00	1,265.80	1,254.80	1,264.80	8.00	151,864	
Oct	1,262.20	1,269.20	1,259.20	1,268.20	8.10	7,169	
Dec	1,266.70	1,272.50	1,261.60	1,271.60	8.10	65,360	
Feb'18	1,268.10	1,275.70	1,265.30	1,274.90	8.10	8,509	
Palladium (NYM)-50 troy oz.; \$ per troy oz.	812.80	812.80	812.80	758.95	-1.60	1	
May	759.40	771.40	748.50	759.10	-1.60	20,424	
July	756.35	770.10	752.45	758.90	-1.35	22	
Sept	758.35	770.50	747.70	758.20	-1.60	14,420	
Dec	753.75	756.40	747.40	757.80	-1.60	282	
Platinum (NYM)-50 troy oz.; \$ per troy oz.	930.70	930.70	930.50	947.80	10.10	1	
May	943.70	952.00	936.60	950.30	10.10	62,210	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	16.525	16.775	16.525	17.143	0.393	103	
July	16.870	17.210	16.840	17.191	0.395	152,648	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	50.60	51.06	50.44	50.73	0.40	22,887	
July	50.93	51.43	50.75	51.13	0.46	635,256	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	1,588.0	1,608.0	1,585.5	1,602.1	0.094	54,723	
June	1,589.45	1,667.9	1,648.7	1,662.6	0.0103	51,897	
July	1,650.03	1,664.00	1,6454	1,658.3	0.0105	135,472	
Natural Gas (NYM)-10,000 MMbtu; \$ per MMbtu.	3.291	3.334	3.279	3.330	.074	76,949	
July	3.393	3.428	3.374	3.424	.071	278,650	
Sept	3.420	3.462	3.413	3.459	.069	141,321	
Oct	3.423	3.458	3.418	3.457	.061	200,490	
Jan'18	3.656	3.693	3.656	3.691	.056	102,632	

Agriculture Futures

	Contract	Open	High	Low	Settle	Chg	Open	interest
Corn (CBT) -5,000 bu.; cents per bu.								
July	372.75	377.50	371.75	375.00	2.50	722,361		
Dec	390.75	395.00	389.50	392.75	2.50	283,663		
Oats (CBT)-5,000 bu.; cents per bu.	225.75	227.75	225.75	226.50	4.50	1,105		
July	953.00	961.00	953.00	956.50	3.50	365,378		
Nov	951.75	959.75	951.75	956.25	4.50	190,281		
Soybean Meal (CBT)-100 tons; \$ per ton.	307.00	309.20	307.00	307.80	.80	199,957		
Dec	310.40	312.60	310.40	312.10	1.70	86,028		
Soybean Oil (CBT)-60,000 lbs.; cents per lb.	33.13	33.44	32.90	32.94	-.10	206,242		
July	33.53	33.90	33.39	33.45	-.05	95,985		
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	1084.50	1108.00	1079.50	1105.50	22.50	7,989		
Sept	1107.50	1133.50	1107.00	1131.00	22.50	823		
Wheat (CBT)-5,000 bu.; cents per bu.	437.00	442.50	434.00	434.25	-.10	275,791		
Sept	450.25	455.00	448.00	448.00	-.50	75,922		
Wheat (KCO)-5,000 bu.; cents per bu.	439.75	444.25	435.50	436.00	-.20	159,400		
Dec	481.50	486.00	478.00	478.50	-.15	41,404		
Wheat (MPLS)-5,000 bu.; cents per bu.	555.00	561.25	554.25	559.25	3.50	29,268		
Sept	562.25	567.50	561.75	565.50	3.00	12,120		
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	143,450	144,625	143,300	144,250	.900	2,794		
May	151,100	153,550	150,735	152,775	2.325	33,195		
Cattle-Live (CME)-40,000 lbs.; cents per lb.	123,700	125,125	123,500	123,925	.475	56,606		
Aug	121,250	123,150	120,925	122,025	.25	185,908		
Hogs-Lean (CME)-40,000 lbs.; cents per lb.	79,075	79,750	78,650	79,350	-.150	31,405		
June	79,125	79,825	78,950	79,675	.450	46,716		
Lumber (CME)-110,000 bd ft.; \$ per 1,000 bd ft.	362.30	364.80	360.20	363.30	.30	3,553		
Sept	359.30	360.30	357.40	358.70	-.90	787		
Milk (CME)-200,000 lbs.; cents per lb.	15.60	15.62	15.59	15.60	...	4,860		
May	16.26	16.40	16.24	16.29	-.03	5,587		

Interest Rate Futures

	Contract	Open	High	Low	Settle	Chg	Open	interest
Cocoa (ICE-US) -10 metric tons; \$ per ton.								
July	2,034	2,058	2,014	2,035	7	124,363		
Sept	2,044	2,070	2,028	2,046	5	68,883		
Coffee (ICE-US) -37,500 lbs.; cents per lb.	132.10	133.00	129.55	130.60	-.150	103,252		
July	134.70	135.35	132.00	132.95	-.155	41,064		
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.	16.28	16.59	16.23	16.51	.13	355,318		
Oct	16.52	16.77	16.45	16.72	.13	194,427		
Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.	28.20	28.20	28.00	28.09	.01	1,298		
Sept	28.05	28.05	28.00	28.05	...	1,779		
Cotton (ICE-US) -50,000 lbs.; cents per lb.	79.50	79.50	78.30	78.39	-.106	113,412		
Dec	73.45	73.70	72.82	73.01	-.04	119,852		
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.	139.15	142.00	135.50	136.05	-.370	7,803		
Sept	139.35	140.00	134.75	135.05	-.340	1,710		
Interest Rate Futures								
Treasury Bonds (CBT) -\$100,000 pts 32nds of 100%								
June	153-300	154-030	153-230	153-250	-.20	693,528		
Sept	152-210	152-260	15					

BANKING & FINANCE

Citigroup, Nasdaq Team Up

By TELIS DEMOS

Citigroup Inc. and **Nasdaq** Inc. are forging a partnership to match up the blockchain with real money.

The two companies said they have been working together, along with technology startup **Chain** Inc., for months to link Citigroup's business-payments services to Nasdaq's blockchain platform that has been used for activities such as buying and selling shares of private companies.

For blockchain, the move represents a notable chapter in its development. Blockchain is the peer-to-peer technology first developed to transfer ownership of the virtual currency bitcoin between people.

Bitcoin's value has soared this year, crossing over \$2,000 in recent days. But it still hasn't found widespread traction in traditional banking. The recent WannaCry computer attack asked for ransom payments in bitcoin.

With the partnership, details of which were expected to be announced Monday, a blockchain is connecting to one of the largest and most established bank money-transfer systems. And it gives big banks a way to earn fees helping new networks facilitate business payments if traditional settlement or invoice systems are disrupted.

Overall, banks, exchanges, and other financial firms have poured more than \$1 billion into projects and startups using forms of the underlying blockchain technology, according to Greenwich Associates.

The aim, still in the early stages, is to be able to move things such as stocks, derivatives and other assets between two parties much more cheaply than with existing systems.

But without bitcoin or another digital currency, however, those systems might be missing a crucial ingredient: money. Efforts to create digital versions of dollars and other

government-backed currencies are in their infancy.

Starting last year, Citigroup and Nasdaq began working together to match up Nasdaq's Lingq blockchain platform to Citigroup's Treasury and Trade Solutions unit, which moves trillions of dollars globally in business payments. Both firms

The companies are working to link the bank to Nasdaq's blockchain platform.

are investors in San Francisco-based Chain, and have worked with the startup in their blockchain efforts. Citigroup invested in Chain through its venture arm, Citi Ventures, which worked with its treasury unit on the project.

The new system links Citi-Connect, a tool that can be

used to manage large-sum payments across borders and across currencies, to blockchains—in this case Nasdaq's Lingq. This speeds up a key part of the usual multiday settlement process for trades.

The companies have already used the new system to make payments on trades, they said. Citigroup would earn standard fees to facilitate the payments just as it would for any business-to-business transfer.

The new system is a pilot for Citigroup, which for now is working with Nasdaq and Chain, but could develop it for other clients as well, the bank said.

The new system "will lead to relatively greater maturity of blockchain technology, and integrate it into our existing financial infrastructure," said Naveen Sultan, Citigroup's global head of Treasury and Trade Solutions. "That may lead to greater adoption of venues powered by blockchain."

Azerbaijan Lender Upsets Creditors In U.S. and Europe

By MARGOT PATRICK

LONDON—A troubled lender from Azerbaijan is shaping up to be a battleground for U.S. and European investors facing big losses on bondholdings.

State-owned International Bank of Azerbaijan, or IBA, filed for bankruptcy in New York on May 11, battered by bad loans and the oil-price rout.

It wants to restructure \$3.3 billion of debt to help it get back on its feet, according to a proposal accompanying the bankruptcy filing.

Azerbaijani Finance Minister Samir Sharifov and IBA Chairman Khalid Ahadov are scheduled to present the details of its plan to international investors in London on Tuesday. Some are already complaining, arguing that Azerbaijan may be intending to treat local creditors differently from them.

A group of unnamed investors said in a letter last week to the bank and the finance ministry that they were surprised by the bankruptcy filing, since some of them had been given assurances by Azerbaijani officials in January that the government would continue supporting the bank financially.

The Wall Street Journal has reviewed the letter, which is from the law firm of **Shearman & Sterling LLP**.

The identities of investors couldn't be learned.

An IBA spokesman didn't respond to a request for comment. A ministry of finance spokesman couldn't be reached.

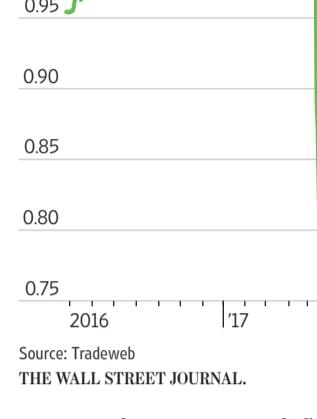
Government-sponsored bailouts of banks have been highly contentious for foreign investors recently. In Portugal, several investors are suing the central bank for removing €2 billion (\$2.24 billion) in bonds for repayment at **Novo Banco SA**, a lender carved out of the former Banco Espírito Santo.

Azerbaijan, nestled between Iran and Russia on the Caspian Sea, has suffered a slump in its economy and in the value of its national currency, the manat, since oil prices started to decline sharply in 2014.

The Azerbaijani government has since propped up IBA with a series of capital injections and now owns all of its equity through the ministry of fi-

Rude Awakening

International Bank of Azerbaijan's 2019 Eurobond, daily closing price



Source: Tradeweb
THE WALL STREET JOURNAL.

nance and a state-owned financial firm. The state-owned financial firm, Agrarcredit, has also bought some of IBA's bad loans.

Yet investors had been confident that a \$500 million senior Eurobond would be fully repaid.

That bond, which comes due in 2019, was trading just above 100 cents on the dollar before the bankruptcy filing, according to Tradeweb data. It plunged to below 80 cents afterward and on Monday closed at 83.14.

Holders of that bond, according to FactSet data, include funds from **Fidelity Investments**, **Franklin Templeton Investments** and **Ashmore Group**. Spokesmen for the three firms declined to comment. It isn't clear if they are involved in the letter objecting to the preliminary plan.

The letter warned investors could file an objection to the chapter 15 proceeding in New York.

If the bank receives chapter 15 protection, it would be shielded under U.S. bankruptcy laws from investor lawsuits.

"Any restructuring of the bank—to the extent it is strictly necessary—must be devised and implemented in a fair and impartial manner and with input and buy-in from the international investor community," the Shearman & Sterling lawyer wrote.

Moody's Investors Service estimates IBA creditors will have to write off at least 20% of the face value of their debt in the restructuring.

Up, Up and Away: Landmark TWA Terminal Is Transformed



TIMOTHY A. CLARY/AGENCE FRANCE PRESSE/GTY IMAGES

NEW MISSION: The future TWA Hotel at JFK Airport on the site of Eero Saarinen's TWA Flight Center, which opened in 1962.

CME's U.S. Interest-Rate Contracts Business Is Running Hot

By ALEXANDER OSIPOVICH

A few years ago, **CME Group** Inc.'s main profit engine was stuck in low gear. Now, it is in overdrive.

The futures exchange's biggest product line—U.S. interest-rate contracts—is enjoying record trading volumes as the Federal Reserve accelerates the pace of rate increases.

From 2008 to 2015, the U.S. central bank kept short-term rates near zero, which limited trading activity in the contracts.

Now with rates rising and inflation awakening, traders are jumping in and out of interest-rate futures as they speculate on the probability and timing of rate increases. On Wednesday, they will be scrutinizing minutes from the

Fed's latest meeting for hints of its next move.

That means Chicago-based CME can finally reap the benefits of the interest-rates empire it built a decade ago. The company merged in 2007 with its crosstown rival, the Chicago Board of Trade.

The deal gave CME a near-monopoly in U.S. interest-rate futures, a position it has held despite attempts by rivals to grab market share.

"If you want to trade anything in U.S. interest-rate futures, you're going to be trading on CME," said Christopher Harris, an analyst at Wells Fargo & Co.

CME's position allows it to raise fees without losing customers, analysts say.

In 2014, the firm pushed through its first big fee in-

crease in five years, raising transaction fees for Treasury futures by 9% for its largest customers, alongside fee increases for energy, metals and other types of contracts.

Since then it has bumped up fees for various interest-rate products each year, according to CME notices.

The exchange operator also has ranked traders by introducing new fees for market-data usage.

CME Chairman and Chief Executive Terry Duffy defended the moves on an April 27 phone call with analysts, saying the firm had long given away data for free and remained a "low-cost provider" compared with its competitors.

Critics worry fees will keep rising. "I don't see anything

that would be a catalyst for fee reductions," said Neal Wolkoff, former chief executive of ELX Futures LP, a now-dormant exchange that challenged CME's grip on interest-

rate futures. "Usually, fee reductions come in the face of competition, and there just isn't any."

Adding to CME's dominance, the 2010 Dodd-Frank Act and other postcrisis rules encouraged trading to migrate

from over-the-counter derivatives to futures, market observers say.

In the OTC market, two companies trade with each other directly, instead of using an exchange.

Research firm Tabb Group forecasts that 3.8 billion U.S. futures contracts will change hands in 2017, marking a fifth consecutive year of record volumes.

Much of that growth will come from interest-rate futures, the volume of which is expected to increase 16% this year, a faster pace of growth than any other type of contract, Tabb says.

Other CME products—like energy and stock-market futures—are better known to the general public.

But interest-rate contracts

have been the firm's biggest moneymaker for five of the past six years, responsible for around one-third of the revenue CME collects in trading and clearing fees.

Several challengers have tried to create alternative venues for U.S. interest-rates futures trading, including **NYSE Euronext** Inc., the former parent company of the New York Stock Exchange, and **ELX**, which was backed by a group of Wall Street banks and trading firms. But those efforts failed to gain traction.

Once a futures contract takes off, it is tough for competing exchanges to lure traders away from the primary exchange.

Market participants tend to congregate in one place to trade, analysts say.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by **LIPPER**

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns. Figures don't reflect sales charges ("loads") or redemption fees.

NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes p and s apply. k-Recalculated by Lipper, using updated data. p-Distribution cost apply, 12b-1. r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Monday, May 22, 2017

Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret			
American Century Inv	10.04	+0.27 14.8	NwWrdA	59.73	+0.18 16.1	StratnOppyls	9.90	+0.01 1.9	GroCo	159.80	+1.24 16.8	John Hancock Class I	41.14	+0.26 5.0	ParnEqFd	41.14	+0.26 5.0	Prudential Cl I & I	10.69	... 1.4	TgtRetInvc	13.26	+0.01 3.9
American Funds Cl A	10.46	-0.07 4.0	SlnCpA p	51.95	+0.28 13.0	InvGB	7.90	-0.01 2.2	LSBalncd	15.21	+0.04 7.1	LSGwth	16.00	+0.06 8.8	LSBalncd	21.74	-0.02 0.7	TrBdAdm	10.77	-0.01 0.6	TotBdIdxAdm	10.87	-0.01 0.6
AMcPcA p	29.48	+0.18 8.3	Wsha p	43.16	+0.19 5.9	InvGrBd	12.20	-0.01 2.6	InvGrBd	12.20	+0.04 4.8	John Hancock Instl	9.00	+0.01 4.2	HtYld	14.40	... 3.4	TRBdZ	26.21	+0.04 3.6	Wells	40.76	+0.12 5.0
AMutIA p	38.53	+0.14 5.1	AMG Managers Funds	5.6	... 1.7	LowPwr	52.71	-0.02 6.5	LowPwr	52.71	-0.02 6.5	John Hancock Instl	10.19	-0.01 4.3	TotRt	37.09	+0.19 7.8	Schwab Funds	59.89	+0.33 7.3	Wendl	37.13	+0.12 5.7
BalA p	26.20	+0.09 6.0	YackmanF d	22.76	+0.10 6.4	Magin	94.65	+0.49 9.7	LowPwrStkR	52.68	-0.02 6.5	LowPwrStkR	52.68	-0.02 6.5	Prudential Cl I & I	13.35	+0.03 14.1	STGradeAdm	10.69	... 1.4	TgtRetInvc	13.26	+0.01 3.9
BondA p	12.92	... 2.3	Baird Funds	1.7	... 1.7	MidCapVal L	37.94	+0.20 4.2	MidCapVal L	37.94	+0.20 4.2	MidCapVal L	37.06	+0.15 2									

COMMODITIES

For OPEC, a Surfeit of Cuts, and Supply

A pact to reduce oil output hasn't done much to deplete global inventory levels

OPEC is likely to extend and perhaps even deepen its production cuts for one main reason: It has failed to drain superhigh levels of oil in storage enough to raise prices significantly.

On Sunday, Khalid al-Falih, energy minister for the Organization of the Petroleum Exporting Countries' top pro-

By Georgi Kantchev,
Sarah McFarlane
and Benoit Faucon

ducer, Saudi Arabia, said OPEC and its production-cutting allies need to keep holding back output for another nine months.

The group's top leaders meet in Vienna on Thursday to make a decision.

"We are all ready to consider other creative suggestions that may emerge to between now and May 25," Mr. Falih told reporters in Riyadh.

OPEC's predicament underscores the powerful role global oil inventories now play, after years of being a technical detail that some traders ignored. With more data available than ever, oil storage has joined shale production as a symbol of a global glut of crude that has knocked OPEC on its heels.

"The production deal was a risky maneuver by OPEC," said Antoine Halff, senior researcher at Columbia University's Center on Global Energy Policy. "By choosing a storage target, they set themselves up for failure."

Almost six months after OPEC's 13 members and 11 other big producers pledged to cut about 2% of global oil supply, stored crude has only recently begun falling and remains at historically high levels.

Brent crude, the global benchmark, gained 0.5%, to \$53.87 a barrel, on Monday, but prices remain below the levels reached in the days after the production cut's announcement and short of the



A Saudi Aramco facility. Nearly six months after OPEC and other big producers pledged to cut crude output, global oil inventories have only recently begun falling.

Pulling Back

Global oil inventories, monthly



\$60-a-barrel target that Saudi Arabia wants.

OPEC leaders say they want to reduce storage levels in the Organization for Economic Cooperation and Development—a club of industrialized countries like the U.S.—to a five-year average.

An OPEC official said commercial oil stocks in industrialized countries were about

Iraq Balks at Longer Oil-Cut Extension

VIENNA—Iraq has become a potential obstacle to OPEC's efforts to continue cutting output into next year, representatives of the group said, prompting Saudi Arabia's energy minister to fly to Baghdad for meetings.

The Organization of the Petroleum Exporting Countries is set to meet Thursday to discuss an extension of production cuts of 1.8 million barrels a day that were agreed upon last year with allies outside the group, such as Russia.

An extension is widely expected and, until now, there had

been few known obstacles to an agreement.

OPEC officials said Monday that Iraq—the group's second-largest member—has expressed support for renewing the agreement for only the next six months, not the nine-month extension that Saudi Energy Minister Khalid al-Falih has endorsed.

Russia, Kuwait and Venezuela have also expressed support for a nine-month extension.

Mr. Falih flew to Baghdad on Monday to persuade Iraqi oil officials to get on board with the longer agreement, OPEC officials said.

The quibbling demonstrates how the debate at the group's

Vienna meeting this week will be over how long to extend the cuts for, not whether to extend them.

"All producers agree on the idea of extending the deal but the duration will be decided during the meeting," said OPEC Secretary-General Mohammed Barkindo at a news conference on Monday.

Iraq was among the most reluctant countries to join production-cutting efforts in November last year, agreeing only at the last minute.

The country needs as much oil revenue as possible to maintain a war against Islamic State.

—Benoit Faucon
and Summer Said

"Stocks are now coming down," the official said.

OPEC's focus on storage levels comes as U.S. shale producers are able to withstand low prices. The group has found that its power to flush oil out of storage is limited.

—Summer Said
and Margherita Stancati contributed to this article.

MARKETS

China's Yield Curve Resembles a Triangle

BY SHEN HONG

SHANGHAI—China's \$1.7 trillion government-bond market is turning ever weirder.

CREDIT MARKETS In a sign of nervousness among investors caused by Beijing's campaign this spring to make Chinese markets less risky, the yield on seven-year government bonds rose to 3.79% Monday, above the yield on both five-year and 10-year bonds.

The highly unusual move means that China's government-bond yield curve now resembles a triangle, with the seven-year yield at its highest since October 2014. Yield curves show the interest rates investors are willing to receive when they buy bonds of differing maturities.

The shift comes less than two weeks after the government-bond yield curve became inverted for the first time on record, with 10-year yields—now at 3.65%—lower than those for five-year bonds, currently at 3.68%.

Normally investors demand higher yields on bonds that have longer to go until maturity.

"We are seeing a butterfly on our screen that we have never seen before," said a Shanghai-based senior bond trader at a mutual fund.

An inverted yield curve usually reflects investors' pessimism about a country's long-term growth and inflation prospects.

But in China, few are predicting prolonged deflation or recession, despite signs that the economy could slow this fall.

Instead, the market's latest quirk has come about partly because trading in Chinese government bonds of some

maturities, such as the seven-year, tends to be quite low in volume.

That trend has been exacerbated in recent weeks amid efforts by Chinese regulators to tame speculative investment using heavy levels of borrowed funds.

As investors have sold off their bonds, or simply stopped trading them, price movements have become more erratic.

"It's mostly due to the fact that the seven-year bond is less liquid. That's why its yield can be easily pushed up in a selloff," said Wang Jing, deputy general manager of the fixed-income department at Shenzhen-based China Securities Credit Investment Co.

Yield Signs

Yield curve of China's government bonds



AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Accepted bids	\$125,939,635,100	\$100,869,996,500
"noncomp"	\$39,000,285,100	\$33,000,196,500
Foreign noncomp	\$484,503,800	\$387,656,500
Total accepted bids	\$100,000,000	\$375,000,000
Auction price (rate)	99.767444	99.466250
Coupon equivalent	0.93%	1.07%
Bids at clearing yield accepted	56.90%	22.35%
Cusip number	912796LQ0	912796MD8

Both issues are dated May 25, 2017. The 13-week bills mature on Aug. 24, 2017; the 26-week bills mature on Nov. 24, 2017.

Stocks Climb for a Third Session

BY ALEXANDER OSIPOVICH
AND RIVA GOLD

A rally in technology and industrial shares lifted U.S. stocks, boosting major indexes to a third consecutive session of gains.

EQUITIES Growth in corporate earnings and signs of strength have helped mitigate investors' concerns about the Trump administration's woes in recent sessions, some analysts said. That helped many view last week's drop as a buying opportunity.

Of the 95% of S&P 500 companies that have reported results for the first quarter, 75% have beat earnings-per-share estimates, according to FactSet.

"It's quite encouraging how we bounced back from that wobble last week," said Ian Williams, strategist at brokerage Peel Hunt. "It underlines very strong bottom-up corporate earnings performance across all major developed markets...that's been a big factor offsetting geopolitical concerns," he said.

On Monday, the Dow Jones Industrial Average rose 89.99

points, or 0.4%, to 20894.83. The S&P 500 added 12.29 points, or 0.5%, to 2394.02, within 10 points of its record close on May 15. The Nasdaq Composite gained 49.91 points, or 0.8%, to 6133.62.

The technology sector in the S&P 500 climbed 1%. Tech shares suffered their worst day since Brexit during last week's sell-off, which was spurred by fears the administration would fail to deliver corporate-friendly policies. On Monday, shares of Dow com-

ponent Cisco Systems rose 38 cents, or 1.2%, to \$31.59.

Agreements between Saudi Arabia and the U.S. on business deals and potential investments valued at \$300 billion boosted a range of companies.

Boeing added 2.91, or 1.6%, to 183.67, while Lockheed Martin climbed 4.24, or 1.6%, to 277.03, after the two countries signed arms agreements that could be worth more than \$100 billion. Blackstone Group surged 2.01, or 6.7%, to 31.88

after Saudi Arabia agreed to commit \$20 billion to the private-equity firm's new infrastructure fund.

Ford Motor rose 23 cents, or 2.1%, to 11.10, after Jim Hackett was named Ford's new chief executive.

U.S. crude rose 0.8%, to \$50.73 a barrel, its highest settlement in a month ahead of Thursday's meeting of the Organization of the Petroleum Exporting Countries, where many expect an extension to production cuts.

"I think \$40 to \$60 [a barrel] is a reasonably good sweet spot markets are comfortable with," said Phil Orlando, chief equity strategist at Federated Investors.

The yield on the 10-year Treasury note rose to 2.254% from 2.243% on Friday. Yields rise as prices fall.

Gold for May delivery gained 0.6% to close at \$1260.70 a troy ounce.

The Stoxx Europe 600 fell less than 0.1%. Early Tuesday, Japan's Nikkei Stock Average was down 0.2%, Hong Kong's Hang Seng Index was up 0.1% while South Korea's Kospi was up 0.1% adding to a record set Monday.

Activity at Boeing factories will get a boost as arms agreements between the U.S. and Saudi Arabia bolstered industrial companies.

DAVID RYDER/BLOOMBERG NEWS

Dollar Begins Week Where It Left Off: Down

BY CHELSEY DULANEY

The dollar edged lower, steady after its worst week in nearly a year.

CURRENCIES The WSJ Dollar Index, which measures the U.S. currency against 16 others, slipped 0.1% to 88.60. The index slid 1.6% last week, its biggest decline since last July.

The dollar has been whipsawed recently by uncertainty surrounding the Trump administration, which investors

fear will erode the administration's ability to push through tax-overhaul and fiscal-stimulus proposals.

"The dollar remains pressured by an increasingly uncertain U.S. political climate that, at best, is likely to result in a much lower chance for dollar-supportive fiscal stimulus from Washington, and, at worst, could undermine Mr. Trump's presidency," said Omer Esiner, chief market analyst at Commonwealth Foreign Exchange.

Congressional testimony expected Wednesday from

James Comey, the former Federal Bureau of Investigation director who was abruptly fired this month, will be watched closely by investors.

The WSJ Dollar Index had surged to a 14-year-high after the election on hopes that Mr. Trump's economic proposals would boost the economy. The index has now given back roughly 90% of those gains.

A more upbeat outlook from the Federal Reserve could help support the dollar, analysts said. Speeches from Fed officials on Monday

offered few clues on the central bank's plans for raising rates.

All that comes ahead of the release on Wednesday of minutes from the Fed's latest meeting.

Federal-funds futures, used by investors to bet on the U.S. interest-rate outlook, show a 79% chance that the Fed will raise rates at its meeting next month, according to CME Group Inc. data. Higher rates typically support the dollar by making U.S. assets more attractive to yield-seeking investors.

MARKETS

Leveraged ETF Amplifies Brazil's Swings

A 48% one-day slide because of country's scandal shows risk of such investments

By BEN EISEN

Markets' reaction to the political tumult that rattled Brazil last week underscores the risks facing investors who use so-called leveraged exchange-traded funds in highly volatile areas in a bid to turbocharge their returns.

Even in the high-octane world of leveraged ETFs, the 48% drop in the **Direxion Daily MSCI Brazil Bull 3X Shares** on Thursday stood out. Its one-day fall was bigger than the drop in leveraged products tracking financial stocks during the 2007-09 recession, and it outpaced the wildest plunges in products that hold perpetually volatile gold-miner stocks, according to Charlie Bilello, director of research at Pension Partners. The ETF subsequently rebounded 18% on Friday, but dropped 7.9% on Monday.

By comparison, the **iShares MSCI Brazil Capped ETF**, which tracks the same index but doesn't have leverage, fell 16% on Thursday after reports that Brazilian President Michel Temer was involved in an alleged bribery. Mr. Temer said he was innocent.

The concept of using an exchange-traded product to multiply the returns of a given asset increasingly has been applied to riskier investments. In recent years, fund firms have created leveraged products tied to emerging markets like Russia and commodities such as crude oil. The Securities and Exchange Commission has increased scrutiny of these types of products.

"High volatility and leverage don't mix very well," Mr. Bilello said. "It's interesting because the most popular ETFs are the most volatile."

Battered

Investors who used a triple-levered exchange-traded fund to bet on a stock-market rally in Brazil last week suffered one of the largest-ever declines in an ETF, highlighting the risks of such wagers on volatile emerging-market economies. The appeal of the bet remains intact, as shown by the spike in the Brazil ETF's assets following last Thursday's price decline.

The percentage drop in the Direxion Daily MSCI Brazil Bull 3X Shares on Thursday was by far the largest drop ever for the ETF.

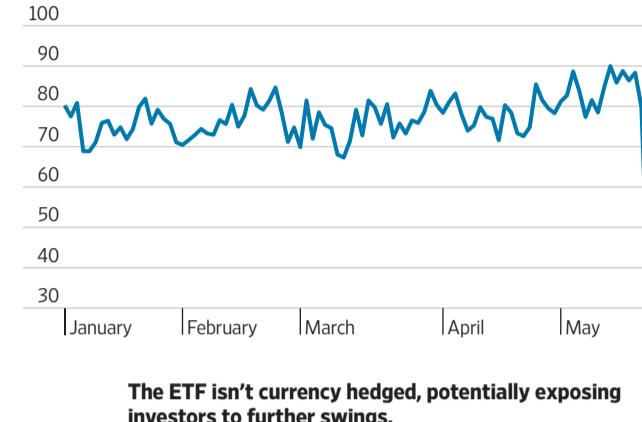
Daily percentage change in ETF price



The assets in the ETF jumped to the highest ever Friday, boosted by inflows and a rebound in the underlying stocks.

Assets in the ETF*

\$120 million



Day traders started buzzing about the ETF last week.

Number of daily messages on StockTwits about the ETF



Brazil isn't alone in drawing the interest of leveraged investors.

Assets in largest leveraged emerging-market ETFs*



The ETF isn't currency hedged, potentially exposing investors to further swings.

How many Brazilian reals one dollar buys



*Data through Friday

Sources: FactSet (price); Direxion (assets); StockTwits (messages); XTF, FactSet (emerging-market ETF assets); Tullett Prebon (real)

its largest ever, Direxion said.

"Someone is betting largely that Brazil is going to rebound after falling almost 50%," said Mohit Bajaj, director of ETF trading solutions at brokerage WallachBeth Capital.

Investors may have also piled in as part of a larger trade, according to Ms. Jablonski. Some may have bet against the unleveraged Brazil ETF or the stocks it holds, and then bought the leveraged ver-

sion as a hedge.

Day traders, who often like to make bets around big market moves, buzzed about the leveraged ETF as the news unfolded. On StockTwits, a popular forum for traders to discuss investment ideas, there were more than 900 messages on Thursday about the product and nearly 700 Friday, up from virtually none the week before.

—Chris Dieterich contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

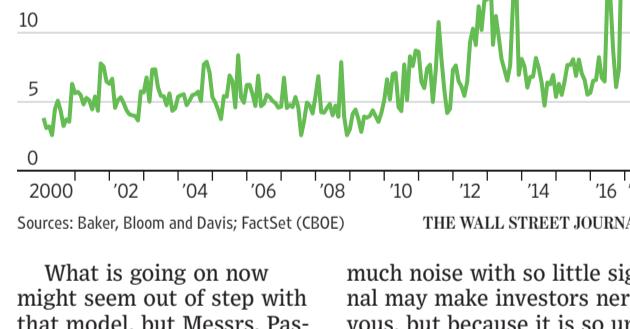
WSJ.com/Heard

Email: heard@wsj.com

Why Trump Doesn't Scare Market

Out of Step

Ratio of the news-based U.S. Policy Uncertainty Index to the CBOE Volatility Index's monthly average



Sources: Baker, Bloom and Davis; FactSet (CBOE)

VIX was low was around 2013. But that was probably only because the newspapers the index uses were writing a lot about European woes that only had a glancing effect on U.S. stocks.

None of this is to say that policy uncertainty might not move the market in the months ahead, the economists say. Just because political signals coming directly from the White House aren't getting the kind of attention they did in past administrations doesn't preclude the market from reacting to political signals that come from elsewhere. Last Wednesday's selloff provides a case in point: It wasn't one of Mr. Trump's pronouncements that sparked selling, but reports that Mr. Trump in February allegedly asked then-Federal Bureau of Investigation Director James Comey to back off the investigation of former national security adviser Michael Flynn.

Just because the market has been quiet doesn't mean it can't spring a leak.

—Justin Lahart

OVERHEARD

The Maldives have been touted as "the islands you need to visit before they disappear."

Unfortunately, an affordable trip to the tropical paradise disappeared in just days, not decades.

Last week bargain-hunting site Dan's Deals alerted his largely Jewish readers to a bargain by **Emirates**, the airline owned by the government of Dubai.

He informed his readers that "Emirates is an excellent airline and there are no issues for Orthodox Jews."

One-way flights from the Maldives to London last week were going for \$64—less than one-tenth of the usual airfare. Meanwhile, a flight from the Maldives to New York was just \$142.

Emirates then canceled the tickets, leaving many people who paid for other flights and hotels stranded.

Dan's Deals directed them to a higher authority—the Transportation Department—to get reimbursed by Emirates.

New Boss Won't Fix Ford Quickly

Ford Motor's new boss comes from the future side of the business. That implies more long-term investment, not a quick profit turnaround for suffering shareholders.

Ford announced a management shake-up: Passing over many able lieutenants, Ford tapped Jim Hackett, the head of the company's year-old "Smart Mobility" unit, to replace Chief Executive Mark Fields.

The Detroit-based auto maker has lost share in a slowing U.S. market and has also had to pay for a couple of costly recalls following technical problems. This has made it harder for Ford than for crosstown rival **General Motors** to absorb the mounting costs of investing in technology such as electrification, driverless systems and mobility apps. First-quarter numbers were particularly weak.

Management announced 1,400 job cuts last week, but for a company with 200,000 employees this won't have a huge impact on profits. Cutting back on money-losing technology investments would be another way to boost the numbers; **Fiat Chrysler**, which competes with Ford in the U.S. light-truck market, has opted to partner with Silicon Valley rather than develop its own car tech. But judging by the appointment of Mr. Hackett, this isn't likely either.

As the U.S. auto boom peters out while technological change accelerates, car makers are in a unenviable position.

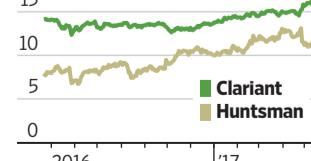
This—not market-share losses or technical hiccups—is the key reason Ford's stock is so lowly valued. Investors shouldn't expect the new boss to deliver a quick fix.

—Stephen Wilmot

Huntsman-Clariant: This Proposed Deal Has Chemistry

Chemical Reaction

Forward price/earnings multiples



Source: FactSet

tion that suggests it should get 53.5% of the combined group rather than 52%.

But what Clariant shareholders will gain from ownership is tiny compared with the potential value they can gain from lower costs. The predicted \$400 million in savings, if taxed at Clariant's effective 22% rate and added to predicted annual tax savings of \$25 million, then capitalized, are worth almost \$3.4 billion.

Huntsman-Clariant, as it will be called, expects to save \$150 million just by being a larger, single buyer of raw materials and other inputs and services. The other \$250 million is supposed to

come from combined corporate functions, services and infrastructure. This part is equivalent to 12% of the sales, general and administrative costs of both companies for 2016.

The savings could be hard to find given the proposed structure. Huntsman-Clariant will have two headquarters: a corporate center in Switzerland and an operational one in Texas. Further, the companies don't expect to cut staff or production facilities, either.

The other slight wrinkle is debt. Huntsman's larger burden will give the combined group net debt worth more than 2.6 times its 2016 earn-

ings before interest, taxes, depreciation and amortization. That could mean Clariant losing its investment-grade rating and so higher interest costs.

But the cost savings and Huntsman's planned eventual \$2 billion sale of its pigments and additives business, **Venator**, would cut that ratio to less than 1.5 times, better than either group today.

Cost savings are key to this deal and potentially tricky. The good news is that even if the groups only find half of what they aim for, that still looks like good chemistry.

—Paul J. Davies