

THE WALL STREET JOURNAL.

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What's News

Business & Finance

OPEC renewed an agreement with 10 other oil producers to withhold output through March 2018, striking a deal of last resort. A1

◆ GM was accused in a lawsuit by truck owners of using illegal emissions software that allowed diesel-powered vehicles to bypass government tests. B1

◆ BlackRock and Vanguard are considering a rebuke to Exxon over climate change at the oil firm's annual meeting next week. B1

◆ A U.S. appeals court has denied a former VW executive's bid for release from imprisonment before trial on charges related to emissions fraud. B3

◆ Best Buy continued to buck the retail funk with rising sales in its latest quarter, as videogame consoles and new cellphone plans attracted shoppers. B3

◆ China's Finance Ministry criticized Moody's downgrade of the country's credit rating, accusing it of using "inappropriate" methodology. B5

◆ Ford shook up more of its top management after Hackett's appointment as CEO earlier this week. B3

◆ China's central bank is effectively anchoring the yuan to the dollar, helping to stabilize the currency. B8

World-Wide

◆ Trump said he has requested a probe into leaks within his administration following complaints from the U.K. that U.S. officials improperly disclosed sensitive information related to the Manchester attack. A1

◆ The suicide bombing has restarted a debate about how U.K. intelligence decides which potential extremists to watch. A4

◆ A U.S. appeals court rejected Trump's request to reinstate his revised executive order on immigration, ruling that the president likely acted with improper motives. A1

◆ Trump issued tough new spending demands for NATO while withholding public support for a core tenet of the security alliance. A3

◆ The U.S. president held his first meetings with France's Macron and senior EU leaders. A3

◆ The FBI will withhold from Congress memos its ex-director wrote about his interactions with Trump. A5

◆ The House GOP health-overhaul bill would leave 23 million more people uninsured while cutting the U.S. deficit by \$119 billion in the next decade compared with current law, according to an estimate. A5

◆ Top EU leaders and Turkey's Erdogan agreed to reset relations. A3

Notice to Readers

WSJ.com will publish throughout the weekend and on Monday. The Wall Street Journal print edition won't be published on Monday in Europe.

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WORLD NEWS

Trump Boosts Saudi Claim to Lead Muslims



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

Saudi Arabia has emerged from President Donald Trump's visit with a geopolitical coup: The trip's elaborate choreography validated the kingdom's longstanding—and controversial—desire to be seen as the leader of the Muslim world.

The imagery spoke for itself. Heads of dozens of Muslim nations stood arrayed behind Mr. Trump and his host, King Salman, after the American president showed the kingdom with effusive praise and embraced Riyadh's drive to counter Iran.

"The biggest winner is Saudi Arabia. Donald Trump has basically bought the strategic vision of Saudi Arabia and he has crowned Saudi Arabia as the nerve center of the Arab and Islamic worlds," said Fawaz Gerges, a professor of Middle East studies at the London School of Economics. "The Saudis are elated and they have the right to be elated."

This, of course, is an unusual state of affairs: Saudi Arabia, though controlling Islam's two holiest mosques and benefiting from massive oil wealth, has never been the region's intellectual, political or even religious fulcrum.



A visit by President Donald Trump, shown leaving Riyadh on Monday with first lady Melania Trump, was a win for Saudi Arabia.

SAUDI ROYAL PALACE/AGENCE FRANCE PRESSE/GTY IMAGES

The kingdom doesn't even make the list of the top 10 most-populous Muslim nations. And its ultraconservative official creed, dating to 18th-century cleric Muhammad bin Abdul Wahhab, is viewed with suspicion or outright hostility by religious authorities in most fellow Sunni Muslim nations, let alone in Shiite Iran.

"As much as Riyadh might like it, there is no Muslim Vatican, and if it were, it wouldn't be Saudi," said H.A. Hellyer, a scholar at the Atlantic Council.

Enabling Saudi ambitions to regional leadership is also not something traditionally viewed as being in the interests of the U.S. and the West. After all, virtually all of the other Muslim nations represented at the Riyadh summit with Mr. Trump enjoy a higher degree of politi-

cal and religious freedom than their Saudi hosts. For many of them, the influence of the Saudi brand of Islam has long been a destabilizing factor that fueled extremism at home.

It is true, of course, that Saudi Arabia today isn't the same kingdom that produced 15 of the 19 terrorists who attacked America on Sept. 11, 2001.

The kingdom's powerful Deputy Crown Prince Mohammed bin Salman, who has nurtured particularly close ties with the Trump administration, is pursuing small but important steps toward liberalization. The kingdom has further curtailed the proselytizing activities abroad, limited the powers of the religious police at home and, in recent months, allowed concerts

and other cultural events.

But, despite these modest changes, Saudi Arabia remains one of the planet's most repressive societies, where public practice of religions other than Islam is outlawed, where women can't drive, and where critics of the government face prison or execution.

"Saudi Arabia fundamentally does not have an appealing model that would allow it to obtain traction as a self-appointed leader of the Sunni community," said Sinan Ulgen, a former Turkish diplomat who heads the EDAM think tank in Istanbul.

This means that the afterglow of the Trump visit won't necessarily last. Behind the facade of Muslim unity displayed in Riyadh, cracks are impossible to hide.

First of all, there is the deepening sectarian divide:

no prominent Shiite Muslim leader attended the summit. Lebanon was represented by its Sunni prime minister and Shiite-majority Iraq by its largely ceremonial Kurdish Sunni president.

Turkey's President Recep Tayyip Erdogan, who has his own ambitions for regional leadership, also stayed away. Turkey has increased cooperation with Iran on the Syrian conflict next door, and the last thing it wants is Saudi Arabia pushing the U.S. to escalate the confrontation with Tehran at such a delicate moment.

Pakistan's Prime Minister Nawaz Sharif may be wishing he had stayed away. Despite planning to deliver a speech in Riyadh, the leader of the lone Muslim nuclear-armed power had not been allowed to do so, and returned to Islamabad to with-

ering criticism for having gratuitously damaged Pakistan's relationship with its Iranian neighbor.

"There is a kind of disappointment in Pakistan, a general impression that he has been sidelined by the Saudis," said prominent Pakistani political analyst Hasan Askari Rizvi.

Pakistani public opinion, he added, is already alarmed by just how close Islamabad has gotten to Riyadh: "Geography demands that Pakistan should have good relations with Iran, and the public view is that Pakistan should not get involved in conflicts in the Middle East."

Even Qatar, a fellow Gulf monarchy, saw tensions with Riyadh after the summit. Saudi Arabia blocked some Qatari websites after the official Qatari news agency released a statement criticizing the kingdom's approach to Iran. Qatar said the agency had been hacked.

Saudi designs are also viewed with jealousy in Egypt, the Arab world's most populous nation. While Egyptian President Abdel Fattah Al Sisi spoke at the Riyadh summit, Egyptian officials—let alone Egyptian public opinion—are less than enthusiastic about Saudi Arabia's drive against Iran, be it in Syria or Yemen.

"Egyptian pride does matter," said Michael Wahid Hanna, a specialist on Egypt at the Century Foundation in New York. "Egypt—despite not being it for a long time—still sees itself as the natural leader of the region, and it is very difficult for it to set aside this notion of Egyptian leadership and be subservient to the Saudi agenda."

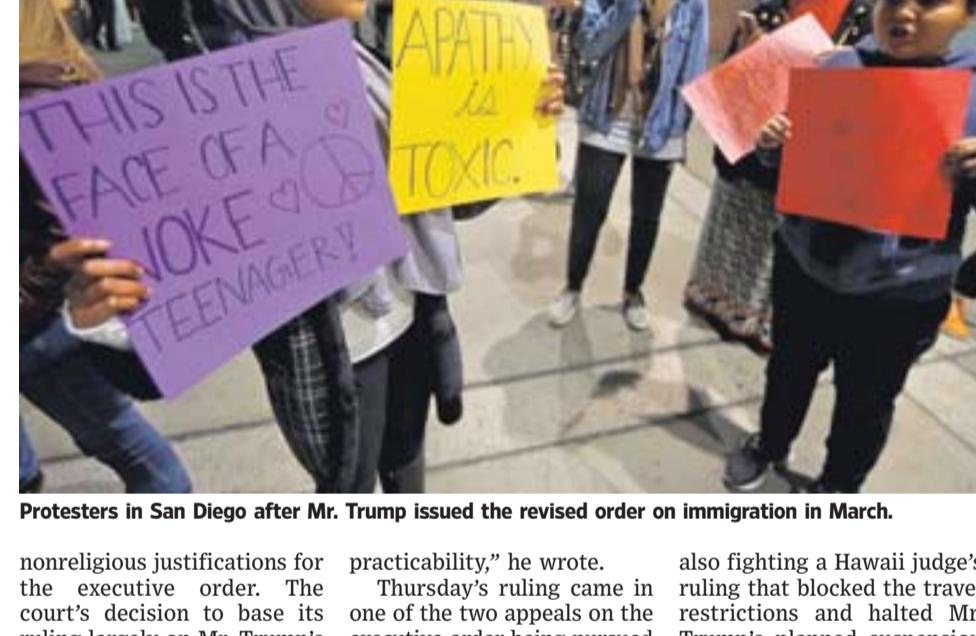
That case is pending at the Ninth U.S. Circuit Court of Appeals in San Francisco. But Thursday's decision ensures that the travel restrictions will remain on hold for now regardless of how the Ninth Circuit rules.

Mr. Trump's first executive order on travel ran into trouble because judges determined the president didn't accord proper due process to travelers, such as advance notice of the policy and a chance to challenge it.

The president's current, revised order sought to address those concerns, while also narrowing the restrictions so they didn't apply to people already in the U.S. legally, including green-card holders. The new version also removed an earlier provision that gave preference to Christian refugees from Muslim countries.

Court watchers thought the revisions could make it harder for courts to rule against the president, but that hasn't been the case so far.

—Laura Meckler contributed to this article.



SANDY Huffaker/AGENCE FRANCE PRESSE/GTY IMAGES

Continued from Page One
means."

That comment has been subject to different interpretations.

Rudy Giuliani, a former New York City mayor who has served as a surrogate for Mr. Trump, publicly said that the president had been looking for a legal way to effectuate his campaign promise to ban Muslims.

Mr. Trump's public comments have been the central focus of the litigation. Even the president's detractors concede his executive order would be on firmer legal ground without his comments about Muslims.

The majority of Fourth Circuit judges concluded they couldn't ignore Mr. Trump's comments and those of his associates when evaluating the White House policy. Such statements suggest the purpose of the executive order "is to effectuate the promised Muslim ban," Judge Gregory wrote.

Judge Paul Niemeyer, in the dissenting opinion, wrote that the president provided ample

nonreligious justifications for the executive order. The court's decision to base its ruling largely on Mr. Trump's campaign statements "is fraught with danger and im-

practicability," he wrote.

Thursday's ruling came in one of the two appeals on the executive order being pursued by Mr. Trump's administration. The administration is

also fighting a Hawaii judge's ruling that blocked the travel restrictions and halted Mr. Trump's planned suspension of the U.S. program for admitting refugees.

"Some of our wells now are able to pay out in under a year. There's more oil being produced in West Texas now than in 2014 when prices were \$100 a barrel," Mr. Edwards said.

—Michael Amon in Vienna, Jon Sindreu in London and Bradley Olsen in Houston contributed to this article.

—Laura Meckler contributed to this article.

OPEC

Continued from Page One
centive to pump if prices rise.

U.S. output is likely to hit a record high this year of 9.9 million barrels a day, according to the U.S. Energy Information Administration—almost the level at which Saudi Arabia has agreed to cap itself. That means U.S. shale may emerge as the deal's biggest beneficiary, a reality that highlights the pressure on the two massive players, Saudi

Arabia and Russia, to extend their output agreement—even though so far it hasn't significantly lifted prices or drained a global oversupply of petroleum.

Inaction would have risked sending the market into a tailspin. Both countries badly need higher oil prices.

Saudi energy minister Khalid al-Falih insisted Thursday that the coalition's efforts are working and just need more time, and played down concerns about American producers taking market share. "The market in my opinion is on its

way to recovery," he said in opening public remarks at the meeting.

"I don't see shale in any way derailing what we are doing," Mr. Falih said. "The market is big enough to absorb the increased production of shale."

Sitting next to the Saudi energy minister, Russian Energy Minister Alexander Novak hailed their cooperation as a "new era" and suggested the spirit of the deal would extend to other arenas.

"This is not just a question of stabilizing the oil market

but much more," Mr. Novak said.

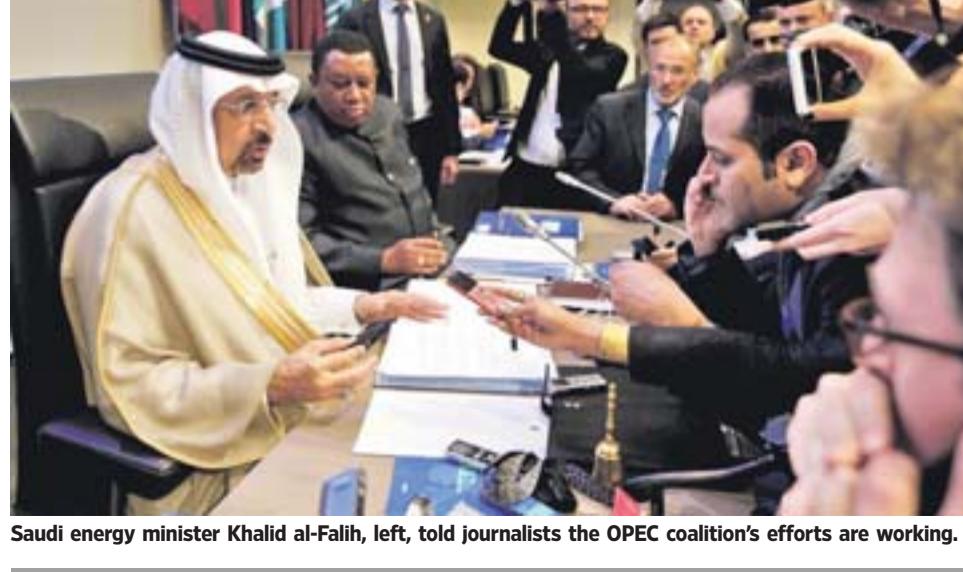
Russia has been building deeper ties in the Middle East since it launched an air campaign to support Syrian President Bashar al-Assad, allowing Qatar to buy a piece of its state oil company, Rosneft, and striking oil deals in Iraq and Libya.

Mr. Novak denied that Russia's 2018 elections played a role in the deal. President Vladimir Putin's national budget gets more than a third of its revenue from the energy industry.

Mr. Falih also disputed that plans to take the kingdom's state oil company, Saudi Arabian Oil Co. public in 2018 were a factor in the move to extend the deal. Its valuation will depend in part on oil prices.

OPEC's petrostates are normally loath to hold back output, but their hand has been forced as low prices worsened economic crises in members like Nigeria and Venezuela. Even in the richest producers, such as Saudi Arabia, Kuwait and the United Arab Emirates, governments have made painful cuts to popular social programs.

Billions of dollars are at stake. According to the EIA, OPEC members' net revenues from oil exports will rise by over \$100 billion in 2017 if the production cuts are extended.



LEONARD FEGER/REUTERS

Saudi energy minister Khalid al-Falih, left, told journalists the OPEC coalition's efforts are working.

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WORLD NEWS

Trump Tells NATO to Pay Up for Military

President declined to say he supports defense provision, to European allies' dismay

BY JULIAN E. BARNES
AND CAROL E. LEE

BRUSSELS—President Donald Trump on Thursday issued tough new spending demands for the North Atlantic Treaty Organization while withholding public support for a core tenet of the security alliance that an attack on one member nation is an attack on all.

The absence of an explicit endorsement of NATO's common defense provision, known as Article 5, left European diplomats dismayed, stoking tensions that had arisen during last year's presidential campaign.

As a candidate, Mr. Trump described NATO as obsolete and said the alliance should focus more on terrorism and Europe should pay more for its defense. He suggested that U.S. support for allies could be conditioned on their military spending.

Heading into this week's NATO meeting, allies said they had hoped Mr. Trump would put to rest worries raised during the campaign that American support for Europe was conditional.

European allies have, sometimes reluctantly, embraced



KAY NIETELE/ZUMA PRESS

Demonstrators protested in Brussels against the NATO summit and President Donald Trump's visit on Thursday.

the Trump administration's call to focus more on counterterrorism and dedicate additional defense spending to filling capability gaps. NATO Secretary-General Jens Stoltenberg has prodded European allies to raise spending and reassured them about America's commitment to the alliance.

By not putting aside lingering questions about America's support, Mr. Trump may have made it more difficult to advance his

counterterrorism agenda.

Trump administration officials said there was no doubt that the U.S. supports Article 5, and that a country can't be a member of the alliance and not support the treaty provision. Press Secretary Sean Spicer said "it is almost laughable" to think that Mr. Trump had to reaffirm the common defense provision.

"At the beginning he talked about it being invoked right after 9/11, but second of all the

entire ceremony was called an Article 5 dedication," Mr. Spicer said. "I think it's a bit silly because by being here at such a ceremony, we all understand that by being part of NATO we treat the obligations and commitments."

Administration officials said privately Mr. Trump was speaking his mind and that they knew his comments would be controversial. Mr. Spicer insisted, however, that allies

were showing support for the president's agenda to push NATO to do more on spending and terrorism. "It was a very positive reaction and affirmation of the president's priorities today," Mr. Spicer said.

Mr. Trump's comments came as he dedicated a NATO memorial, a portion of the World Trade Center destroyed in the Sept. 11 terror attacks, devoted to Article 5.

Mr. Trump Thursday said al-

lies "owed massive amounts of money" for past years and they have failed to live up to the alliance spending guideline of 2% of gross domestic product

"We have to make up for many years lost," Mr. Trump said. "If NATO countries made their full and complete contributions, then NATO would be even stronger than it is today."

Under a pledge NATO members made in 2014, allies committed to "aim to move towards" spending 2% of their gross domestic products on defense by 2024. While European allies regard the NATO guideline as a rough goal to move toward, the U.S. under Mr. Trump has considered it a much firmer requirement.

Mr. Trump said the 2% threshold wouldn't allow the alliance to close military gaps, and suggested the fight against terrorism would take more money than the alliance is currently pledged to spend. He said NATO allies needed to make up for years of underinvestment in their military.

Mr. Trump will leave Brussels with a short-term win: an agreement on national spending plans that directs new money to additional military capabilities as well as a decision by NATO to join the anti-Islamic State coalition.

—Emre Peker
and Laurence Norman
contributed to this article.

U.S., EU Leaders Air Differences

BY LAURENCE NORMAN
AND WILLIAM HOROBIN

BRUSSELS—U.S. President Donald Trump held his first meetings with French President Emmanuel Macron and senior European Union leaders on Thursday here, the capital of a bloc whose future he has questioned and whose opponents he has feted.

The Brussels meetings bring together champions of two competing world visions and leaders who have used each other as foils to build domestic support. After the meetings, it was clear some of those differences remained.

"There are subjects we don't have the same reading of, but we were able to speak in a very direct way," Mr. Macron said after his lunch with the president.

Mr. Trump was a vocal supporter of Britain's decision to leave the bloc in June 2016, seeing in it the kind of anti-establishment, nationalist revolution he was tapping into for his own presidential bid.

Shortly before taking office, he said the EU was largely a "vehicle for Germany." While he stayed officially neutral in the recent French presidential election, he hailed Mr. Macron's rival, nationalist leader Marine Le Pen, as the strongest on borders and security.

Europe's leaders have re-



JONATHAN ERNST/REUTERS

Leaders at the NATO summit prepare to pose for a group photo.

sponded in kind. European Commission President Jean-Claude Juncker threatened to campaign for the independence of Ohio if Mr. Trump continued supporting the EU's breakup. Mr. Macron challenged the U.S. president's stance on immigration, trade and climate change during his campaign.

Yet officials on both sides said they were looking to bolster trust. Failure to do so could have repercussions across many issues, including the Paris climate accord, the Iranian nuclear deal and the fight against terrorism.

After the meeting with Mr. Trump, EU officials said the two sides had agreed to tighten coordination on trade issues, including responding

to unfair practices by third countries, such as China.

Yet there was little effort to mask continued differences. In a short statement to reporters, European Council President Donald Tusk said while there was agreement on many questions, "some issues remain open, like climate and trade."

"And I am not 100% sure that we can say today—we, meaning Mr. President Trump and myself—that we have a common position, a common opinion about Russia," he said.

Mr. Juncker described the meeting with Mr. Trump as cordial and constructive. But he also seemed a little wary of the U.S. leader. Asked at a press conference about his

impressions of Mr. Trump, Mr. Juncker said, "I hope he hasn't sent a tweet about me yet."

Mr. Trump's lunch with Mr. Macron was "extremely frank and direct," the French leader said, covering a broad range of subjects including the crisis in Syria and summits of the North Atlantic Treaty Organization and the Group of Seven leading industrialized nations.

The 39-year-old Mr. Macron pledged during the presidential campaign to ramp up France's military spending to reach the NATO target of 2% of economic output by 2025, a key demand of Mr. Trump.

The future of the Paris climate agreement is one issue on which Mr. Macron and Mr. Trump locked horns.

Mr. Trump has threatened to jettison U.S. adherence to the deal, but his officials said he would be listening on Thursday.

Mr. Macron told Mr. Trump the agreement is crucial for the international community and economic development, but said he respected Mr. Trump's decision to review it.

"My wish is for the U.S. not to take a precipitous decision," Mr. Macron said.

—Valentina Pop
and Carol E. Lee
contributed to this article.

European Officials Aim To Fix Ties to Erdogan

BY EMRE PEKER

marked to aid Syrian refugees in Turkey, which helped curb Europe's worst migration crisis since World War II.

Ankara wants visa-free travel for Turks to the EU, and both parties would like to revamp a two-decade-old customs union to expand trade links.

"We're going to work together going forward, that's the general feeling," a Turkish diplomat said. "We shouldn't expect anything more than that."

Mr. Tusk said on Twitter that the leaders had "discussed the need to cooperate."

But in a sign of the challenges ahead, he added that EU concerns over human rights in Turkey were at the center of Thursday's talks.

Mr. Erdogan has been ruling via decree since thwarting a coup attempt in July 2016. After the failed putsch, the government purged more than 100,000 bureaucrats, opposition politicians, academics and journalists—nearly half of them jailed. In April, the president clinched a tight—and highly contested—referendum victory to expand his powers.

EU officials have criticized Mr. Erdogan's emergency rule and his constitutional amendments. They have called on Ankara to roll back extraordinary measures if Turkey is serious about joining the bloc.

WORLD WATCH

GREECE

Letter Bomb Injures Ex-Prime Minister

Former Prime Minister Lucas Papademos was wounded by a letter bomb as he opened his mail while riding in his car in Athens, police officials said.

Mr. Papademos was hospitalized with chest and leg injuries, but his life wasn't in danger, two officials said. Two other people in the car were slightly injured.

Mr. Papademos, a 69-year-old economist, was appointed prime minister in November 2011 at the height of the Greek financial crisis and served until May 2012.

There was no immediate claim of responsibility, but Greek politicians and European Union officials have been targeted in the same manner by a Greek far-left anarchist group, Conspiracy Cells of Fire.

—Nektaria Stamouli

INDONESIA

Islamic State Linked To Suicide Bombing

A deadly suicide bombing in the capital has been linked to Islamic State, adding to a growing body of evidence that the Middle East-based terrorist group is making inroads into Muslim-majority

areas of Southeast Asia.

National police spokesman Awi Setiyo said Islamic State was linked to the attack at a busy bus terminal in Jakarta late Wednesday. Two male suicide bombers killed themselves and three police officers in two explosions, and injured six officers and five civilians, police said.

Police had been stationed at the terminal in this city of 10 million people to secure a parade marking the holy month of Ramadan, which begins in days.

—Anita Rachman

THE PHILIPPINES

Troops Move to End Siege by Extremists

Backed by tanks and rocket-firing helicopters, government troops launched "precision attacks" to clear extremists linked to Islamic State from a city that has been under siege since a raid that failed to capture one of Asia's most-wanted militants.

Rebels aligned with Isnilon Hapilon, a commander of the Abu Sayyaf militant group, have torn through the streets of Marawi since Tuesday night, torching buildings, taking a priest and his worshippers hostage and sealing off much of the city. The violence forced thousands to flee.

—Associated Press

CHINA

Beijing Protests U.S. Navy's Patrol

China vowed to further build up military capabilities after the USS Dewey, a guided-missile destroyer, sailed near a Chinese-built artificial island in the South China Sea, the first such patrol under President Donald Trump.

Col. Ren Guoqiang, a Defense Ministry spokesman, said Beijing

had lodged a formal protest with the U.S. over the patrol, which U.S. officials said was a freedom-of-navigation operation intended to challenge excessive maritime claims and brought the ship within 12 nautical miles of Mischief Reef. Col. Ren said two Chinese missile frigates warned the U.S. ship to leave.

—Jeremy Page



AVHAN MEMET/ANADOLU AGENCY/GTY IMAGES

Investigators on Thursday in Athens inspected a vehicle in which former Greek Prime Minister Lucas Papademos was riding when a letter bomb exploded, injuring him and two others.

IRAQ

U.S. Airstrike Killed Civilians in March

A U.S. airstrike on a suspected Islamic State fighting position in March unintentionally killed more than 100 civilians, most of whom died as a result of a secondary blast from munitions packed into a residential

area by extremists, a military investigation concluded.

The Pentagon said the March 17 airstrike targeted a pair of militant snipers, but triggered an explosion that collapsed part of a building, killed 101 civilians and left three dozen missing in Mosul, according to results of the military investigation.

Local Iraqi officials and residents lodged immediate complaints about the strike, and the Pentagon began a formal investigation.

—Ben Kesling

GERMANY

Obama Promotes Global Outlook

Former U.S. President Barack Obama endorsed foreign aid and defended drone warfare before a crowd of tens of thousands in Berlin, but left unmentioned President Donald Trump, who was in neighboring Belgium for an international summit.

"In this new world that we live in, we can't isolate ourselves," Mr. Obama said in a panel discussion alongside German Chancellor Angela Merkel. "We can't hide behind a wall."

Speaking Thursday evening in Baden-Baden, the former president stressed the shared values and interests between the U.S. and Europe.

—Anton Troianovski

U.K. TERROR ATTACK



A policeman standing outside a house in Manchester, England, on Thursday, three days after a suicide bomber killed 22 people there.

Terror Fight Strains U.K.

Intelligence services struggle to prioritize targets as potential threats proliferate

BY JENNY GROSS
AND JASON DOUGLAS

LONDON—Monday's deadly suicide bombing has reignited a long-running debate about how British intelligence decides which potential extremists to watch given limited resources.

Like Khalid Masood, who killed five people in an attack in London in March, the suspected Manchester bomber, Salman Abedi, had been known to security officials. But both appeared to be on the periphery of investigations, illustrating the challenges in monitoring a growing roster of potentially dangerous radicals.

While its island geography gives Britain an advantage in monitoring new arrivals, homegrown extremists—many with loose or no concrete ties to terror groups—are often difficult to track.

The number of known Isla-

mist extremists in Britain has risen to more than 3,000, a British intelligence official said, almost doubling from a decade ago. But watching suspects around the clock placed an intensive demand on resources, and intelligence services can only follow a small percentage of these people full-time, officials said.

MI5, Britain's domestic intelligence agency, is managing about 500 active investigations, a U.K. security official said. Abedi was part of a wider net of people being investigated because they are suspected of being a threat to national security, referred to by MI5 as "subjects of interest." Officials declined to say what reported actions had put Abedi in that category.

U.K. security, police and intelligence agencies say the pace of threats is quickening: A senior government official said they have disrupted 18 separate terrorist plots in Britain since June 2013, five of them since the Westminster attack in March.

A U.K. security official said Monday's attack in Manchester may prompt intelligence agencies to examine proce-

dures for prioritizing suspects. "Intelligence is a moving picture; it requires an evolving response," the official said.

Raffaello Pantucci, director of international security studies at the Royal United Services Institute, said intelligence agencies will examine how to ensure potential threats don't slip through, particularly when they're traveling in and out of the U.K., as Abedi had, most recently by taking what relatives said was a trip to Libya before returning to England last week.

"Quite clearly, there has been a slip-up," Mr. Pantucci said. "The fact that he was able to get in and out of the country like that is quite worrying."

One reason Abedi may not have been a top priority for the security services, analysts say, was that his strongest known connection was to Libya, rather than to Syria or Iraq.

The emergence of Islamic State in those countries has proven a magnet for foreign-born fighters, meaning those returning to their home nations from the violence of the would-be caliphate are the

ones squarely in the authorities' sights.

"Syria has tended to be the focus of public concerns about returning jihadist wannabes for obvious reasons—it's a much larger conflict. But there will now certainly be questions asked about whether enough attention was being paid to Libya as a laboratory of atrocity," said Tim Wilson, an expert in terrorism at the University of St. Andrews in Scotland.

British investigators told French authorities that Abedi had probably also traveled to Syria, according to the French interior minister.

Analysts say sifting through the intelligence on potential terrorists is never easy, yet the U.K. has been relatively successful in thwarting plots. Monday's attack was the first such large-scale bombing in 12 years, though other terrorist acts have taken place.

Stopping terrorists requires "an art, not an algorithm," said Samir Puri, lecturer in war studies at King's College London. "It's not as if individuals like [Abedi] have free rein to do what they want. In the main, they get caught."

Rudd to tell U.S. Attorney General Jeff Sessions that the U.K. was strongly concerned about the leaks, the Justice Department said. Mr. Sessions said he understood her concern and that leaks wouldn't be tolerated.

Legal experts said that although the leaks are frustrating for police, there is no reason to think they would necessarily threaten a future prosecution in connection with the attack.

Adrian Hunt, an expert in counterterrorism law at the University of Birmingham, said publishing photos of physical evidence wouldn't normally affect the admissibility of the evidence itself in a criminal trial.

Information about the suspect in the Manchester attack has been disclosed outside the U.K., but it has come from foreign officials.

French Interior Minister Gérard Collomb said on Wednesday that British investigators told French authorities that Abedi had probably also traveled to Syria. The U.K. government declined to comment.

—Del Quentin Wilber and Aruna Viswanathan in Washington and Julian E. Barnes in Brussels contributed to this article.

formation was dismaying to families of the 22 dead and dozens injured, and could hamper the investigation and compromise the prosecution of any accomplices to the suspected bomber, Salman Abedi.

Raffaello Pantucci, director of international security studies at the Royal United Services Institute, said leaks make it more difficult for police to round up others who may have been part of the attacker's network and could hasten follow-up attacks, as was the case after the Brussels bombings last year. "The people trying to do us harm are watching and following the news in great detail," he said.

The Times defended the publication of the photos and other information gathered by British authorities, saying that "the images and information presented were neither graphic nor disrespectful of victims, and consistent with the common line of reporting on weapons used in horrific crimes."

"Our mission is to cover news and inform our readers," the newspaper said in its statement, describing its coverage of the attack as "both comprehensive and responsible."

Intelligence-sharing in cases such as the Manchester bombing is fairly routine, and according to a U.S. counterterrorism

official, British authorities shared the photos and intelligence gathered at the site of the attack with law-enforcement agencies and demolition experts in the U.S. and Europe in hopes of gaining clues about the origin of the device used in the attack.

Many countries are eager to glean insights from experts working at an FBI laboratory in Alabama that analyzes improvised explosive devices collected across the globe.

Police have reportedly stopped sharing information on the attack with the U.S.

An FBI spokesman declined to comment on whether the British shared photographs or other information related to the attack with the agency.

The Times account on Wednesday followed earlier leaks on the investigation, including the name of the suspect's identity to a U.S. television outlet, CBS, which broadcast his name. Other media organizations followed.

The unauthorized disclosures led U.K. Home Secretary Amber

Militia Emerged In Libya's Chaos

BY HASSAN MORAJEA

The Libyan militia holding family members of the suspect in Monday's suicide bomb attack in Manchester has developed a fearsome reputation in the capital Tripoli, first emerging to spearhead the capital's narcotics crackdown before becoming a leading force fighting Islamic State.

On Wednesday, the Radaa militia said it was holding Hashem and Ramadan Abedi, the brother and father of the bomber, Salman Abedi. They said Hashem had confessed to being a member of Islamic State, and to being aware of the plans to bomb Manchester Arena, but those claims couldn't be verified. The militia has since referred questions to Libya's attorney general, who didn't reply to a request to comment. Another family member of Salman Abedi couldn't be reached to comment.

A longtime Tripoli-based friend of Ramadan Abedi said he had been informed that the militia detained Ramadan just as he was about to speak to reporters in the Libyan capital. The friend said he had no information about the investigation into the Abedi family, but cast doubt on the veracity of the brother's confession given the group's involvement.

It was impossible to independently ascertain how such a confession would have been extracted. Libyan militias routinely resort to harsh tactics to extract information from terrorism suspects.

"I'd rather get snatched by the British and the Americans than be taken by these guys," the family friend said.

A Radaa militia spokesman declined to comment on the interrogation of Ramadan and Hashem Abedi.

Radaa, meaning "deterrence" in Arabic, is among the dozens of armed Libyan militias that have surfaced following the 2011 collapse of Moammar Gadhafi's government. The resulting power vacuum gave rise to

groups that took the place of traditional security forces.

Although it falls under Libya's interior ministry—which pays and ostensibly commands the militia's fighters—Radaa has broad autonomy in imposing its stamp on security in at least half of Tripoli.

Since its establishment about a half-decade ago, Radaa has been actively involved in armed raids of drug and alcohol dealers, often leading to their imprisonment or death, according to video the group has posted on its official Facebook page.

Since 2014 the country has been largely split between a United Nations-backed government in Tripoli and forces in the east commanded by a military general, Khalifa Haftar.

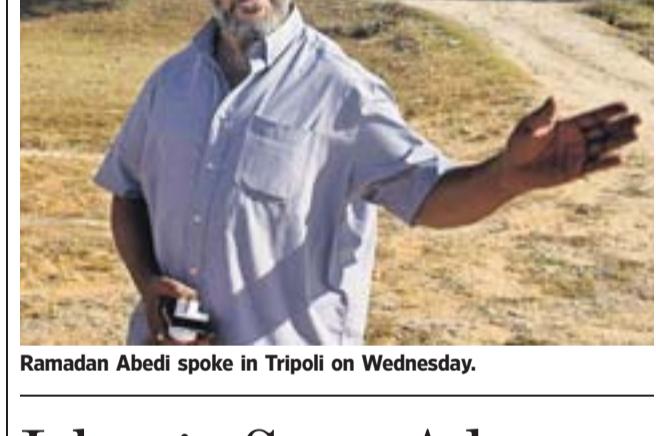
In that climate, and bolstered by its success in Iraq and Syria, Islamic State took over areas of the oil-rich nation, including Sirte, the coastal city that became its de facto Libyan capital. Libya remains the only country outside Syria and Iraq where the terror group has administered territory.

A coalition of forces have since driven Islamic State out of much of the territory it controlled, including Sirte last year. The loss of the symbolic city—the birthplace of Gadhafi—was a blow to Islamic State's ambitions to expand beyond its self-declared caliphate in the Middle East, and turned the group toward more guerilla-style attacks, including against foreign targets.

Popular outcry among Libyans for the defeat of Islamic State spurred Radaa to join the fight against the group early last year.

When a U.S. strike killed 30 militants in Feb. 2016 in Sabratha, west of Tripoli, Radaa militiamen then detained a number of wives and children of Islamic State fighters.

In detaining an unknown number of Libyans suspected of affiliation with Islamic State, Radaa has turned part of Metiga, the city's main airport, into a makeshift jail.



RAMADAN ABEDI SPOKE IN TRIPOLI ON WEDNESDAY.

Islamic State Adapts As It Loses Territory

BY BOENOT FAUCON

With Islamic State rapidly losing territory in Syria and Iraq, the group is relying more on homegrown terrorists such as the Manchester attacker while also sending more of its fighters abroad to stir violence, Western and Middle Eastern officials warn.

The suicide bombing that killed 22 people Monday outside a concert venue in the British city came as counterterrorism officials said they have been picking up mounting anecdotal evidence that Islamic State is redeploying its resources.

Iraqi forces have expelled the radical fighters from most of Mosul—their last stronghold in the country—and the group has been steadily losing ground in neighboring Syria as well.

As ISIS loses territory, members are returning to Europe, said a counterterrorism official for one of Iraq's Kurdish factions, the Patriotic Union of Kurdistan. The official was in Austria on Tuesday briefing Western colleagues on the latest from the ground in northern Iraq. "There will be more attacks in Europe," the official predicted.

British Home Secretary Amber Rudd identified the suicide bomber as 22-year-old Salman Abedi and said he had traveled to the North African nation of Libya, where Islamic State has an active presence. Abedi's sister told The Wall Street Journal her brother was born and raised in England.

It wasn't yet clear whether Abedi, while abroad made contact with Islamic State, which claimed responsibility for the Manchester bombing.

The attack came as Islamic State is facing greater difficulties operating in Europe. Some fighters, both Europeans and Syrians, have slipped away after battle and are tapping cash stashed abroad, recent defectors, counterterrorism officials and other experts interviewed by the Journal said.

"They are not disappearing. They are just going underground," a European security official said.

One counterterrorism consultant for the U.K. government said banks have detected surprising movements of British jihadis returning. Though they are using fake passports, cash withdrawals show they travel to Malaysia, Italy and Dublin before flying back to Britain, the consultant said.

Some Syrian Islamic State operatives have been sent to Germany to blend in with the large refugee population, a European counterterrorism official said. To move money in Europe, they have been using prepaid travel cards, the official said.

The patterns suggest Islamic State is directing them to use diverging paths so they won't be detected when they return to Europe, the consultant said.



QUEEN ELIZABETH II VISITS BOMB VICTIM MILLIE ROBSON, 15, AT THE ROYAL MANCHESTER CHILDREN'S HOSPITAL.

U.S. NEWS

Alleged Russian Hacker Aided Consultant

'Guccifer 2.0' supplied stolen Democratic data to a Republican operative in the U.S.

By ALEXANDRA BERZON
AND ROB BARRY

The hacking spree that upended the presidential election wasn't limited to Democratic National Committee memos and Clinton aide emails posted on websites. The hacker also privately sent Democratic voter-turnout data to a Republican political operative in Florida named Aaron Nevins.

Learning that hacker "Guccifer 2.0" had tapped into a Democratic committee that helps House candidates, Mr. Nevins wrote to the hacker to say: "Feel free to send any Florida based information."

Ten days later, Mr. Nevins received 2.5 gigabytes of Democratic Congressional Campaign Committee documents, some of which he posted on a blog called HelloFLA.com that he ran using a pseudonym.

Soon after, the hacker sent a link to the blog article to Roger Stone, a longtime informal adviser to then-candidate

Donald Trump.

Mr. Nevins confirmed his exchanges after *The Wall Street Journal* identified him first as the operator of the HelloFLA blog and then as the recipient of the stolen DCCC data. The Journal also reviewed copies of exchanges between the hacker and Mr. Nevins.

U.S. officials believe Guccifer 2.0 is linked to Russian military intelligence. Guccifer 2.0 denies that.

'If this was a war, this is the map to where all the troops are deployed.'

A Federal Bureau of Investigation counterintelligence inquiry and congressional committees are looking into alleged Russian interference in the 2016 election. The Kremlin denies any election meddling.

Mr. Stone has come under scrutiny in the counterintelligence inquiry, people familiar with the matter said.

In an interview, Mr. Stone

denied any involvement with the Russians related to elections and said he hadn't been contacted by the FBI. He said he didn't share any hacked material with anyone.

DCCC documents sent to Mr. Nevins analyzed specific Florida districts, showing how many people were dependable Democratic voters, how many were likely Democratic voters but needed a nudge, how many were frequent voters but not committed and how many were core Republican voters—the kind of data strategists use in planning ad buys and other tactics.

The Journal reviewed these documents as well as analyses sent to Mr. Nevins about congressional districts in Pennsylvania, Virginia, West Virginia, Kentucky and Texas.

Mr. Nevins said the HelloFLA blog, which focuses on Tallahassee political gossip, gets at best 100 readers a day, and he runs it as a hobby.

In hopes of a scoop, he said, he reached out to Guccifer 2.0 Aug. 12 after seeing a newspaper article about a hack of the DCCC. The hacker using the Guccifer 2.0 name had invited journalists to send questions via Twitter direct messages,



U.S. Republican operative Aaron Nevins asked 'Guccifer 2.0' for hacked data and was sent a file.

SCOTT MCINTYRE FOR THE WALL STREET JOURNAL

which Mr. Nevins did.

Seeing that some of what Guccifer 2.0 had was months old, Mr. Nevins advised the hacker that releasing fresher documents would have more impact. More impressed after studying the data, he told the hacker, "Basically if this was a war, this is the map to where all the troops are deployed."

At another point, he told the hacker, "This is probably

worth millions of dollars."

"Hmmm," Guccifer 2.0 responded. "ok u owe me a milion :)"

Democrats, Mr. Nevins wrote, "spent millions probably to figure out who these people are that are conducive to their message and now it's exposed for the other side."

Mr. Nevins said he hasn't been contacted by any investigators about last year's politi-

cal hacking.

He isn't convinced the Russians were behind it, Mr. Nevins said, but even if they were, it doesn't matter to him because the agenda of the hackers seemed to match his own.

"If your interests align," he said, "never shut any doors in politics."

—Shane Harris and Christopher S. Stewart contributed to this article.

Health-Bill Analysis Sets Up Fight

By STEPHANIE ARMOUR
AND KRISTINA PETERSON

The health-overhaul bill approved by House Republicans would leave 23 million more people uninsured while reducing the cumulative federal deficit by \$119 billion in the next decade compared with current law, according to a Congressional Budget Office estimate.

The report by the nonpartisan CBO is likely to roil talks in the Senate over its version of the bill to repeal former President Barack Obama's 2010 Affordable Care Act.

The findings provide ammunition for the two competing factions that Senate Republican leaders need to pull together to pass a bill. Centrist Republicans, concerned about the number of uninsured, hope to make the House bill less far-reaching, while conservatives want to double down on measures the CBO suggests will lower premiums on average.

The latest report doesn't differ significantly from the CBO's analysis of an earlier version of the House bill, which estimated 24 million fewer people would be insured through 2026 than under the current health law. Democrats said it confirmed that the GOP health push would harm millions of Americans.

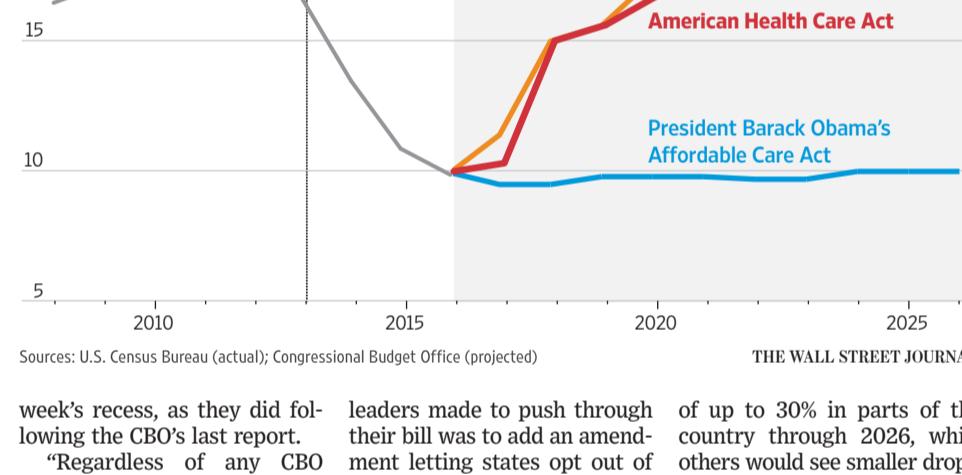
Some Senate Republicans say privately that their effort to forge an agreement that can attract at least 50 votes faces a tough road. A working group of 13 Republican senators is pushing to come up with a proposal by Congress's August recess, and if they don't make progress in coming months, that could forecast trouble.

In the meantime, lawmakers are likely to get pushback from voters at home during next

Increasingly Uninsured

Under the Republicans' American Health Care Act, the percentage of Americans without insurance would rise to 18.2% by 2026, according to the Congressional Budget Office. That estimate is lower than the projection made in March for a previous version of the bill, but still far higher than under current law.

Percentage of U.S. residents under 65 without health insurance



Sources: U.S. Census Bureau (actual); Congressional Budget Office (projected)

week's recess, as they did following the CBO's last report.

"Regardless of any CBO score, it's no secret Obamacare is collapsing under its own weight," Sen. David Perdue (R., Ga.) said. "Doing nothing is not an option."

Democrats, who strongly support the ACA, said the report confirmed that Republicans favor the wealthy and the healthy, while leaving others to fend for themselves. "Unless you're a healthy millionaire, Trumpcare is a nightmare," Senate Minority Leader Chuck Schumer (D., N.Y.) said.

The White House disputed the CBO's assessment, with a spokesman saying that "history has proven the CBO to be totally incapable of accurately predicting how health-care legislation will impact health-insurance coverage."

The biggest change House

leaders made to push through their bill was to add an amendment letting states opt out of some of the ACA's provisions. The amendment would allow states to get waivers that could permit health insurers to sell less comprehensive coverage plans. They could also impose higher premiums on some people with pre-existing conditions who let coverage lapse.

The most complex part of the CBO's assessment involved the crucial question of what would happen to insurance premiums under the House bill. Compared to current law, premiums would increase by an average of about 20% in 2018 and 5% in 2019, the report concluded.

But in 2020, average premiums would differ based on whether states obtained waivers, with prices falling for many consumers. Some people would see average premium reductions

of up to 30% in parts of the country through 2026, while others would see smaller drops.

However, the report found that in some parts of the country, where states opt out of some of the ACA's rules, "less healthy people would face extremely high premiums." It also noted that in some cases, lower premiums would be offset by higher out-of-pocket costs.

Senate Republicans who have been critical of the House GOP bill said Wednesday that the CBO report reiterated why the House-passed bill came up short. "This bill does not do enough to address Nevada's Medicaid population or protect Nevadans with pre-existing conditions," said Sen. Dean Heller, a Nevada Republican who is up for re-election next year.

—Louise Radnofsky
and Michelle Hackman
contributed to this article.

FBI Weighs Giving Memos to Congress

By BYRON TAU

WASHINGTON—The Federal Bureau of Investigation will withhold from Congress memos its former director wrote about his interactions with President Donald Trump while the agency weighs how the appointment of a special counsel affects investigations on Capitol Hill.

The House Oversight and Government Reform Committee and the Senate Judiciary Committee requested copies of James Comey's internal memoranda in which he reportedly documented his interactions and communications with Mr. Trump. Those documents could address whether Mr. Trump sought to influence an investigation into alleged Russian interference in the 2016 presidential election.

The FBI told members of Congress on Thursday it was evaluating how the recent decision by the Department of Justice to put special counsel Robert Mueller, a former FBI director, in charge of the investigation affects the inquiries unfolding on Capitol Hill.

The FBI promised to update the committee after the evaluation was complete.

Mr. Comey, who was fired by Mr. Trump this month, reportedly wrote memos to document interactions with the president regarding the FBI's investigations into whether anyone involved in Mr.

Trump's campaign colluded with Russia.

Mr. Trump has denied any collusion and has rejected suggestions that he, his campaign or his associates have any ties to that country. Russia has denied interfering in the U.S. election.

Rep. Jason Chaffetz, the Republican chairman of the House Oversight Committee, said that the panel's efforts would "complement" the special prosecutor's and urged the FBI to furnish the requested documents.

Meanwhile, former Sen. Joe Lieberman, once a leading contender for FBI director, withdrew himself from consideration in a letter to Mr. Trump.

The former Connecticut senator and Democratic vice presidential candidate works at the same law firm as Marc Kasowitz, whom Mr. Trump retained this week to serve on a team of private attorneys representing him in the broad special-counsel probe of Russia's alleged meddling in the 2016 election.

"I do believe it would be best to avoid any appearance of a conflict of interest, given my role as senior counsel in the law firm of which Marc is the senior partner," Mr. Lieberman wrote in the letter dated Wednesday, a copy of which was reviewed by The Wall Street Journal.

—Rebecca Ballhaus contributed to this article.

U.S. WATCH

WASHINGTON

FDA Chief Seeks to Fight High Drug Prices

The new commissioner of the Food and Drug Administration plans a multifaceted effort to restrain high prescription-drug prices, centered on speeding cheaper generic medicines onto the U.S. market.

Scott Gottlieb is setting an activist agenda he dubbed the Drug Competition Action Plan, on the generic-drug issue, which has until now mostly been the province of Democrats in Congress. "Simply put, too many patients are priced out of the medicines they need," Dr. Gottlieb told a congressional subcommittee Thursday. "While the FDA does not have a direct role in drug pricing, we can take steps to facilitate entry of lower-cost alternatives to the market, and increase competition."

Dr. Gottlieb plans, for example, to have the agency intervene in cases in which brand-name drug companies are accused of using FDA safety rules to refuse to make drugs available to generic manufacturers. Generic companies need those products to manufacture equivalent ones.

—Thomas M. Burton

MILLENNIALS

Many Lack Savings To Purchase Homes

Most millennials have saved virtually nothing for a down payment on a home, according to a new study, suggesting many will face steep obstacles to homeownership in the years ahead.

Nearly 70% of young people ages 18 to 34 years old said they have saved less than \$1,000 for a down payment, according to a survey by *Apartment List*, a rental listing company, expected to be released Friday. About 40% said they aren't saving anything on a monthly basis.

Even senior members of the group are falling short. Nearly 40% of older millennials, those age 25 to 34, who by historical measures should already own or be a few years away from homeownership, said they are saving nothing for a down payment each month.

The study helps illuminate a tension at the heart of the housing market. The vast majority—some 80%—of millennials said they eventually plan to buy a home. But 72% said the primary obstacle is that they can't afford it.

—Laura Kusisto

White House Tax Plan Appears to Shift

By KATE DAVIDSON
AND RICHARD RUBIN

WASHINGTON—The Trump administration assumes that its tax plan will pay for itself without factoring in potential economic growth that could stem from the plan, the White House budget director told senators, apparently marking a significant shift in the administration's priorities.

But Treasury Secretary Steven Mnuchin appeared to contradict that statement at a separate Senate hearing, saying the tax plan's accounting, when it is released, will count partially on economic growth spurred by tax cuts.

The officials' statements underscored just how unsettled the administration's tax-policy plans are and showed the tensions between their claims of a balanced budget and their desire to enact tax cuts to boost the economy.

Testifying before the Senate Budget Committee, White House budget director Mick Mulvaney also insisted the ad-



White House budget director Mick Mulvaney, left, spoke at a Senate Budget Committee hearing Thursday while Treasury Secretary Steven Mnuchin, right, was at a Senate finance-panel hearing.

ministration isn't double-counting the revenue that it is claiming from faster economic growth in its budget proposal. The budget, which reaches balance after 10 years, assumes about \$2 trillion in revenue caused by economic growth, but that is outside the estimates of the tax plan.

"You do recognize that if you count the growth here in

the budget, and then you count it again in your tax proposal, that is a double-counting?" Sen. Sheldon Whitehouse (D., R.I.) asked. Mr. Mulvaney agreed and said the administration doesn't count the growth in its tax plan.

A plan that is revenue-neutral as scored on a static basis, without economic growth, has never been Mr. Trump's posi-

tion, either as a candidate or as president. Adopting it would mark a big policy shift.

The statements from Messrs. Mulvaney and Mnuchin mean that the administration either is now proposing a revenue-neutral plan in a major departure from its previous policies or that the budget wouldn't balance after 10 years as claimed.

—Thomas M. Burton

IN DEPTH

SAUDIS

Continued from Page One
dependent and that its profits aren't subsidizing pavilions for camel beauty pageants or other Saudi budget items.

"I'd much rather have a simple, straightforward company that specializes in that area of the market than one that might go off in other directions," says Paul Mumford, a fund manager who invests in energy stocks for Cavendish Asset Management.

The company and the kingdom are so deeply enmeshed that a year into IPO preparations, company and government officials are still wrestling with how to untangle them, according to interviews with more than two dozen current and former Aramco executives, government officials and outside advisers, as well as corporate and government documents reviewed by The Wall Street Journal.

The IPO is crucial to the ambitions of Deputy Crown Prince Mohammed bin Salman, who wants to invest the proceeds in other industries to make Saudi Arabia's economy less reliant on oil.

Saudi Aramco said in a statement it has "initiated a multi-phased program to define our relationship with our stakeholders for the future."

The company said it couldn't answer certain specific questions about IPO preparation due to concerns about complying with stock-exchange regulations ahead of the offering.

Saudi Aramco's chairman, Saudi Energy Minister Khalid al-Falih, said in a March interview that Aramco is "ring-fenced financially" from the state, with governance comparable to multinationals.

Yet people familiar with the behemoth's finances say that it is often unclear even to some officials high up in the company whether Aramco has been reimbursed in full for projects, and how the reimbursement process works.

Discussing the desert construction complex, a Saudi Aramco spokesman said in an emailed statement the company "was fully reimbursed for its costs relating to this event."

Aramco, which contributes over 70% of government revenues, has a range of roles beyond infrastructure building, including economic planning. It also provides heavily discounted fuel to support companies and consumers with inexpensive power.

Half of Saudi Arabia's 10 largest nonbank companies by market capitalization rely heavily on business with Aramco, including receiving products at below-market-rate prices, according to an analysis of Saudi corporate disclosures.

A spokesman for Aramco said that "its sales within the Kingdom are regulated by the government."

Saudi Electricity Co., the third-largest nonfinancial company in the kingdom, said in 2015 it owed some \$3.7 billion riyals (\$1.97 billion) to the government and Aramco for fuel it received from Aramco since 2000. Aramco owns 6.9% of the company. That fuel allows Saudi citizens and busi-

nesses to buy electricity at a discount.

Two people with knowledge of Aramco's finances say Saudi Electricity still hasn't paid Aramco for the fuel.

Saudi Arabian Mining Company, the sixth-largest non-financial company, disclosed in 2016 that one of its biggest competitive advantages was access to "quality phosphate rock and molten sulfur from Saudi Aramco." An Aramco spokesman said the sulfur "is a byproduct of operations and is sold on a commercial basis."

The company that became Aramco started in 1933 as a joint venture between the Saudi government and Standard Oil Company of California, and for years was largely U.S.-run. Control shifted to Saudis through the 1960s and 1970s; in 1980, the government became Aramco's outright owner through a deal it struck with its U.S. partner.

As the world's thirst for oil grew, Aramco kept pace, and has accounted for more than 10% of global oil production in recent years. The company broadened its expertise from tapping and managing the world's biggest oil reservoirs to shipping and processing crude into more valuable products. Aramco now has joint ventures with multinationals including Exxon Mobil and Dow Chemical Co.

Its profits built the modern Saudi state almost from scratch.

In 1968, Saudi Arabia's gross domestic product was less than \$4.2 billion, according to World Bank data, and a Saudi born that year could expect to live fewer than 51 years. In 2015, Saudi GDP was \$646 billion and life expectancy reached nearly 75 years.

Aramco took on infrastructure projects including roads, hospitals and schools, and provided a host of social and economic programs: interest-free housing loans, funding for U.S.-bound students and malaria eradication.

The company said its construction projects are part of a "program of corporate citizenship" that has included "national capacity building, training, schools and education." In addition, the company said it has "also undertaken infrastructure projects at the request of the Government of the Kingdom of Saudi Arabia" for which it said it received "due compensation."

Other people with direct knowledge of Aramco's finances dispute that, saying the company hasn't been reimbursed for some projects built at the government's request.

Untangling the paybacks is difficult, says a person involved in the process, because the government and Aramco sometimes deal with compensation as part of the negotiation of Aramco's annual payments to the government.

In 2006, then-King Abdullah ordered up Saudi Arabia's first coed university for an estimated \$2 billion to \$3 billion. An Aramco spokesman says "the government bore the substantial majority of the costs" for the project, and that the government reimbursed Aramco for building a \$1 billion "sports city" encompassing a soccer stadium and at least five mosques.

On other specific projects, such as a yearlong stormwa-

ter-drainage project in Jeddah, the company declined to comment. Another project, a futuristic museum and cultural center rising from Saudi Arabia's eastern desert, cost Aramco more than \$800 million, people familiar with the project said. The company still owns and runs the King Abdulaziz Center for World Culture, which is slated to open next year.

Aramco was also involved in

country would need to create some 300,000 to 350,000 jobs annually to keep unemployment below 20%. The government didn't initially act.

Then oil prices crashed. Abdullah died in 2015; instead of asking for stadiums, his successor King Salman asked his son, Prince Mohammed, to break the kingdom's oil dependence, and empowered the prince to oversee a sweeping economic overhaul.

to issue a statement that made the news look like the result of a long-running study, say people familiar with the event.

The announcement set off a race to figure out how to list a company so big and so intertwined with the government that taking it public, some bankers have said, would be equivalent to "floating a country."

As a first step, Mr. Falih and Aramco Chief Executive Amin

attendee recalls.

Mr. Maashouq enlisted more than 20 Aramco employees. They were assigned to teams called "Project X," "Project Y" and "Project Z," say people familiar with the matter, and began meeting in offices with combination locks on the doors. Project X worked up a plan to take the entire company public; Projects Y and Z examined more modest offerings of Aramco's processing businesses, say people familiar with the matter.

Executives decided to move ahead with Project X, they say, and put together another team, "Project R," to focus on getting the company ready to go public.

The teams, along with outside advisers, developed plans to move subsidies off Aramco's books and put nonenergy functions—such as building stadiums and camel complexes—under government ministries.

The very process of realizing the prince's economic overhaul only served to highlight the blurred lines around Aramco's role.

The government began asking Aramco's oil-price-forecasting group for about 10 reports a week on countries and companies the prince viewed as alternative investment opportunities. Those included Russia, Japan's SoftBank, the Comoros Islands and an amusement-park company.

"We're going, 'What's Six Flags got to do with the price of oil?'" says a person involved in the assignment.

The internal team preparing the company's IPO began to realize they might not meet the lofty price of \$2 trillion publicly predicted by Prince Mohammed.

According to internal documents, the team reached a valuation of less than \$1.5 trillion under current tax rates and royalty rates.

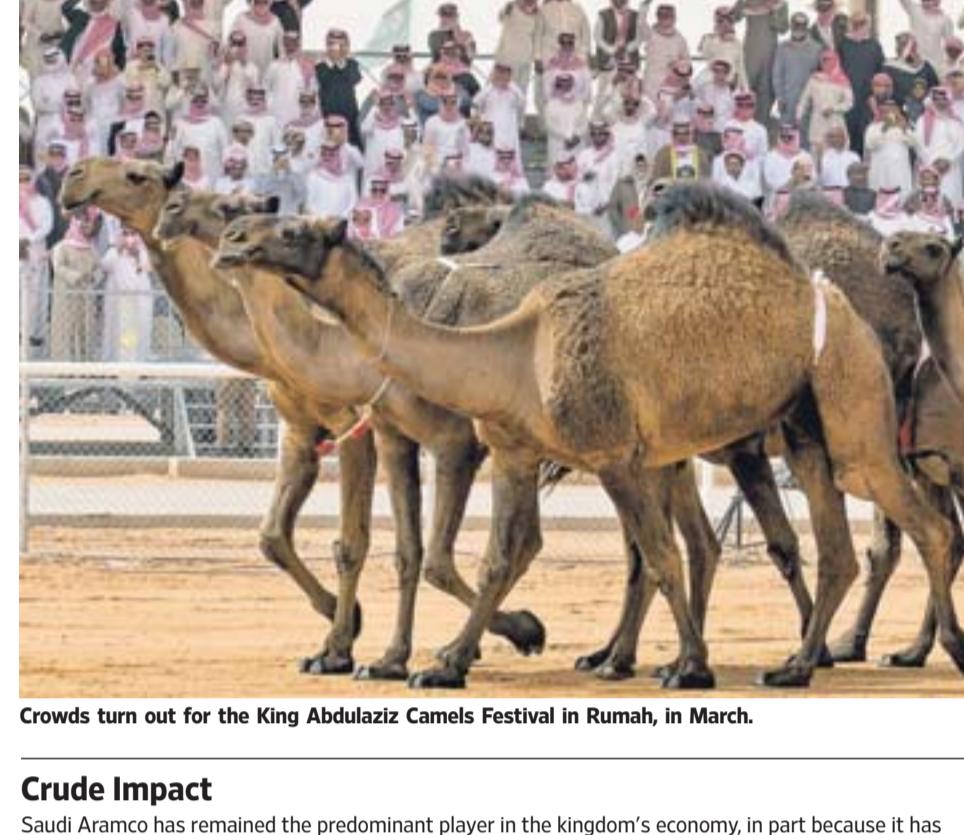
Within Aramco, worries about potential disruption caused by the IPO effort have led some employees to work on what one calls a "constructive sabotage" effort—an attempt to persuade superiors Aramco should remain an arm of government.

Their quiet rebellion seems unlikely to succeed. Prince Mohammed is committed to the IPO, according to people in his circle. An Aramco spokesman declined to comment on the potential valuation or on the prince's plans.

Saudi business leaders also were becoming unsettled by aspects of the economic overhaul plan. Already hit by reduced government support, companies were facing new taxes and other measures aimed at weaning the country off oil revenue. To some, it felt like the government was focused on one thing: maximizing an Aramco IPO. On March 4, several Saudi business leaders sat with Prince Mohammed to air their grievances, according to minutes of the meeting reviewed by The Journal.

Changes the prince planned to introduce as part of Vision 2030—the name of the government's economic transformation plan—would add to their costs, they complained, including by hampering their ability to bring in foreign workers.

The only sector exempted, they pointed out, was oil, according to the meeting minutes.

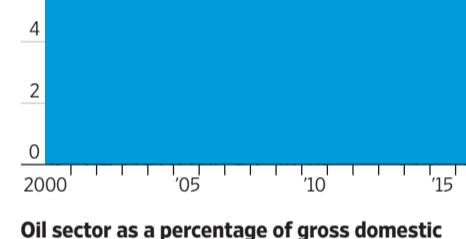


Crowds turn out for the King Abdulaziz Camels Festival in Rumah, in March.

Crude Impact

Saudi Aramco has remained the predominant player in the kingdom's economy, in part because it has managed to increase oil production in the face of falling prices.

Oil production



Oil sector as a percentage of gross domestic product



Aramco's oil reserves compared with the world's largest energy companies*, 2015

Aramco

261.6 billion barrels

Exxon 13.2
Chevron 6.3
Shell 5.3
CNOOC 3.0

Sources: International Energy Agency (production); WSJ Market Data Group (oil prices); Ministry of Economy and Planning (oil as pct. of GDP); the companies' reserves

BOOKS

' "Sgt. Pepper" was Paul, after a trip to America.' —John Lennon



BRIDGEMAN IMAGES

BAND IN BRITAIN 'Kids were already wearing army jackets on the King's Road,' John Lennon said. 'All we did was make them famous.'

Guaranteed to Raise a Smile

Pop music, psychedelia and nostalgia fused together in the album that defined the 1960s

Sgt. Pepper's Lonely Hearts Club Band

By Brian Southall
Carlton, 192 pages, £20

Sgt. Pepper at Fifty

By Mike McInerney, Bill DeMain & Gillian G. Gaar
Omnibus, 176 pages, £14.95

In Their Lives

Edited by Andrew Blauner
Blue Rider, 300 pages, £19.99

BY DOMINIC GREEN

IT WAS 50 YEARS AGO this June that "Sgt. Pepper's Lonely Hearts Club Band" redefined pop music. Since then, the Beatles have been going in and out of style, but the best of the album's songs, and its winning conceits, still are guaranteed to raise a smile. Universal Music Group, which owns Capitol Records, is marking the anniversary by issuing a multidisc box set.

There is also a box-full of books intended to reintroduce to us the act we've known for all these years. Brian Southall, a pop journalist when the band was together, handled publicity for EMI in the 1970s. Mike McInerney designed the sleeve of the Who's "Tommy." Lavishly illustrated, their books reflect the synthesis between pop entertainment and thoughtful art that the Beatles were after.

Kenneth Tynan called the release of "Sgt. Pepper" in June 1967 "a decisive moment in the history of Western civilization." Keith Richards has called "Pepper" a "mishmash of rubbish." Both are right. "Pepper" abounds in weak compositions (Paul McCartney's "Fixing a Hole") and shallow sonic novelties (John Lennon's "Good Morning Good Morning"). But in music, as in comedy—and in both when Ringo is singing—timing is all.

Mr. McCartney has explained "Pepper" in Hegelian terms. "The mood of the album was in the spirit of the age because we ourselves were fitting into the mood of the time," he once mused. The 1960s formed the Beatles. The Beatles, with a little help from their friend, producer George Martin, made "Sgt. Pepper." Now "Sgt. Pepper" defines the '60s.

"Pepper" was not the first concept album, only the biggest. In 1955, Frank Sinatra had pioneered the form with "In the Wee Small Hours"—and Sinatra, unlike the Beatles, sustained his concept past the third track. Nor is "Pepper" the Beatles' best album. Three-fourths of the Fab Four agree on this.

Ringo's favorite is "Abbey Road." George preferred "Rubber Soul" and "Revolver." John, who doubted whether "Pepper" was a concept album at all, listed three of its tracks—"When I'm Sixty-Four," "Lovely Rita" and "Good Morning Good Morning"—among his least favorite Beatles' numbers. Only Paul prefers "Pepper."

But then, it was Paul's album. After their final tour concert in San Francisco on Aug. 29, 1966, the band took a three-month break. John made a film, George studied sitar with Ravi Shankar and Ringo launched a construction firm, Bricky Builders. Paul immersed himself in London's underground scene—avant-garde music, Op Art galleries and all-night psychedelic raves. In his notes to the reissue box set, he professes "a little bit of amazement" that "Sgt. Pepper" became "a lasting piece of art." Maybe he's amazed, but that was always his plan.

During the sessions that produced "Revolver," the album they recorded earlier in 1966, the Beatles had reinvented pop production: beefing up the drums with "closemiking" and the vocals with automatic double-tracking, as well as anticipating samples with tape loops ("Tomorrow Never Knows") and reversing the tapes ("Rain"). They now had the sonic means and the studio time to be artists, not just mop-topped entertainers.

Mr. McCartney wanted to beat the Californians—to produce an album with better production than the Beach Boys' "Pet Sounds," a bigger concept than Frank Zappa's "Freak Out!" The name and military uniforms of Sgt. Pepper's Lonely Hearts Club Band are Edwardian equivalents of the buckskin nostalgia of San Francisco hippy bands like Quicksilver Messenger Service. A band of "alter egos" suited the Beatles' wish to escape pop celebrity.

In breaking away, the Beatles broke the mold. The screaming audience on "Sgt. Pepper" was recorded at a Beatles' concert, but the Lonely Hearts Club Band would never tour. The "Pepper" package reworked the uniforms and vaudeville patter of the Beatles' stint as teen idols. It also recast Mr. McCartney's gift for traditional songwriting as collage and even pastiche—modernism for the mass market.

We see the past through a glass darkly, or even a glass onion: Two songs that undoubtedly are of "Sgt. Pepper" are not on it, Lennon's sublime and innovative "Strawberry Fields Forever" (original name: "It's Not Too Bad") and "Penny Lane," a jaunty toe-tapper from Mr. McCartney's one-man Tin Pan Alley store.

The band's manager, Brian Epstein, wanted to maintain the band's profile between albums, so in February 1967 the two tracks were issued as a single with two A sides.

In Britain, this was also the first Beatles' single in four years not to reach No. 1; Engelbert Humperdinck's "Release Me" stopped it. With the press pondering the band's decline, Epstein insisted that neither track be on the new album. Martin was to call his assent to this plan "the biggest mistake of my professional life" (this from the man who recorded Celine Dion).

Beatleheads and historians will already own Mark Lewisohn's "Complete Beatles Recording Sessions" (1988), which annotates every

don's hip avant-garde find mention, as do such figures as poet Jeff Nuttal, photographer John "Hoppy" Hopkins, journalist Barry Miles and the art dealer John Dunbar, at whose Indica Gallery John Lennon met Yoko Ono in November 1966.

Mr. DeMain's chapter on the "look" gives a thorough account of Peter Blake's design for the "Pepper" album cover but also takes in the psychedelic era's revival of late-Victorian and Edwardian fashions and the Victoria & Albert Museum's influential celebration of Aubrey Beardsley in May 1966. Ms. Gaar's chapter on the "sound" includes just enough trivia about how Martin and the Beatles weaved in and out of styles.

Three of the four Beatles agreed that 'Pepper' wasn't their best album. Only Paul prefers it.

twang, pluck and thud, and Ian MacDonald's "Revolution in the Head" (1994, revised 2005), which interprets the Beatles' music through the social and cultural changes of the '60s. The two new "Pepper" books by '60s survivors provide further insight into the era.

In "Sgt. Pepper's Lonely Hearts Club Band," Mr. Southall describes the "Pepper" dialectic by dividing his book into a musical "A-side" and a historical "B-side." The A-side has flattering biographies of the protagonists and a quick summary of the "Pepper" sessions. The B-side has short and tidy essays on key topics like "The Rise of Psychedelia" and a month-by-month summary of the period from 1966 to 1968.

Photographs include the Studer four-track recorder on which "Pepper" was taped, acidheads writhing on a floor, Jimi Hendrix torching his guitar at Monterey three weeks after the release of the album and (the true wonder of the age) England winning the 1966 World Cup. Mr. Southall's book will be a handy primer for children and an aide-mémoire for boomers who have entered senescence without ever leaving their adolescence.

"Sgt. Pepper at Fifty" is a deeper social and cultural history. Mr. McInerney, abetted by music journalists Bill DeMain and Gillian G. Gaar, works from outside in, from the "mood" of Swinging London to the "look" and "sound" of "Pepper," and thence to the "legacy." This quartet of themes hits the sweet spot.

On the "mood," Mr. McInerney ranges expertly across British social history from 1960 to the album's launch: pirate radio, drugs and the intimate, intoxicated world of Lon-

Recording "With a Little Help From My Friends"—working title "Bad Finger Boogie"—Ringo refused to sing the line, "Would you throw ripe tomatoes at me?" because he feared that, should the band return to touring, audiences would take it as an invitation. "Within You Without You," George Harrison's masterly sitar feature, begins side two of "Sgt. Pepper" because Martin rejected Harrison's "Only a Northern Song." Mr. McCartney, the son of an old-time musician, had written "When I'm Sixty-Four" in 1957 or 1958; finally he placed it on a record.

Most of the album's tics and tricks had been used to better effect on "Revolver." The great exception is "A Day in the Life." Its splicing of two different song fragments depicts the polarity of the Lennon and McCartney styles and anticipates the divergence that would break up the band. The grandeur—the muffled thunder of Ringo's fills, the reference to an empty Albert Hall, and the orchestra that fills up the song's climax—is essential to the composition. And in the months after the album's release, Mr. McCartney's addition to Lennon's opening section, the provocative "I'd love to turn you on," became a synecdoche for the Summer of Love.

Still, most of the sounds of "Pepper" are better than most of its songs. This may be why only "Lucy in the Sky With Diamonds," "She's Leaving Home" and "A Day in the Life" appear in Andrew Blauner's "In Their Lives." Twenty-nine authors and musicians—New Yorker writer Adam Gopnik gets the inseparable "Strawberry Fields Forever"/"Penny Lane"—testify to the personal mean-

ing of 30 Beatles' songs. Most of the essays record childhood epiphanies and adolescent disillusionments. It is as though the Fab Four were America's babysitters, elder siblings explaining the adult world.

The novelist Mona Simpson recalls dancing with her mother to "Sgt. Pepper" as "kindred spirits, wild fans." Fifty years later, she holds Mr. McCartney's lyric to "She's Leaving Home" as a mirror to the past. Meanwhile, the Beatles were so much a "semipermanent part of the aural environment" in 1970s New York that Thomas Beller was surprised to find out that they were English. Associating "Lucy in the Sky With Diamonds" with his father's death from cancer, Mr. Beller interprets the song's lyrics as caught between "staying within the world of innocence and parents and family and taking a trip." Yet Lennon's psychedelic doggerel clearly advocates the latter course.

Only a few contributors transcend solipsism: Mr. Gopnik, despite inventing a chord called a "major fifth," is good on the cultural context. "Strawberry Fields Forever" and "Penny Lane" express the British Invasion's deep "strain of English nostalgia": childhood memories inspired threnodies for England's dying industrial cities.

"Pepper" endures not just because it caught the mood of the Summer of Love, or because it married pop music to the modernist techniques of the collage and the tape loop, or because it sounds quaintly futuristic. "Pepper" endures because it entered the past so quickly. On June 25, 1967, little more than three weeks after the album's release, the Beatles joined Maria Callas and Picasso in the first live international satellite broadcast, for which they performed a new song, "All You Need Is Love." The event initiated our age of simultaneous global media and announced the triumph of television. Like its Edwardian costumes and parping brass, "Pepper" was a colorized document from history—from a past in which music, not the visual image, could still change the world.

"Life," Hegel said, "is essentially the concept which realizes itself through self-division and reunification." The Beatles split up, but their look and sound are inescapable, forever joined. Today it isn't necessary to own the Beatles' albums. They are here, there and everywhere, a part of everyone's consciousness—at least for now. Because tomorrow, as Ringo said, never knows.

Mr. Green is a historian, critic and jazz musician.

BOOKS

'Medicine is not a science; it is empiricism founded on a network of blunders.' —Emmet Densmore

Medicine's Age of Wonders

Miracle Cure

By William Rosen

Viking, 358 pages, £21.81

BY MEREDITH WADMAN

IN FEBRUARY 1941, an Oxford policeman in his early 40s named Albert Alexander lay gravely ill in the city's Radcliffe Infirmary. Bacteria had spread through his body after a rose thorn scratched his face months earlier. Huge abscesses had taken root in his left eye, his scalp, his arms, his face and his lungs. Visiting his bedside, a gifted young scientist named Norman Heatley noted in his diary that Alexander was "oozing pus everywhere."

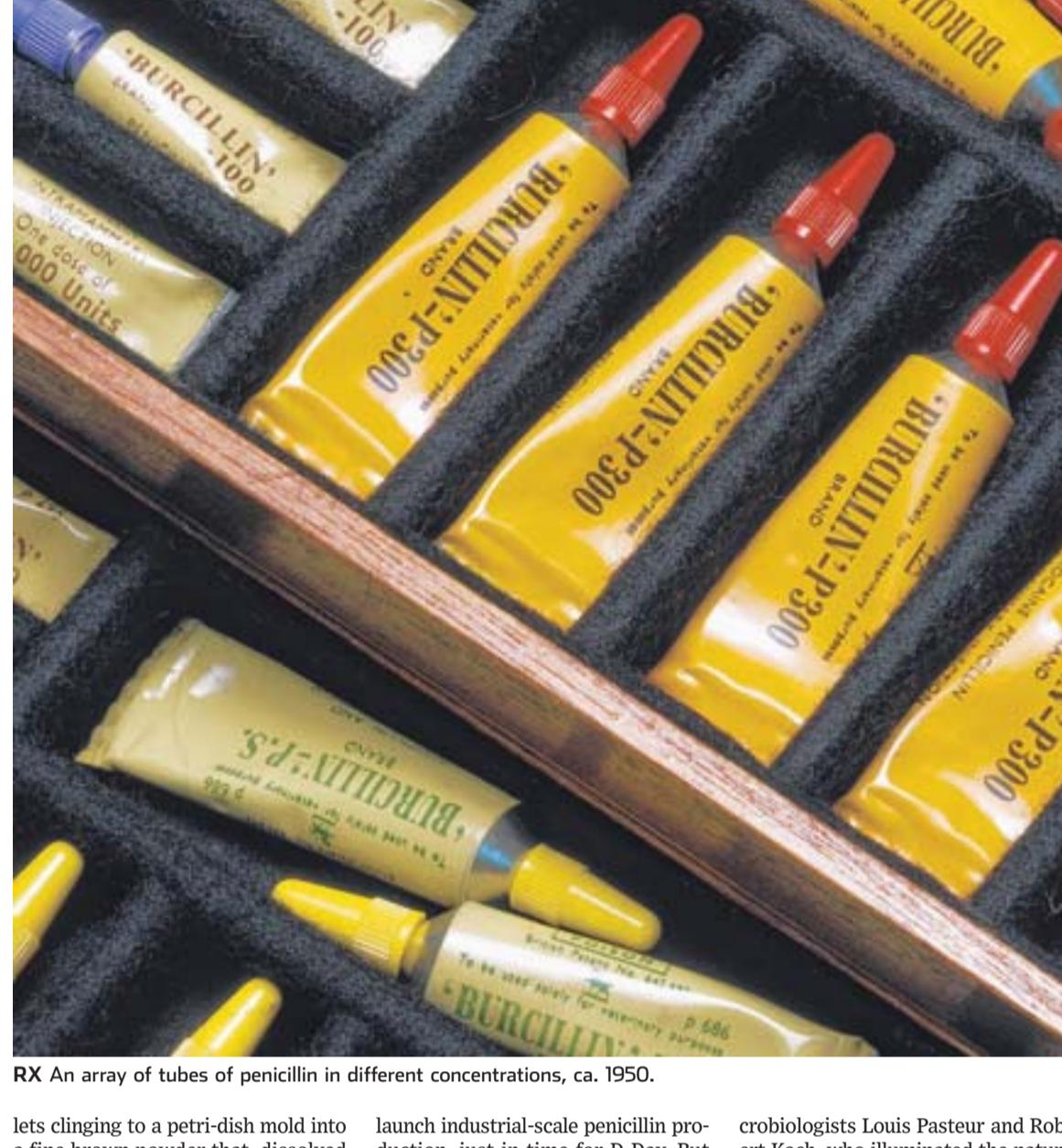
Three days later, Alexander became the first infected person ever treated with penicillin. One day after his intravenous therapy was started, his fever had vanished, the abscesses had stopped oozing pus, his face was no longer swollen and he was able to eat.

Penicillin quickly became the most public triumph of a victorious decade: Between the late 1930s and the late 1940s, every major class of antibiotics was developed, as William Rosen meticulously recounts in "Miracle Cure: The Creation of Antibiotics and the Birth of Modern Medicine." Rosen's highly informed retelling captures the drama of the scientists' quest, against long odds, to find and produce bacteria-killing drugs—and the egos, ambitions, brilliance and resolve that drove them.

The book also shines a light on the commercial impact of the new wonder drugs. Eager to beat competitors to the latest discovery and helped by a new brand of slick, physician-targeted advertising, pharmaceutical companies by 1958 had vaulted from a B-league enterprise into America's most profitable business. In the meantime, U.S. regulators scrambled, not always successfully, to keep up.

In a book stuffed with stories, the penicillin tale stands out. Rosen portrays the all-out wartime struggle by a group of scientists at Oxford University to isolate the drug, which was needed to combat infected war wounds in front-line soldiers. True, it was Alexander Fleming, in 1928, at St. Mary's Hospital in London who discovered that penicillin killed bacteria. But he grew frustrated with the unstable substance and thought "the trouble of making it... not worthwhile."

A decade later, the Oxford group disagreed. With tremendous ingenuity and determination, they transformed penicillin from yellow drop-



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RX An array of tubes of penicillin in different concentrations, ca. 1950.

lets clinging to a petri-dish mold into a fine brown powder that, dissolved in water and injected in a vein, vanquished life-threatening microbes.

The obstacles they faced were daunting. They worked in a lab so strapped for cash that the elevator had been shut down and glassware purchases forbidden. Heatley, a mechanical wizard, cobbled together an apparatus that included a castoff doorbell to wring the drug from batches of mold grown in 16 bedpans stolen from the Radcliffe Infirmary.

In February 1941, the supply of the new drug was so minuscule that Albert Alexander's urine was collected after each dose—penicillin is excreted in active form in the urine—and ferried by bicycle 1.5 miles to the lab where the industrialist Heatley recycled it. Nonetheless, the meager supply of the drug soon ran out, and Alexander died on March 15.

It would take three more years and the engagement of numerous American labs and companies to

launch industrial-scale penicillin production, just in time for D-Day. But the British rightly won Nobel glory: Fleming and the leaders of the Oxford group, Howard Florey and Ernst Chain, collected their prize in 1945.

Microbiologists Louis Pasteur and Robert Koch, who illuminated the nature of infectious diseases and linked illnesses with the microbes that cause them. And it chronicles the development in 1910 by the Nobel-winning

Selling antibiotics transformed pharmaceutical firms into America's most profitable businesses.

Though the major antibiotics discoveries came in a single midcentury sprint, Rosen's story stretches back to the physician and patriot Benjamin Rush, who dosed hundreds of patients with the toxin mercury during an epidemic of yellow fever in Philadelphia in 1793. "Eighteenth-century physicians knew as little about the causes of disease as a cat knows about calculus," the author observes.

The book recounts the pioneering work of—and the bad blood between—the brilliant 19th-century mi-

crobiologist Paul Ehrlich of the first lab-manufactured medicine, Salvarsan. It treated what was then a bane of high-end parlors and brothels alike: syphilis.

After Salvarsan, the quest for microbe-destroying drugs hit a standstill; by 1930, physicians had effectively thrown up their hands at treating bacterial diseases. They despaired slightly too soon. Six years later, a headline in the New York Times proclaimed: "YOUNG ROOSEVELT SAVED BY NEW DRUG... CONDITION ONCE SERIOUS. But Youth,

in Boston Hospital, Gains Steadily."

President Franklin Delano Roosevelt's 22-year-old son and namesake had been in grave condition with an illness that began as strep throat and spread. The novel cure, sulfanilamide, developed by Gerhard Domagk, a German physician at Bayer, shut down the bacterial culprit, Streptococcus. Sulfanilamide and the derivatives that followed were also effective against gonorrhea and some forms of meningitis. And vitally, they attacked Streptococcus in all its manifestations: strep throat, scarlet fever, pneumonia and the postlabor infections that regularly killed new mothers in the era. Mortality from "childbed fever" soon fell to 4.7% from between 20% and 30%.

With the introduction of the sulfa drugs, "medicine was off and running," the physician and writer Lewis Thomas later recalled. In a sudden, profound shift, doctors were transformed from hand holders to healers. And patients, who were soon demanding sulfa drugs for every ailment, had become consumers. (Rosen also treats the alarming bacterial resistance that 70 years of antibiotic overuse has caused.)

It is a strength of "Miracle Cure" that Rosen places its many tales of discovery in their larger contexts, explaining for instance the near-complete lack of drug-safety regulation that prevailed when the Tennessee-based S.E. Massengill Co. began selling Elixir Sulfanilamide in October 1937.

To make the drug more palatable, the company's chief chemist had dissolved it, along with raspberry flavoring, in a toxic chemical also used in brake fluid. At least 73 people died. The Federal Food Drug and Cosmetic Act became law the following year. Companies would no longer be able to market new drugs without government licensing. And the government would have to ensure that they were safe.

This book is not for the casual reader. At some points Rosen gets into weeds so thick that only aficionados will find a way through. Still, it's an important contribution to a still-germane yet fast-receding history. And it's all the more impressive that Rosen, formerly a book editor and publisher, wrote it as he was battling his own intractable disease. An aggressive cancer took his life in April 2016. He left behind a history worth reading.

Dr. Wadman is a staff writer for *Science* and the author of "The Vaccine Race: Science, Politics and the Human Costs of Defeating Disease."

Why Bad Ideas Come Naturally

Scienceblind

By Andrew Shtulman

Basic, 311 pages, £23.36

BY STEVEN POOLE

YOUNG CHILDREN have charmingly inaccurate ideas about how the world works. They classify things as alive if they move (robots) and not if they don't (plants). They can experience an object's heft and bulk, but they don't understand density or atoms. And they think our eyes emit rays that allow us to see things. Such beliefs are what the psychologist and cognitive scientist Andrew Shtulman calls "intuitive theories," and they are, he argues, a big problem—because many persist into adulthood, thus harming our prospects of internalizing the best scientific explanations. And so we have a world in which nearly 80% of Americans support mandatory labeling of "foods containing DNA"—in other words, any food containing plant or animal matter—and in which ungrounded fears about vaccination are causing new outbreaks of measles and other disease.

Mr. Shtulman's fascinating, empathetic book "Scienceblind" is organized by subject area, broadly divided into physics (ideas about mass, heat, gravity, motion, and geology) and biology (ideas about life, growth, disease, and evolution). For each subject, the author recounts the experiments he and others have done to tease out the intuitive theories of both children and adults, and explains how these theories differ from reality. Even people who understand

that you need two wires to make an electrical circuit, for instance, still habitually think of electricity as "juice" that flows through a single cable from the wall to the kettle. And most people intuitively have an "impetus theory" of objects in motion, with an imaginary force (the impetus) that fades over time—even though standard Newtonian physics has no room for such a concept. Disturbingly, when asked to consider the story of clean-living person who has contracted a "mysterious and deadly illness," adults are actually twice as likely as children to think it must be Peter's own fault.

Most people unthinkingly think of electricity as "juice" that flows through a cable, like a liquid.

Some examples of the limits of our intuitive capacities are practical as well as vivid. How much beer, for example, is missing from a pint glass that is underfilled by 0.875 inches? The distressing answer is nearly a quarter of the full amount—because "that standard pint glass is tapered and tapered glasses hold more beer at their top than at their bottom."

The acquisition of scientific knowledge, Mr. Shtulman shows, doesn't overwrite our intuitive theories: the two kinds of theory live alongside each other, in a kind of uneasy master-slave relationship. Scientists are not people who have no intuitive misconceptions; they're just



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the ones who have learned to "inhibit" them, most of the time.

From his research, Mr. Shtulman distills some useful ways to improve science education in the classroom and for the adult public. Analogies can be very helpful, especially those that bridge the gap between one

easy example and the counterintuitive truth. (If you push down on a spring, the spring exerts a force upward, right? So, every object on which another object is resting—e.g., a table—is also exerting a similar force upward.) The author also suggests that evolutionary ideas need to

be taught before high school, using vividly graspable charts of relationships among species, called cladograms. In general, he explains: "Students need an explication of their intuitive theories, an explanation for why those theories are flawed, and a demonstration of how scientific theories of the same phenomena fare much better."

So far, so laudable. But the unreliability of our intuitive theories is not the whole story of why people reject science. Mr. Shtulman explains why children think the Earth is flat (it looks that way), though we have known the planet is roughly spherical since ancient Greece. But what the author does not mention is the remarkable modern resurgence of Flat Earth theories on the internet. Many people sincerely believe the world is a disc surrounded by a wall of ice, that gravity does not exist and that stars are merely holographic projections.

The contemporary Flat Earth theory is what I call a zombie idea: one that was apparently killed but still shambles around in a parody of life. Modern Flat Earthers, like other science-denying groups, are motivated by a paranoid distrust of established experts. At one point, Mr. Shtulman writes that general lessons in critical thinking do not measurably improve performance on science tests—but they are surely crucial for creating a citizenry capable of applying skepticism to pseudo-scientific claims of the kind that bombard us every day.

Mr. Poole is the author of "Rethink: The Surprising History of New Ideas."

BOOKS

'Let those who will write the nation's laws if I can write its textbooks.' —Paul A. Samuelson

An Einstein of the Dismal Science

Founder of Modern Economics, Vol. 1
By Roger E. Backhouse
Oxford, 736 pages, £27.22

BY ERIC MASKIN

FORTY YEARS AGO, Paul A. Samuelson was a household name. The first American Nobel laureate in economics, he wrote a regular column for *Newsweek* (alternating with Milton Friedman) and was widely remembered as President Kennedy's personal economics tutor. Hundreds of thousands of college students each year were introduced to the principles of economics through his best-selling textbook—the most successful economics textbook ever written.

Today Samuelson, who died in 2009 at age 94, is no longer so familiar to the general public, nor does "Economics" (1948) still stand atop the textbook heap (although its current, 19th edition—edited by William Nordhaus—sells well). But Samuelson left a deep and abiding impression on his field. He, Kenneth Arrow and John Maynard Keynes are arguably the most important creative economists of the 20th century. (Friedman was also immensely influential, but—except in his magisterial volume with Anna Schwartz on U.S. monetary history—more as a public intellectual than an economic researcher.) If Samuelson's papers no longer appear frequently on graduate-course reading lists, it's only because their lessons have been so thoroughly absorbed into the subject. Physics students no longer read Newton's "Principia," either.

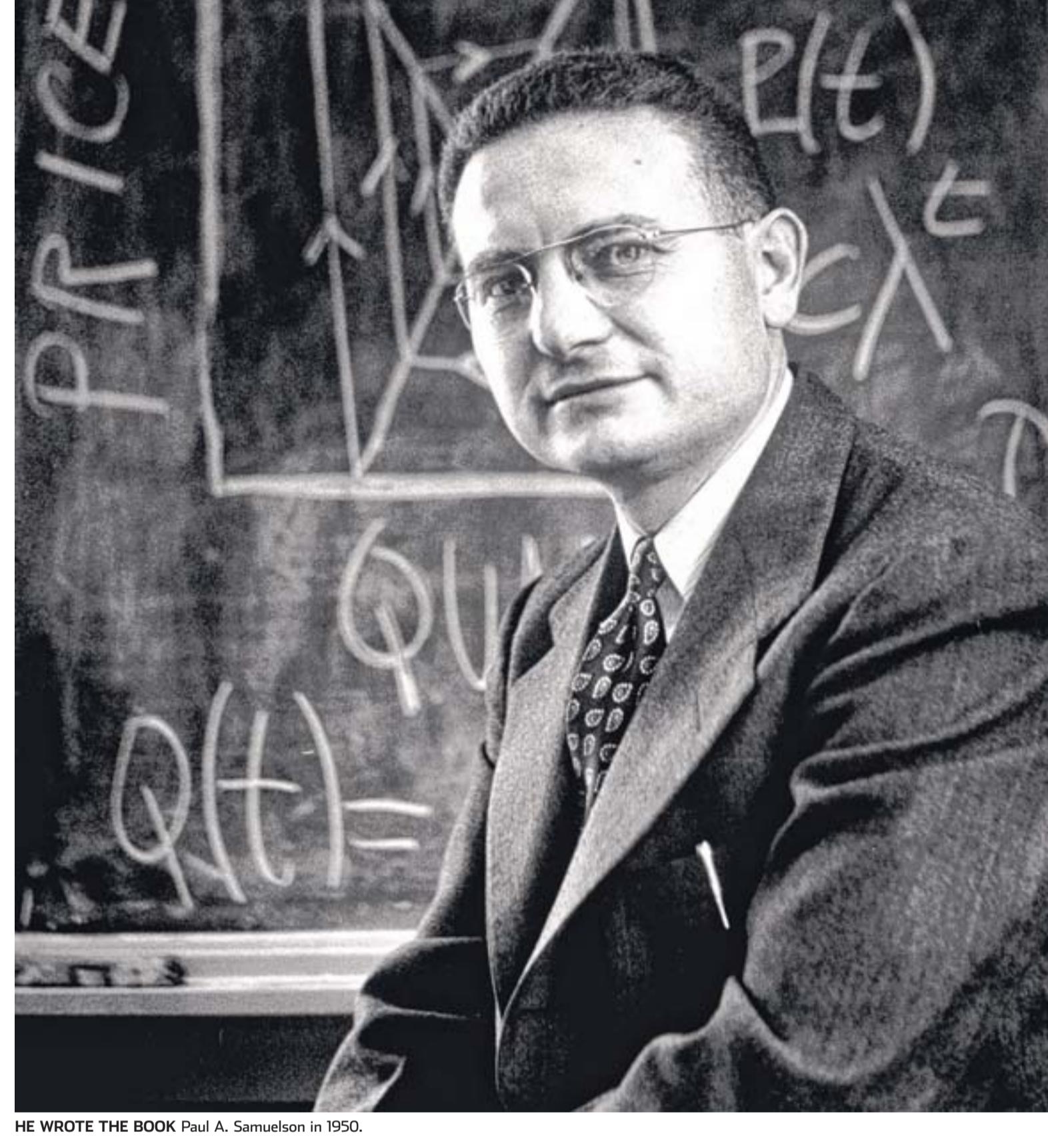
The first volume of Roger E. Backhouse's two-volume biography, "Founder of Modern Economics," makes the case for Samuelson's importance, and largely succeeds. Mr. Backhouse—who here gives us the story through 1948, when Samuelson was 33—notes that the life was neither dramatic nor especially colorful, and so concentrates mainly on Samuelson's work and the people who influenced him.

Unlike Arrow (the father of social choice theory) or Keynes (who revolutionized macroeconomics), Samuelson created a new branch of economics. Instead, as the 1970 citation from the Royal Swedish Academy observes, his distinctive contribution was "raising the level of analysis in economic science." He modernized the discipline.

Economics was hardly devoid of mathematics before Samuelson; such 19th-century economists as Léon Walras, A.A. Cournot and F.Y. Edgeworth invoked it freely. But even by 1950 many prominent economic scholars—including Jacob Viner, who taught Samuelson at the University of Chicago—had little mathematical skill and were skeptical that math was useful in economics. Alfred Marshall, the foremost economist at the turn of the 20th century, was no mathematical slouch but wrote that mathematics should be used as a "shorthand language, rather than as an engine of inquiry." And once the inquiry was done, the mathematics should be "translated into English"—and then "burned."

Samuelson utterly rejected Marshall's view: He felt that mathematics was exactly the right tool for cutting through the brambles of an economic wood "that have overgrown to the extent that one cannot move." Mathematical arguments not only lent clarity, brevity and precision to a paper but were also good for the disposing of long-standing fallacies.

Mr. Backhouse gives a nice example of fallacy-jettisoning in Viner's graduate theory course, which Samuelson attended. Viner was lecturing on "cost curves," which show how the average cost of producing a commodity varies with the quantity produced. Viner made the claim that a cost curve in the "long run" (when the producer is free to vary all the inputs into production) consists of the minimum points of all the "short-run" cost curves (when some inputs, such as factory sizes, can't be changed). This claim may have been common wisdom at the time but can easily be refuted by a short mathematical calculation, as Samuelson showed Viner. According to Samuelson, Viner was still doubtful and said that, despite the calculation, he could draw the cost curves just as he claimed. "Yes," Samuelson replied, "with a good thick pencil, you can do it."



THE LIFE PICTURE COLLECTION/GETTY IMAGES

HE WROTE THE BOOK Paul A. Samuelson in 1950.

Just as Samuelson won his skirmish with Viner, he won his war with the profession. Almost any theoretical article in an economics journal today bristles with mathematical formulas. And nearly every proposition makes an assertion that, in principle, could be refuted empirically. Samuelson was interested only in mathematical derivations whose assumptions and conclusions could be checked by *observation*. He had no use for a statement such as "Alice likes apples twice as much as bananas" because there is no experiment that could test such a claim.

Samuelson's own work divides into two categories: *methodological* contributions, which develop technical tools for generating hypotheses in a broad range of applications (his Ph.D. thesis falls largely into this category; after some revision it was published, in 1947, as "Foundations of Economic Analysis," his second most cited work), and *substantive* contributions, which use the tools to derive novel hypotheses in specific settings. (Samuelson proposed novel hypotheses for an astonishingly wide variety of economic subfields: public finance, international trade, business cycles, political economy, welfare economics, consumer demand, monetary theory and more.)

Among other tools, Samuelson developed a technique he called the Le Chatelier Principle (after the 19th-century chemist Henri Le Chatelier, a theorist of equilibrium). To picture this principle in action, imagine a manufacturer (which uses labor and machinery) responding to a fall in the wage rate (that is, the cost of labor). We should not be surprised if the manufacturer employs more workers, but we can also make a stronger prediction: namely, that labor will increase more in the long run (after the manufacturer has had a chance to adjust the number of machines it uses) than in the short run (when the number of machines is fixed).

More generally, the principle asserts that responses in the long term tend to be bigger than those in the short term. The technique has proved to be remarkably useful in a wide variety of applications.

Early in his career, Samuelson worked intensively on the theory of

international trade. Here is the "substantive" idea (somewhat oversimplified) behind the Stolper-Samuelson Theorem (developed with fellow Harvard graduate student Wolfgang Stolper). Imagine that a rich economy (call it the U.S.) is hoping to open its doors to international trade. Before trade is possible, all goods must be produced domestically; if American consumers want both smartphones and rice, American firms must supply both smartphones and rice.

Samuelson's large oeuvre before 1948, including his work on the Le Chatelier Principle and the Stolper-Samuelson Theorem. This is one of the less successful aspects of the book—the descriptions seem too involved for a general reader and not detailed enough for an economist.

(Mr. Backhouse's treatments usually lack the mathematics that Samuelson found so clarifying.)

More revealing are probing accounts of the personal relationships that shaped Samuelson profoundly:

'A good fairy whispered to me,' he said, 'that math was a skeleton key' to solving problems in economics.

Let's now imagine that trade with other countries becomes possible. What effect will this have? Well, the U.S. is rich in large part because so many American workers are highly skilled. That means the labor force is better suited, on the whole, to producing smartphones than rice. Indeed, growing a lot of rice makes inefficient use of high-skilled workers' abilities. So when trade opens up, American production will naturally shift away from rice and toward smartphones. The smartphones that Americans don't consume will be exported, and the rice demanded by Americans but not grown domestically will be imported.

Because this arrangement uses the labor force more efficiently, American consumers will have both more smartphones and more rice than before. So gross domestic product is higher because of trade. Moreover, high-skilled workers are better off, because the increase in smartphone production puts them in higher demand and so increases their wages. But less-skilled workers are worse off: Their wages fall with the decline in domestic rice production.

The Stolper-Samuelson Theorem implies that international trade causes inequality between high-skilled and less-skilled workers to grow in rich countries. The theorem was derived in 1941 but clearly remains relevant in today's America of rising inequality.

Mr. Backhouse's scholarship is impressive. Among much else, he

Beulah Shoesmith, a mathematics teacher at Hyde Park High School (Samuelson's family moved to Chicago from his hometown of Gary, Ind., when he was 8); Frank Knight at Chicago, where Samuelson first studied economics; Edwin Bidwell Wilson and Alvin Hansen at Harvard, where Samuelson was a Ph.D. student, junior fellow in the Society of Fellows and economics instructor; and Marion Crawford Samuelson, his wife and the love of his life.

Knight opened Samuelson's eyes to the power of markets, although the two differed sharply on politics and the wisdom of government intervention, especially in later years, when, according to Mr. Backhouse, "Knight complained Samuelson seemed to consider it his duty to belittle him." Wilson, a mathematician and physicist who lectured in the Harvard economics department, showed Samuelson the ability of mathematics to reveal deep similarities between fields, especially economics and physics; he was the closest thing Samuelson had to a mentor. Hansen got Samuelson interested in Keynesianism, particularly the idea that neoclassical economics breaks down when the economy is below full employment.

Marion, an able economist herself, was Samuelson's closest adviser and a significant contributor to his early work before she became preoccupied with family.

Mr. Backhouse's scholarship is impressive. Among much else, he

seems to have read every letter and paper in the 155-carton Samuelson archive at Duke, thereby ferreting out much that is new. Here are a few nuggets:

Samuelson liked to present himself as essentially self-taught in mathematics. But Mr. Backhouse discovered that, far from being an autodidact, he took many advanced math courses as a student at Chicago.

The prevailing story for why Samuelson left Harvard for MIT (then a backwater in economics) is anti-Semitism. (Samuelson preferred to say simply that MIT made him a better offer.) While not denying the role of anti-Semitism, Mr. Backhouse quotes a long letter from E.B. Wilson to Samuelson making a strong case that his protégé would be better off at MIT for intellectual reasons. In any case, Samuelson made the move and remained at MIT for the rest of his life.

Samuelson's textbook, which had substantial Keynesian elements, was strongly attacked by the chairman of the Visiting Committee to MIT's economics department as likely to bring "discredit" on the institute. The matter was quelled only when MIT's vice president stood up to the chairman and vigorously defended Samuelson's academic freedom.

Samuelson always insisted that he counted Friedman as a friend, despite their professional differences. But, as a letter from Friedman to a Chicago colleague reveals, Friedman tried (unsuccessfully) to block a job offer that Chicago made to Samuelson in 1946-47. He complained about Samuelson's Keynesianism.

Of course, there is much that is missing from Mr. Backhouse's book—in particular, two-thirds of Samuelson's life. This later period includes his more mature papers—his best, in my view, especially a masterpiece on money and overlapping generations—as well as the development of the MIT economics department into the powerhouse that now leads graduate teaching in the U.S. and the world. All good reasons to look forward to volume two.

Mr. Maskin, a Nobel laureate in economics, is Adams University Professor at Harvard.

OPINION

REVIEW & OUTLOOK

How to Read an ObamaCare Prediction

America's political world waited with rapt attention Wednesday for the oracles at the U.S. Congressional Budget Office to release their cost-and-coverage predictions for the revised House health-reform bill, which arrived late in the afternoon. But while Washington stood by, two reports emerged from the real world that are far more consequential.

First, the Health and Human Services Department released new research showing that average premiums in the individual market have increased 105% since 2013 in the 39 states where the ObamaCare exchanges are federally run. That translates into about \$3,000 more a year for the average family. There are limitations to the data, such as separating ObamaCare artifacts from underlying medical-cost movements, but the trend doesn't reflect well on whoever called it the Affordable Care Act.

Also on Wednesday, Blue Cross Blue Shield of Kansas City withdrew its ObamaCare plans for 2018 in Kansas and Missouri. The insurer cited ObamaCare losses of \$100 million, which it called "unsustainable for our company." The decision will leave 77 of Missouri's 114 counties, including St. Louis, with a single insurer, and some 31,000 Missourians in another 25 counties with no coverage options. By the way, HHS says premiums have increased by 145% on average in Missouri over four years.

This is real news in real markets that affects people's lives. So, naturally, the speculative CBO report became the day's major story.

That news wasn't all bad for Republicans. The CBO confirmed that the American Health Care Act is a major fiscal dividend, cutting taxes by \$992 billion, spending by \$1.1 trillion and the deficit by \$119 billion over 10 years. Compared to a CBO estimate of an earlier House bill, the number of people with insurance will be "slightly higher" and premiums will be "slightly lower."

Nonetheless, the CBO says 14 million fewer people on net would be insured in 2018 relative to the ObamaCare status quo, rising to 23 million in 2026. The political left has defined this as "losing coverage." But 14 million would roll off Medicaid as the program shifted to block grants, which is a mere 17% drop in enrollment after the ObamaCare expansion. The safety net would work better if it prioritized the poor and disabled with a somewhat lower number of able-bodied, working-age adults.

The balance of beneficiaries "losing coverage" wouldn't enroll in insurance, the CBO says, "because the penalty for not having insurance would be eliminated." In other words, without the threat of government to buy insurance or else pay a pen-

alty, some people will conclude that ObamaCare coverage isn't worth the price even with subsidies. The CBO adds that "a few million" people would use the new tax credits to buy insurance that the CBO doesn't consider adequate.

The problem with this educated guess about enrollment is that the CBO's models put too much confidence in the effectiveness of central planning. The nearby table shows the CBO's projections about ObamaCare enrollment, which were consistently too high and discredited by reality year after year. The CBO is also generally wrong in the opposite direction about market-based reforms, such as the 2003 Medicare drug benefit whose costs the CBO badly overestimated.

Unlike the CBO, most economic forecasters publish their assumptions and a range of possible outcomes for different variables. This transparency reveals the uncertainty built into any predictive model, rather than homing in on one number like 23 million, as if it is omniscient. The complication for the CBO is that the more it defines its uncertainty, the less authority the politi-

cal class will invest in its estimates. This particular credibility gap is exposed in the CBO's treatment of the House compromise on waivers, which would allow states to apply to opt out of certain ObamaCare regulations like benefit mandates. How many Governors would choose to do so, over what time period, in what political context, and how aggressively would they deregulate markets? "Who knows?" is the only honest answer.

The CBO allows that there can be no "single definitive interpretation" of how states would respond to new incentives—before claiming that precisely "one-third of the population would be in states that would choose to make moderate changes to market regulations" and precisely "one-sixth of the population" lives where Governors would "substantially alter" those regulations. This isn't a quantitative economic judgment but a raw political assumption.

Headlines aside, the CBO report matters because it is the fiscal template for Senate negotiations and what policies can be included under the budget "reconciliation" procedure that requires 51 votes. But Senators shouldn't allow the budget scorekeeper's opinions about the future to dictate policy or political decisions. Incentives and private competition can produce better outcomes than CBO's model foresees.

In any case, the real world is throwing off plenty of evidence of the urgent need to repeal and replace ObamaCare, like the Missouri crisis and national rate shock. The CBO never saw any of that coming.

Acosta's Fiduciary Duty

U.S. Labor Secretary Alexander Acosta said this week that he'll let the Obama Administration's fiduciary rule take effect on June 9 while the agency conducts a thorough public review. Liberals don't know whether to celebrate or complain, but Mr. Acosta is showing more respect for the law than his predecessor did.

Mr. Acosta explained in these pages Wednesday that the agency is bound by the Administrative Procedure Act, which requires due process and public comment before issuing or rescinding regulations. This usually takes several months, and the law only permits a rule change based on new information.

President Trump in February issued an executive order directing the Labor Secretary to complete an economic and legal analysis of the fiduciary rule, which requires brokers of retirement

accounts to act in their client's best interest. The rule would in effect bar commissions, increase the cost of advice for savers and price small investors out of the market.

The Labor Department in April delayed the rule's date by two months. But the worry is that another delay without new information could invite lawsuits claiming that the agency is acting arbitrarily and thwart revisions. Mr. Acosta writes that the department "found no principled legal basis to change the June 9 date while we seek public input," and that "respect for the rule of law leads us to the conclusion that this date cannot be postponed." However, the rule won't be fully implemented or enforced until January. Mr. Acosta now has a duty to ensure that the department's career officials who labored on the rule for five years follow due process while legally unwinding it.

China's Hero Lawyers

China's crackdown on human-rights lawyers is revealing details of how the regime uses torture to force confessions from political prisoners. This month a court in the city of Changsha staged a show trial of a lawyer who earlier this year released an account of mistreatment in prison. Another lawyer was released after being abused and tried in secret in the city of Tianjin.

In Changsha, Xie Yang pleaded guilty to subversion and retracted allegations he made in January through his lawyers that he had been beaten, deprived of sleep and held in stress positions. In a statement read to the court, he said he had been "brainwashed" by foreign agents. "Everyone should take me as a lesson: You must behave within the boundaries of the law, avoid being used by anti-China Western forces," the lawyer said. He made a similar confession on state-run television.

In Mr. Xie's January statements, he anticipated this outcome: "If, one day in the future, I do confess, whether in writing or on camera or on tape, that will not be the true expression of my own mind. It may be because I've been subjected to prolonged torture, or because I've been offered the chance to be released on bail." Writing or recording pre-emptive disavowals of forced confessions has become common among Chinese lawyers.

Mr. Xie's lawyer, Chen Jiangang, was detained to prevent him from attending the trial. Afterward he told the Journal, "This wasn't a trial, it was a transaction." He said government officials had struck a deal in which Mr. Xie would be released and keep his law license if he confessed.

Last week Beijing police prevented Mr. Chen's son from enrolling in primary school.

Mr. Xie's wife also condemned the trial as a sham. Chen Guiqiu was prevented from seeing her husband since his arrest in 2015. She and the couple's children fled to Thailand in February, where they were detained. According to the Associated Press, U.S. diplomats managed to secure their release in March. After a tense airport confrontation with Chinese officials who wanted to take them back to China, they flew to Texas and are applying for asylum.

In the Tianjin case, lawyer Li Heping was released this month after a secret trial handed down a three-year suspended jail term for subversion. He was accused of defaming the government in interviews with foreign media, as well as conspiring with religious workers and others seeking to overthrow the government. Like Mr. Xie, his guilty plea led to a more lenient sentence.

Mr. Li's frail and emaciated appearance shocked his family and colleagues. He lost a significant amount of weight in prison and his hair turned gray. According to his wife Wang Qiaoling, Mr. Li was force-fed medicine that made his vision blurry and his hands were shackled to his legs 24 hours a day for a month. Like Mr. Xie, Mr. Li was prevented from having his lawyer represent him in court and was barred from seeing his family.

The Chinese government breaks its own laws when it mistreats prisoners and fails to follow due process. Despite knowing they will suffer further abuse, scores of lawyers like Messrs. Xie and Li bravely continue to expose Beijing's flouting of the rule of law. Their sacrifices deserve to be honored.

Britain's Missed Chance To Reform the Easy Way



POLITICAL ECONOMICS
By Joseph C. Sternberg

It's bad enough that Theresa May failed to sell voters on a major reform to an expensive entitlement when she released her election platform last week. Worse is the sinking realization that the major reform was neither major nor, necessarily, a reform.

This isn't entirely to play down the significance of Mrs. May's attempt to rejigger spending on old-age care. Her Conservative Party manifesto pledged a new means test for spending on care delivered in-home. Currently those who require residential care in a nursing home can be required to sell their homes to recoup some of the cost. But those who opt for care in their own homes are free to pass their houses to their heirs while taxpayers foot the bill for nurses' visits and the like.

It sounds technocratic, but this is a much meatier measure than at first appears. At heart it's a question of why people ought to save. Most modern entitlement systems—for old-age care and most other things—are premised on the notion that people ought to save for the benefit of their families, while the state ought to provide for more of their needs.

The current requirement that those entering nursing homes support their own costs is the exception, not the rule. The same person can receive most of his or her health care with no direct contribution via the National Health Service, preserving accumulated assets rather than spending them down. The last high-profile proposal to reform old-age care funding, in 2011, would have capped total lifetime personal contributions with no means testing, preserving estates for the wealthy.

Mrs. May, to her credit, chose to swim against this philosophical tide with a proposal that argued that assets accumulated earlier in life should be used to fund needs later in life. It's such a sensible idea that of course it was doomed.

The less interesting reason for this failure is the fact that old people vote in disproportionately large numbers in the West. No one wants to pay more for something he's been getting for "free." In this sense, entitlement reform probably must await a fiscal catastrophe of unprecedented proportions—some shortfall so severe that the government can no longer afford even the electricity that powers the machine that prints the monthly benefit checks.

The more interesting reason for Mrs. May's reform failure is bound up in the uncomfortable question of how much of a reform it was. If the goal of a politically painful entitlement overhaul (or tweak) is to make a creaking system more fiscally sustainable, it's striking that no one can say whether Mrs. May's plan would have worked.

Blame politics. Mrs. May needed to sweeten the deal by reducing the burden on those already required to contribute to their nursing-home care. She would have done this by increasing to £100,000 (about \$130,000) from £23,500 the amount of assets exempt from the means testing for benefits.

Good luck trying to estimate whether the savings from increased contributions to in-home care would outweigh the cost of additional government subsidies for nursing-home care over time. Meanwhile, this plan left untouched all the far more expensive entitlements in Britain—not least the National Health Service.

And looming overhead like a cloud is a problem that bedevils all entitlement-reform efforts: the unpredictable interaction between a reformed entitlement and the many entitlements that go unreformed.

Theresa May tried and failed to fix a small entitlement. That means much bigger shocks are coming.

In Mrs. May's case, critics noted that the coexistence of a user-financed "social care" system and a taxpayer-financed health-care system would create politically crippling inequities if Mrs. May's reforms went ahead. Those elderly whose conditions, such as cancer, were covered by the National Health Service would escape with houses intact. Those whose conditions, such as dementia, are relegated to the social-care system would shaft their heirs.

No one expects a market to be fair, but everyone expects the government to be fair. This disparity in the government funding of services ultimately helped tank Mrs. May's proposal.

Is there then any hope for entitlement reform?

The Office of National Statistics announced Thursday that net immigration to Britain declined to 248,000 in 2016 from 332,000 a year earlier, as a growing number of working-age taxpayers leave Britain. Mrs. May promises to bring net immigration to below 100,000. A falling pound, tax hikes, slowing growth and a bungled Brexit should about do the trick.

At that level of immigration, combined with the low birth rates typical of the modern West, Britain will quickly run out of worker bees to support its entitlement state. Precise numbers are unknowable, but most guesses assume that coming anywhere close to the 100,000 goal would wreck public finances, with debt spiralling to multiples of GDP unknown even in Japan.

This week's victory over Mrs. May notwithstanding, Britain's older voters might want to check the light switches at that check-printing plant.

A Council America Should Not Keep

By Anne Bayefsky

The United Nations Human Rights Council is preparing a blacklist of American and other companies doing business with Israel—and U.S. taxpayers are paying a quarter of the bill.

The council's move embraces the "boycott, divestment and sanctions" campaign, which seeks to accomplish through economic strangulation what Israel's enemies have been unable to achieve through war and terror. How did the U.S. get on the wrong side of this battle?

When the Human Rights Council was created in 2006 as a "reform" of the original U.N. Human Rights Commission, the administration of George W. Bush voted against, because no membership conditions required actually respecting human rights.

But Barack Obama jumped on board and, playing Gulliver at the U.N., allowed the American giant to be tied up by foes contributing a fraction of U.S. moral and financial weight. In 2016 Americans sent the U.N. almost \$10 billion.

On Thursday a U.S. Senate subcommittee was scheduled to meet to "assess" the Human Rights Council. Reconsidering U.S. membership and walking away—now—would be the right choice. Successive White Houses have tried and failed to correct the entrenched anti-Israel and anti-Jewish bias of the council (and commission) for decades. Simply put, the Lipitarians have more votes.

The council has condemned Israel more than it has any of the other 192 U.N. states, notwithstanding 500,000 dead in Syria, starvation and mass torture in North Korea and systematic, deadly oppression in Iran. Saudi Arabia and China have used their seats on the council to avoid condemnation altogether.

Under a sanctions resolution adopted in March 2016, the council is creating a database of companies that "directly or indirectly" do business with Israeli settlements. The blacklist is intended to be expansive: Even an ATM in

Arab-claimed territory could be enough to land a bank and its business associates on this database.

The blacklist threatens to tarnish business reputations, make companies targets for lawfare in European and U.S. courts, and provide fuel for the boycott-and-divestment machinery on college campuses and elsewhere. Meanwhile, the council has no boycott policy for the world's most ruthless regimes.

The United Nations 'human rights' panel is a travesty and a sham.

When Donald Trump became president, the U.S. didn't promptly resign from the council but instead attended the March 2017 session. During this meeting, the resolution creating the Israel blacklist was reconfirmed over American objection. Then the U.S. was outvoted on 12 of 15 resolutions and backed into joining the consensus on various other resolutions, including one on "cultural diversity" co-sponsored by the likes of North Korea.

The familiar refrain echoed whenever American blank checks to the U.N. are questioned: Is: fight the good fight from the inside; don't cede the territory to enemies; the sole alternative is self-defeating isolationism.

But the answer is straightforward. Belonging to, and paying for, the U.N. Human Rights Council legitimizes those fighting to delegitimize Israel. Equal rights for some cannot be built on unequal rights for Jews.

Reform from the inside has failed. America should choose its own partners and methods for making the world a better place. That's real leadership.

Ms. Bayefsky is director of the Touro Institute on Human Rights and the Holocaust, and president of Human Rights Voices.

OPINION

NATO's Vital Role in the War on Terror

By Jens Stoltenberg

At first glance, it's simply a fragment of twisted metal outside the North Atlantic Treaty Organization's new headquarters in Brussels. But this 6-foot-long section of steel girder was recovered from the ruins of the World Trade Center. At its official unveiling Thursday, we laid the artifact as a symbol of solidarity: Europe and North America, standing together.

The alliance can do even more—including a formal role in the fight against Islamic State.

Two years ago I spoke at the 9/11 Memorial in New York. Being there, at the site of the attacks, reinforced my firm belief that however much terrorists try to divide us, they will only succeed in uniting us.

This is exactly what happened after 9/11. For the first time ever, NATO allies invoked our collective defense clause, Article 5. We recognized those shocking assaults on the U.S. as an attack against us all.

In the days that followed, NATO planes patrolled American skies. Within weeks, troops from NATO allies deployed to Afghanistan to

ensure that country would never again be a haven for international terrorists. The biggest combat operation in NATO history was launched in direct response to the 9/11 terrorist attacks.

Since then, hundreds of thousands of Europeans, Canadians and troops from partner countries have stood shoulder-to-shoulder with their American comrades in Afghanistan. More than 1,000 have paid the ultimate price. Many more have suffered life-changing injuries.

At this moment, approximately 13,000 troops from 39 NATO and partner countries are training Afghan security forces to stabilize the country. And at a meeting of NATO leaders in Brussels on Thursday we discussed how we can step up our fight against terrorism.

We never said it would be easy. On my visits to Afghanistan, I have witnessed the challenges, as well as the progress made. I was particularly impressed by my meeting with young Afghan women training to become pilots. I heard them express pride in what they are doing and appreciation for NATO's support.

While NATO's contribution to the fight against terrorism effectively began in Afghanistan, it now extends far wider.

NATO surveillance planes are supporting the coalition to defeat the so-called Islamic State. Iraqi troops trained by NATO to defuse improvised explosive devices are



AFP/GETTY IMAGES

Afghan soldiers being trained under NATO's Resolute Support Mission on Feb 9.

putting their skills to use in the battle for Mosul. We have taught soldiers counterterrorism and counter-insurgency tactics in countries like Egypt, Jordan, Mauritania and Morocco. And our highly skilled troops are helping Tunisia develop its own special forces.

Earlier this year, we opened a regional center in Kuwait to enhance cooperation with our Gulf partners. We are also developing a new operational hub at our command in Naples, Italy, to improve our ability to anticipate and respond to crises in the region. At our headquarters in Brussels we have set up a new intelligence and security division to im-

prove our understanding of the threats we face.

At the same time, we are strengthening ties with the European Union and United Nations. Both organizations' counterterrorism capabilities complement our own. And we are working hard throughout the alliance to make our societies more resilient to attack.

While I am very proud of what NATO is already doing in the fight against terrorism, I also believe NATO can do more. For instance, we have learned from our experiences in Afghanistan and elsewhere that training local forces is one of the best weapons we have in the

fight against terrorism. It is far better, and more sustainable, to help our neighbors to stabilize their countries themselves. And if our neighbors are more stable, we are more secure. These efforts must be expanded.

There are other possibilities. Although NATO has assisted the coalition fighting Islamic State, it doesn't have a formal role. Having one would allow NATO to support political discussions in the coalition. It would also improve coordination, for example, with training and capacity-building activities. It wouldn't mean NATO involvement in combat operations.

We are also considering expanding our support to airspace surveillance for the coalition. An expanded training and capacity-building role for NATO's special forces and the creation of a dedicated counterterrorism intelligence cell are also under consideration.

Terrorism affects every NATO ally. It is a long-term threat to our values, freedom and way of life. And the alliance is ready to do more to counter this threat. The unique bond between Europe and North America has delivered unprecedented peace for almost seven decades, and NATO's role in the fight against terrorism is an important chapter in that story.

Mr. Stoltenberg is secretary-general of NATO.

From 9/11 to Manchester



Now we have Manchester and its 22 dead, many of them children. Somehow, we always end up back at 9/11, leaving flowers and candles again.

A political constant since 9/11 is that terrorism inevitably changes U.S. presidencies. I think the events this week—the president's overseas trip and then Manchester—may have a similar effect on Donald Trump.

On Inauguration Day in January 2001, George W. Bush's mind no doubt was filled with plans for his first term. Months later, his was a war presidency and would remain so.

Several things sit in my memory from the politics of that period. One is President Bush's face as he addressed Congress on Sept. 20. He was a changed man. Also remembered is the solidarity of national purpose after the attack. The final memory is how quickly that unity dissipated into a standard partisan melee.

The Democratic point of attack became the Patriot Act's surveillance provisions, a legal and legislative

battle that ran the length of the Bush presidency. By the end of his second term, George Bush had become an object of partisan caricature and antipathy equal to anything President Trump endures now.

During Barack Obama's presidency, four major terrorist attacks took place inside the U.S.: Fort Hood in 2009, the Boston Marathon in 2013, San Bernardino two years later and then Orlando in 2016. During these years, the locus of terror migrated from al Qaeda to Islamic State.

Volumes have been written about Barack Obama and terrorism, much of it about the president's struggles with vocabulary terms such as war, Islam, extreme and radical. The killing of Osama bin Laden evinced a rare, passing moment of national unity.

With the opposition to the Trump presidency programmed for driverless resistance, there will be no national unity in the war on terrorism. The Democrats have become the Trump-Is-Russia Party, and that may be as good a way as any for them to spend their waking hours.

But even Hillary Clinton couldn't duck the terrorism problem in the 2016 presidential campaign, and when Mr. Trump said he would "de-

feat ISIS," his lack of nuance no doubt won him votes.

Which brings us to Manchester this week and memories of 9/11.

Note the political response to the Manchester murders. Again, total solidarity, such as this from European Commission President Jean-Claude Juncker: "These cowardly attacks will

Trump found out something about the presidency and the world on this trip.

only strengthen our commitment to work together to defeat the perpetrators of such vile acts."

Post-9/11, naturally one expects such commitments to erode like sand castles. But this time, by coincidence, alleged Manchester bomber Salman Abedi murdered concertgoers in the same week Donald Trump was using his first overseas trip to build a coalition to defeat Islamic State.

This was not a routine presidential foreign trip for self-pomp and circumstance. Mr. Trump went to Saudi

Arabia to initiate an anti-Islamic State policy designed and midwifed by three Trump appointees and Middle East specialists—Defense Secretary Jim Mattis, Secretary of State Rex Tillerson and national security adviser H.R. McMaster.

The policy entails the U.S. sale to Saudi Arabia over 10 years of \$450 billion of military equipment—tanks, ships, precision-guided bombs—in return for Saudi leadership of an Arab-state coalition, which is their idea, to fight Islamic terrorists in the region and thwart Iran's territorial ambitions.

A New York Times online summary of the speech Mr. Trump delivered Sunday in Riyadh called it "a speech about Islam." I thought it was about something larger than that.

For instance, the Times and Washington Post ran stories about how the Trump foreign policy has demoted human-rights issues. It has not. Implicit in the Trump-Tillerson formulation is that defining the abuse of human rights as oppression by governments, such as Saudi Arabia's, is too narrow. Now, any discourse over human rights must include the right not to have one's life ended by acts of organized terrorism.

Grasping at Trumpian straws is a fact of life, but I am going to hazard not much more than a thought, which is that the president who left for Saudi Arabia last Friday will not be the same president who returns to America this weekend.

Delivering that big foreign-policy speech in Riyadh, Mr. Trump looked like he was passing through a moment familiar to George W. Bush and other presidents in the post-World War II period—coming to grips with the gravity of why his office matters to the world.

Being president isn't enough. Something always has to penetrate the parochial bubble of U.S. politics for this transition to happen, such as the Soviet invasion of Afghanistan in the Carter presidency.

Mr. Trump met Thursday in Brussels with NATO allies who since 2015 have experienced Islamic State's mass murders in Paris, Nice, Berlin, Copenhagen, Brussels, Stockholm, London and now Manchester.

His basic message—it's time to get serious—is important and deserves support, both in Europe and in the White House.

Write henninger@wsj.com.

French Censors Target Children With Down Syndrome

By Sohrab Ahmari

Paris You can learn a lot about a society by paying attention to what it censors. The Soviet Union went to great lengths to block the truth about freedom and prosperity in the West. Today China's ruling Communists suppress historical memory of their crimes, above all the Tiananmen Square massacre, while the censors in my native Iran are obsessed with women's bodies.

Then there's France, where the government has proscribed a public-service commercial that shows children with Down syndrome describing the joy of growing up with an extra pair of chromosomes. The decision has triggered a free-speech battle royal that may soon reach Europe's highest rights court.

The 2014 ad, "Dear Future Mom," addresses a pregnant woman who has just discovered her baby has Down syndrome. "Dear future mom," says one child. "Don't be afraid," says another. "Your child will be

able to do many things." "He'll be able to hug you." "He'll be able to run toward you." And so on.

Several European Down syndrome associations came together to sponsor the ad. These included France's Jérôme Lejeune Foundation, named after the geneticist who discovered the link between chromosomal abnormalities and conditions like Down syndrome, and who went on to campaign against prenatal diagnosis and abortion of babies with Down syndrome.

In France the rate of detected DS pregnancies that result in abortion is 96%, the foundation's president, Jean-Marie Le Méné, tells me in an interview. He fears that the advent of new tests that can detect the syndrome earlier and with greater precision will push that rate to 100%—the eradication of an entire category of human beings.

Hence the "Dear Future Mom" ad. When it was released in March 2014, for World Down Syndrome Day, the ad broke records for social-media "shares" in a 24-hour

period. Matteo Renzi, Italy's prime minister at the time, was one of the millions who shared it.

In France three TV networks agreed to carry it as a public service. The feedback was glowing—until that summer, when the government's High Audiovisual Council, or CSA, issued a pair of regulatory bulletins interdicting the ad. The regulator said it was reacting to audience complaints.

It wasn't until after the foundation retained legal counsel, in December 2014, that the nature of the audience complaints became clear. There were only two.

The first objected to the foundation's antiabortion position generally rather than the ad itself. The other came from a woman who had terminated a pregnancy after receiving a Down syndrome diagnosis. She still mourned that child every day, she wrote. Using the familiar lexicon of contemporary censorship, she added that she found watching the ad "violent."

The foundation appealed, and the case eventually came before the Council of State, France's highest administrative court. The council in November affirmed the ban, holding that the ad could "disturb the conscience" of women who had had abortions after a Down syndrome diagnosis.

A spokeswoman for the CSA wouldn't comment on the record. But the regulator insists it was applying French laws that prohibit political messages during TV commercial time. "Dear Future Mom," the CSA says, didn't rise to "general interest" because it presented one side of a political debate.

A public-service TV ad—'Dear Future Mom'—is rejected because it could trigger guilty feelings.

This is a pretext. In its initial notice, published June 25, 2014, the CSA conceded that the ad "shows a positive image of the life of young people with Down syndrome and encourages society to work in favor of their integration and fulfillment"—a message that is squarely in the public interest and apolitical.

Which leaves only the viewer's complaint of being traumatized. If subjective feelings suffice, any advocacy speech could be restricted—and unpopular minorities like people with Down syndrome are most likely to be silenced.

For the foundation, the claim that the ad evokes feelings of guilt

only attests to its moral truth. Says spokeswoman Stéphanie Billot: "When you show a video of DS kids who say, 'Well, I won't be normal, but I will still be able to love you,' the guilt becomes so unbearable that society rejects it. It's a common, unconscious guilt for all who said nothing about the effort to systematically eliminate DS." Guilt can be salutary.

The foundation this month lodged an appeal with the European Court of Human Rights, asserting free-speech violations as well as genetic discrimination. It helps that France is an outlier. The ad has aired in Britain, Croatia, Ireland, Italy, New Zealand, Spain and the U.S., among others. No other government took similar action against it.

The European court accepts fewer than 1 in 10 petitions, and the foundation will have to prove harm, since the ad did air as intended in 2014. That won't be difficult, however, since the CSA says the purpose of the interdiction notice was to discourage networks from airing similar content. Several French broadcasters declined to run "Dear Future Mom" this year, citing a shortage of advertising time.

Mr. Ahmari is a Journal editorial writer in London.

THE WALL STREET JOURNAL.

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Morrissey, the English singer-songwriter, writing on his Facebook page, May 23:

Celebrating my birthday in Manchester as news of the Manchester Arena bomb broke. The anger is monumental.

For what reason will this ever stop?

Theresa May says such attacks "will not break us", but her own life is lived in a bullet-proof bubble, and she evidently does not need to iden-

</div

LIFE & ARTS



FILM REVIEW | By Joe Morgenstern

'Pirates': Entertainment Walks the Plank



Johnny Depp, top, and Javier Bardem, above at left

OF ALL THE absurdities, stupidities and cheerful idiocies in "Pirates of the Caribbean: Dead Men Tell No Tales," a bank heist stands out. What's the connection between it and the rest of a movie about pirates on the high seas? Questions of connectivity come up at many points. Where are we? What just happened? What does it have to do with what happened a minute ago? This movie is truly unhinged—not crazed, which might be interesting, but devoid of the usual hinges that connect one sequence with another. Still, the bank heist warrants attention as a prime example of the visual gibberish that's unhinging imagery from physical and dramatic logic in the age of digital effects. It's a case study in a widening school of filmmaking where anything goes and nothing matters.

The main thing about the bank heist is that it involves the theft of a bank. Not merely the money, or the massive safe containing it, but the whole building, a really big one that's torn from its foundation and

then dragged through the streets of a Caribbean town by a small team of horses: I didn't count them, but I don't think the horses numbered more than a dozen.

Now, anyone with a passing knowledge of horses and bank buildings may detect a certain illogic here. In reality, of course—the reality of making a certain kind of summer movie—the sequence is just a first-reel attention-grabber, plus a time-filler. It's a cockeyed no-

tion cooked up by filmmakers who knew it could be brought to the screen by a visual effects shop in Hollywood, Vancouver, Shanghai, Bangalore or wherever, then enhanced by a pounding orchestral score and served up to summer audiences who would likely swallow it whole, even though it made no sense. So, in a larger sense, it's a perfect fit with the rest of the film, which is the fifth iteration of a franchise that Disney should finally put

out of its misery, and ours.

The spectacle is unseemly, as well as unaffectionate, mostly unfunny and ultimately unfathomable; why would such a smart studio lavish so much money on such a depressingly dark production? "Dead Men Tell No Tales" is mainly about finding the Trident of Poseidon. Jack Sparrow, the hapless, bibulous pirate captain played by Johnny Depp, must find the Trident so he can use its magical power against ghost pirates led by his longtime nemesis Captain Salazar (Javier Bardem), whose hair moves in slow motion, though never as slow as the turgid plot. Every 15 minutes or so, someone reminds us what the movie is about by saying something like "We've got to find the Trident of Poseidon," or "The Trident's the only thing that can save him now." It's also revealed that Galileo was looking for the Trident, which is why he invented the spyglass.

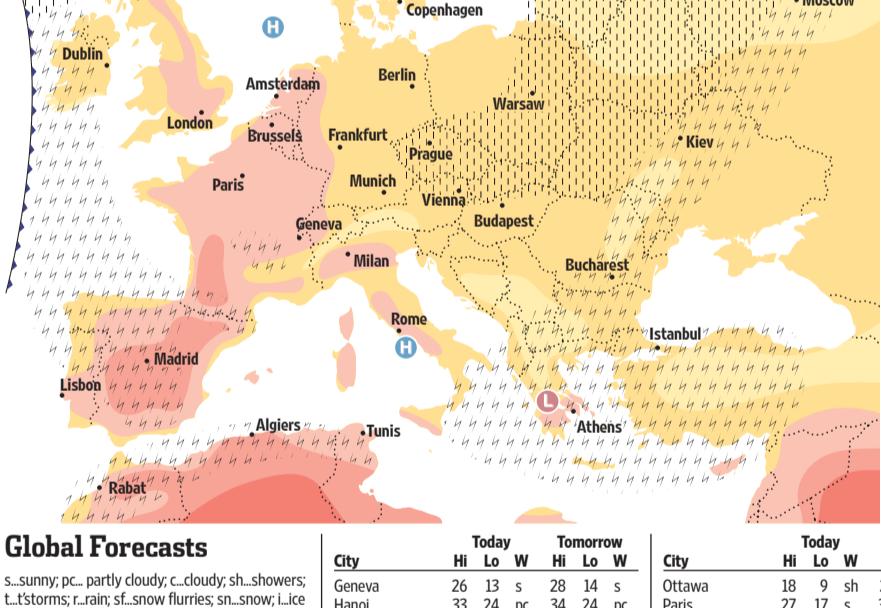
When the franchise was young, Mr. Depp was very funny in the role. Now he's not, though he can

still get a laugh by walking as if on a tilted deck, even when he's on dry land. The familiar cast of characters has two young and attractive additions, Henry and Carina, who are played, respectively, by Brenton Thwaites and Kaya Scodelario. To say much more about them might give away plot secrets, but Carina is a horologist—men snicker smutty whenever she says so—and though the story is set in the 18th century, a time of great advancement in chemistry, there is none between these would-be lovers. (The film was directed by Joachim Rønning and Espen Sandberg from a script credited to Jeff Nathanson.)

Better movies are playing, and more are on the way. Not just prestige releases of the fall and winter, which seem very far away, but summer spectacles that will—at least one hopes—erase the memory of disposable junk like "Dead Men Tell No Tales." Normally I do my own erasing, and in a matter of days, if not hours. This time, though, I found myself thinking about the latest "Pirates" while I was on my exercise machine, watching—rewatching, actually—"The Best of Youth," a magnificent miniseries, released in 2003, that traces the history of Italy from the 1960s to the end of the 20th century through two brothers' divergent lives. There I was, huffing and puffing and laughing and weeping, but also wondering why I was troubled by the memory of a silly movie with a PG-13 rating that had nothing to do with the superb entertainment I was caught up in.

That's the connection, though—the totality of the disconnection. There's plenty of room for silliness in life, but movies like Disney's current edition of "Pirates" don't entertain, in the traditional sense of the word. They don't whet the audience's appetite for better entertainment, don't encourage young moviegoers to expand their experiences as they mature. Preceded by monster marketing campaigns, they set up fervent expectations that can't be sustained, then deaden sensibilities with quick-cut drivel. And they're proliferating these days, the spawn of studios beset by seismic shifts in the entertainment industry. Productions like this come and go, crumbling tentpoles to be replaced by new timber, but they are self-fulfilling prophecies, and dire ones, about the future of the theatrical movie business. They're accomplices in a soul heist.

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	25	15	s	28	16	s
Anchorage	11	4	c	11	5	c
Athens	25	16	t	23	16	pc
Atlanta	29	19	s	31	22	pc
Bahrain	40	22	s	39	21	s
Baltimore	25	14	pc	25	15	pc
Bangkok	30	24	t	30	25	t
Beijing	31	16	s	36	19	s
Berlin	21	11	pc	26	14	s
Bogota	20	10	pc	20	9	c
Boise	22	9	pc	26	11	s
Boston	15	11	r	18	11	c
Brussels	25	15	s	29	17	pc
Buenos Aires	17	6	pc	16	8	pc
Cairo	34	23	s	35	22	s
Calgary	19	9	pc	22	9	pc
Caracas	31	26	pc	31	25	pc
Charlotte	27	18	s	31	20	pc
Chicago	22	13	t	26	14	pc
Dallas	36	25	pc	34	24	c
Denver	20	8	t	15	6	t
Detroit	22	14	pc	25	15	pc
Dubai	38	27	s	38	28	s
Dublin	22	13	c	18	10	t
Edinburgh	25	14	pc	23	11	t
Frankfurt	25	14	s	28	14	s

AccuWeather.com

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Geneva	26	13	s	28	14	s		
Hanoi	33	24	pc	34	24	pc		
Havana	32	22	pc	33	22	pc		
Hong Kong	29	24	c	29	25	s		
Honolulu	29	20	pc	28	22	sh		
Houston	33	25	pc	35	26	pc		
Istanbul	24	16	s	22	15	pc		
Jakarta	33	26	s	33	25	t		
Johannesburg	22	6	pc	22	4	pc		
Kansas City	28	17	c	26	13	c		
Las Vegas	32	19	s	32	22	pc		
Lima	23	18	pc	22	18	c		
London	27	16	s	27	14	t		
Los Angeles	20	13	sh	21	13	pc		
Madrid	34	18	pc	33	18	pc		
Manila	34	27	t	34	27	t		
Melbourne	16	11	pc	18	11	c		
Mexico City	28	13	pc	28	14	pc		
Miami	32	26	c	33	25	pc		
Milan	27	16	s	29	18	s		
Minneapolis	23	13	c	24	13	c		
Monterrey	38	22	pc	37	21	pc		
Montreal	19	10	sh	23	12	s		
Moscow	19	8	c	14	2	pc		
Mumbai	33	30	pc	33	30	pc		
Nashville	30	21	pc	28	21	t		
New Delhi	43	29	pc	43	29	pc		
New Orleans	31	23	s	32	24	pc		
New York City	23	16	s	23	14	pc		
Washington, D.C.	25	16	pc	27	17	pc		
Zurich	24	10	s	27	12	s		

The WSJ Daily Crossword | Edited by Mike Shenk



SPARE PARTS | By Matt Gaffney

- The answer to this week's contest crossword is a familiar kind of candy that would complete this puzzle's theme.
- Across**
- 1 Its motto is "Industry"
 - 5 Matress hassle
 - 11 Aspen glider
 - 14 Mustache neighbor
 - 15 Pique
 - 16 That bloke's
 - 17 That totally dorky Supreme Court justice?
 - 19 Accented praise
- Down**
- 20 Prolonged military tactic
 - 21 Site of 49ers touchdowns: Abbr.
 - 22 I may stand for it
 - 23 D flat equivalents
 - 24 Person who convinces an entire people to change their minds?
 - 25 Santo Domingo
 - 26 Sao Paulo
 - 27 Salt Lake City
 - 28 San Diego
 - 29 San Francisco
 - 30 San Juan
 - 31 Santiago
 - 32 Santo Domingo
 - 33 Seattle
 - 34 Seoul
 - 35 Shanghai
 - 36 Singapore
 - 37 Stockholm
 - 38 Sydney
 - 39 Taipei
 - 40 Tehran
 - 41 Tel Aviv
 - 42 Tokyo
 - 43 Toronto
 - 44 Vancouver
 - 45 Monterrey
 - 46 That bloke's
 - 47 That totally dorky Supreme Court justice?
 - 48 Accented praise
- Answer**
- Thermometer

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, May 28. A solver selected at random will win a WSJ mug. Last week's winner: Mike Weepie, Cedar Rapids, IA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

- 60 Thumbs-downs on proposed graveside recitations?
- 64 Saigon soup
- 65 Parodied
- 66 Pods for Prudhomme
- 67 Ready to hit the roof
- 68 Boots on the ground
- 69 Airy home
- 70 Down
- 1 First language of Novak Djokovic
- 28 Hoppy pint, for short
- 30 To be shared
- 31 That Great Lake you always find in crosswords
- 32 Stir up
- 33 Five-time Super Bowl champs
- 34 First in the race
- 35 Girl's future
- 36 Vodka mixer
- 37 Most theatrically over-the-top
- 40 Clothing brand since 1938
- 43 Reason in favor
- 45 Hog
- 47 "Old ___"
- 48 Gardening equipment
- 51 Out of funds
- 52 Seat groupings
- 53 Alarm clock choice
- 54 "So funny I forgot to laugh"
- 55 Wry Jay
- 58 Hurdle for jrs.
- 61 Classic Pontiac
- 62 Casual agreement
- 63 Burr, Bush and Biden: Abbr.

Previous Puzzle's Solution

I	N	O	N	F	R	E	D	A	S	T	E
M	U	L	C	J	U	L	I	S	E		
H	Y	D</									

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Euro vs. Dollar 1.1222 ▲ 0.02%

FTSE 100 7517.71 ▲ 0.04%

Gold 1255.80 ▲ 0.27%

WTI crude 48.90 ▼ 4.79%

German Bund yield 0.362%

10-Year Treasury yield 2.254%

Owners of GM Pickups File Suit

Doubts about diesel emissions testing spread; auto maker calls claims 'baseless'

BY MIKE SPECTOR
AND MIKE COLIAS

General Motors Co. was accused in a lawsuit by truck owners of using illegal emissions software that allowed the diesel-powered vehicles to bypass government emissions tests and pollute far beyond legal limits on the road.

Owners of heavy-duty Chevrolet Silverado and GMC Sierra Duramax pickup trucks sued GM in a Detroit federal court on Thursday, accusing the auto maker of using so-called defeat devices that deceived government regulators. The devices allowed the vehicles to appear

cleaner during government tests, and then emit nitrogen oxides two to five times above allowable limits in normal driving conditions, according to the lawsuit.

The suit targets more than 705,000 vehicles estimated to be on the road, with model years between 2011 and 2016. It follows Volkswagen AG's admitted transgressions with illegal diesel-emissions software and allegations that Fiat Chrysler Automobiles NV also used defeat devices. Fiat Chrysler denies that claim.

U.S. authorities haven't accused GM of any wrongdoing related to tailpipe diesel emissions.

Thursday's suit says GM promised its diesel-engine technology would turn heavy fuel into a "fine mist" and deliver low emissions that were a "whopping reduction" from



GM is accused of using 'defeat devices' for the testing of its trucks.

the previous pickup model. Instead, GM used three defeat devices that turn down emissions controls when the vehicle isn't being tested, the lawsuit alleges.

"These claims are baseless

and we will vigorously defend ourselves," GM said. The Detroit auto maker said the vehicles comply with all U.S. Environmental Protection Agency and California Air Resources Board emissions regulations.

The law firm behind Thursday's filing also sued GM in June 2016 on behalf of owners of diesel-powered Chevy Cruze models, alleging GM equipped model-year 2014 cars with defeat devices. A federal judge in February tossed part of the suit but allowed some aspects to move forward, including claims of fraudulent concealment.

The latest lawsuit also alleges that Robert Bosch GmbH worked on technology that allowed GM to implement defeat devices on its heavy-duty diesel trucks. A Bosch spokeswoman said it takes "allegations of manipulation of the diesel software very seriously." Bosch is cooperating with other investigations of alleged emissions transgressions while defending itself in litigation, the spokeswoman said.

Please see GM page B2

Exxon Faces Climate Hurdles

Two of the world's largest asset managers are strongly considering a public rebuke to Exxon Mobil Corp. over climate change at the company's annual meeting next week, according to people familiar with the matter.

By Bradley Olson,
Sarah Krouse
and Sarah Kent

BlackRock Inc. and Vanguard Group are weighing a vote in favor of an investor proposal that would seek to pressure the oil giant to conduct a climate "stress test" to measure how regulations to reduce greenhouse gases and new energy technologies could affect the value of its oil assets, the people said.

Exxon has urged investors to vote against the resolution.

If the proposal passes at Exxon's annual meeting on May 31, experts say it would be the strongest signal to date that investors are seeking greater disclosure of the threats that climate change could pose to businesses. Passage also would highlight the emerging power of money managers with large passive investing businesses—and their willingness to wield it.

Five years ago, many investors weren't as attuned to how climate change could affect the value of assets, but "now the evidence just slaps you in the face," said Timothy Smith, a director at Walden Asset Management, which has pressured money managers on climate issues and is backing the Exxon measure. BlackRock is still considering whether to support the proposal.

"No decision has been made regarding our vote at Exxon's Annual Shareholder Meeting. Our deliberations continue and we look forward to continued engagement with the company," Zach Oleksiuk, head of Americas for BlackRock's investment stewardship group, said in a statement.

Vanguard also is strongly considering a vote for the proposal, the people said.

The asset managers could side with the company if Exxon offers certain concessions, including making further disclosures or agreeing to allow its nonemployee directors to meet with investors, the people said.

Such concessions in the past have led BlackRock to side with companies and vote against proposals related to climate-change disclosure.

"Directors at any company who don't engage with those on whose behalf they serve risk losing investor support," Glenn Booraem, a principal at Vanguard who works on its governance efforts, said in a statement.

While the votes are non-binding, companies need to show their responsiveness to

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INSIDE



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The money manager is teaming up with advertising firm WPP.

BlackRock competes with rivals including Vanguard Group, State Street Corp., Invesco Ltd. and Charles Schwab Corp. for investor cash in the \$2.8 trillion U.S. ETF market.

The financial-services in-

dustry spent \$2.5 billion on automated online-ad buying and selling in 2016, according to estimates from market research firm eMarketer.

Algorithms have been a part of the digital ad-buying process for years, where ad space is traded on exchanges like stocks in financial markets. But BlackRock and WPP are now trying to apply quantitative strategies to determine when to ramp up buying. These algorithms even adjust how much money the firm is spending on such ads.

ETFs have become the epicenter of growth in the asset-management industry, attracting hundreds of billions in new investor money in recent years. They have tax advantages over mutual funds and trade on exchanges like stocks. Money managers have raced to one up each other on new product launches and ultralow fees.

BlackRock, which has cut prices aggressively for some products, also is trying to respond faster to economic and

Please see TRADE page B2

At the exact moment a mom-and-pop investor considers buying bank stocks, an advertisement pops up on their desktop promoting a financials-focused fund.

The scenario isn't science fiction; it is BlackRock Inc.'s latest business plan. The world's largest money manager with \$5.4 trillion under management is developing a new advertising system that uses sentiment analysis from messages on Twitter Inc. and other data to help determine when to advertise specific funds in its vast lineup of exchange-traded funds. The effort, a partnership with advertising firm WPP

PLC, is the latest example of fund firms experimenting with new ways to attract cash in an increasingly competitive market for low-cost index-tracking funds. It shifts the use of computer programs beyond investing to using algorithms to woo retail investors.

The same value we get on the investing side from big data and algorithms and looking at trends and responding

to them—we'd like to do that on the advertising side," said Jennifer Grancio, head of global business development at BlackRock's iShares ETF business.

BlackRock competes with rivals including Vanguard Group, State Street Corp., Invesco Ltd. and Charles Schwab Corp. for investor cash in the \$2.8 trillion U.S. ETF market.

The financial-services in-

The money manager is teaming up with advertising firm WPP.

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such measures or face potential backlash, including the prospect of institutional investors voting against their director candidates.

Exxon in recent years has stepped up its climate-related disclosures and voiced support for a carbon tax and the international Paris climate pact. But it also has come under investigation by the New York attorney general and the U.S. Securities and Exchange Commission.

They are examining whether the company has provided enough information to investors about climate impacts and the value of its assets.

The company's disclosures to date have concluded that its assets wouldn't be severely affected by climate change.

"Our view and those of all other credible forecasters show a continued role for oil and gas through 2040," said Exxon spokesman Alan Jeffers.

Investment products such as exchange-traded funds that track the performance of indexes often come at a lower cost than traditional mutual funds and have gathered assets at a brisk clip in recent years.

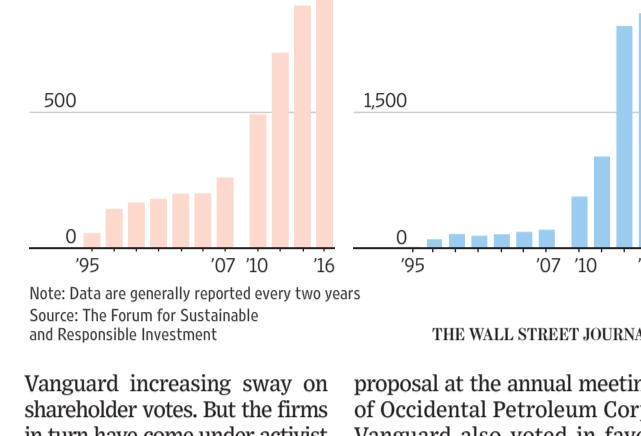
That growth has given companies such as BlackRock and

Rise of 'Sustainable' Investing

Rising demand for investments that incorporate environmental, social and governance ('ESG') issues has pressured big asset managers to take a more active stance with companies such as Exxon.

Investment funds and assets that weigh 'ESG' factors

Number of funds



Note: Data are generally reported every two years
Source: The Forum for Sustainable and Responsible Investment

Vanguard increasing sway on shareholder votes. But the firms in turn have come under activist pressure to take stances on issues such as climate disclosure.

When BlackRock sided with Exxon and against a similar proposal at the company's annual meeting a year ago, it faced backlash from investors and environmental activists. This year BlackRock said the disclosure of climate risks would be among its key engagement priorities with senior executives.

About two weeks ago, the company voted for a similar proposal at the annual meeting of Occidental Petroleum Corp. Vanguard also voted in favor of that proposal, a person familiar with the vote said.

Following this month's Occidental vote, Exxon stepped up its outreach to large shareholders, making executives available for extensive discussions, investors said. "Exxon has been very, very active in lobbying over the past year," said Patrick Doherty, director of corporate governance at the office of the New York state comptroller, which manages the

state's pension fund and led the investor coalition that put forward the climate shareholder proposal at Exxon.

Exxon has said for years that it believes demand for oil and gas will rise in coming decades as people in emerging economies move into the middle class and drive cars or use air conditioning. Chevron Corp., the second-largest U.S. oil company, has made similar statements.

But the issue has grown into a hotly debated topic in the industry, with some European oil companies acknowledging the potential for demand to peak by the end of the next decade.

In December, a task force commissioned by the Group of 20 richest nations, and representing major asset managers, laid out new guidelines for how companies should be more forthcoming about climate risks. BlackRock played a role in creating the recommendations. The Exxon vote appears to be shaping up as a litmus test for sustainability, governance experts said.

"At the end of the day the outcome will turn on what do the big fund managers and mutual funds do," said Anne Simpson, investment director for sustainability at the California Public Employees' Retirement System, a backer of the proposal. "The question there is, are they going to step up?"

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BUSINESS NEWS

Executive Shuffle Continues At Ford

BY CHRISTINA ROGERS

Ford Motor Co. shook up more of its top management after the ouster earlier this week of former Chief Executive Mark Fields and the appointment of Jim Hackett as the No. 2 U.S. auto maker's new boss.

As part of the shuffle, Ford said Thursday morning that product chief Raj Nair will take over North American operations, a region responsible for nearly 90% of the company's profits, and Steven Armstrong, Europe's operating chief, will be elevated to run the region, succeeding Jim Farley, who was named the new global markets president Monday.

Peter Fleet, a longtime marketing executive, will take over Asia-Pacific operations, a vital region including China, from Dave Schoch, who is retiring after 40 years. Purchasing chief Hau Thai-Tang will add global product development to his role, the company said.

The moves highlight how Mr. Hackett, less than a week in the new job, is restructuring the management team to be more agile, leaving him with fewer direct reports than his predecessor. Many of these executives will now report to either Mr. Farley, or Joe Hinrichs, Ford's new global operations chief.

In naming Mr. Hackett to the top job, Ford Chairman Bill Ford has emphasized the need to move faster and make harder decisions if the 114-year-old auto makers is to compete in a quickly evolving business facing encroachment from new tech rivals in Silicon Valley.

"The clock speed at which the world is moving and our competitors are working really requires us to make decisions faster," Mr. Ford said, speaking to reporters earlier this week.

Mr. Ford is counting on Mr. Hackett, a former office-furniture executive with a record for turning around ailing organizations, to sharpen the company's strategy and re-energize its workforce amid shrinking profits and plateauing U.S. sales volumes.

Among other changes announced Thursday is the return of Sherif Marakby to Ford as a vice president, running electric-car and autonomous-vehicle development. Mr. Marakby recently left Uber Technologies Inc., where he led programs for the ride-hailing firm as it sought to develop its own robo-taxi fleet.

BHP, Activist Feud Over Energy

Mining company's oil-and-gas holdings are at center of quarrel with Elliott

BY SCOTT PATTERSON AND ROBB STEWART

LONDON—The clash between BHP Billiton Ltd. and activist hedge fund Elliott Management Corp. is narrowing to one issue that could determine the future of the Anglo-Australian mining giant: Should BHP remain in the oil-and-gas business?

Elliott urged BHP to launch an independent review of its entire petroleum division last week, after calling for a broad restructuring of BHP last month that would include a spinoff of its U.S. petroleum business. It argues that BHP's cash would be better spent on its "world-beating" mining assets than its struggling American shale holdings and oil rigs in the Gulf of Mexico.

BHP has countered to Elliott and others that its knowledge of geology makes it better positioned to explore shale drilling than big oil companies, according to people familiar with the matter. Its executives have said it spends more time studying the rock formations and has been more productive than wildcatters at striking wells, which will pay off in coming years, the people said.

Neither side appears prepared to back down in a clash that will likely play out for months.



BHP/AGENCE FRANCE PRESSE/GETTY IMAGES

A BHP Billiton rig in Arkansas. The company contends oil-and-gas operations fit with its strategy.

While BHP, the world's largest mining company by value, has conceded it made missteps investing billions in U.S. shale assets at the height of the natural-gas boom—moves that have led to billions in write-downs—it shows little sign of giving in to Elliott's demands. BHP Chief Executive Andrew Mackenzie has brushed off Elliott's proposals as little more than "financial engineering."

Elliott, which holds a 4.1% stake in BHP's London shares and is fresh off a high-profile win after helping to unseat Arconic Chief Executive Klaus Kleinfeld, is also sticking to its guns. The hedge fund, which manages nearly \$33 billion,

has valued a spinoff of BHP's U.S. oil business at \$22 billion. It says BHP's management has adopted a "do-nothing approach" to its problems and called its responses to the hedge fund's proposals "dissimulative" and "misleading."

Some investors say they are pleased BHP is being pressed to review its petroleum stake. Brenton Saunders, a portfolio manager at BHP investor BT Investment Management in Sydney, said shareholders have long held concerns about BHP's oil-and-gas assets. The emergence of activist investors calling for changes has encouraged healthy debate, and it is clear that BHP is taking it seriously,

he said.

Other investors say BHP has been responsive to questions about the oil-and-gas business and are awaiting further details.

"We're engaged with BHP, and we're sure they are reviewing the situation," said Fidelis Madavo, an executive at Public Investment Corp., South Africa's state-run pension fund

and one of BHP's largest investors, with more than \$1 billion in shares, according to FactSet. "We know the U.S. shale assets have been a problem," he said.

One path Elliott could choose would be to try to take its plans directly to a future shareholder meeting if BHP

isn't responsive, a person familiar with the fund's plans said. BHP's annual meeting in London is in October.

It is rare for mining companies to own substantial oil-and-gas operations. Glencore PLC owns oil assets in Equatorial Guinea and Chad, but they are small relative to the miner's other businesses.

Mr. Mackenzie has said the oil-and-gas operations are a good fit with the company's strategy, noting that in the last five years they were its highest-margin operation, with average underlying earnings before interest, taxes and depreciation of 66%.

In a presentation at a conference in Barcelona last week ahead of a meeting with Elliott officials, Mr. Mackenzie, who previously worked for oil titan BP PLC, said the petroleum business is core to BHP's growth plans, but acknowledged that the company had overpaid to build a position in U.S. shale.

But some investors are growing restless, including Australian fund manager Tribeca Investment Partners, which recently met with Elliott and earlier this month called for BHP to divest its U.S. onshore oil-and-gas assets, a move it estimates would bring in about \$10 billion that could be reinvested or returned to shareholders.

"We both see a lot of value that isn't being realized," said Tribeca analyst James Eginton.

—David Benoit contributed to this article.

Best Buy Defies Slump With Higher Sales

BY KHADEEJA SAFDAR

Best Buy Co. continued to buck the retail funk with rising sales, as videogame consoles such as the Nintendo Switch and new cellphone plans attracted shoppers in its latest quarter.

The U.S.-based electronics retailer said Thursday that sales at domestic stores open at least a year rose 1.4%, surprising investors who were bracing for a decline. Domestic online sales jumped 23% from a year earlier, accounting for \$1 billion of business in the quarter.

Shares of the company surged more than 21% Thursday to \$61.22, exceeding a record intraday high of \$59.50 set more than a decade ago. It is a reversal for a company that five years ago was struggling with plunging sales and dwindling profits as consumers browsed at brick-and-mortar stores but made purchases on Amazon.com Inc., a practice called "showrooming."

Chief Executive Hubert Joly,



team," he said. "They quickly came to the realization that sharper prices are the future."

The 1,600-store chain also benefits from selling higher-margin electronics and appliances, while traditional appliance sellers such as Sears Holdings Corp. are struggling.

On Thursday, Sears reported that domestic comparable-store sales decreased 12% in its latest quarter, hurt in part by lower home-appliance sales.

Retailers in search of a way to get shoppers back into stores got a boost from Nintendo's latest console Switch, which was released in limited quantities after its March debut. Target Corp. executives said this month that Switch helped it achieve its best quarterly electronics sales gains in three years.

Demand for the \$299 home console that doubles as a portable hand-held game device has outpaced supply, leaving shoppers hunting at different stores for available units. Even

though no free games were bundled in, U.S. consumers bought 1.2 million Switch units in March and April, according to market research firm NPD Group, exceeding both the company's expectations and that of many analysts.

Best Buy didn't specify its Switch sales, saying the device "was helpful but not the primary driver" of its strong results.

In a call with analysts, Mr. Joly said cellphone sales "were better than we expected" due to unlimited data plans launched in February by wireless carriers such as Verizon Communications Inc. and AT&T Inc.

For the latest quarter, Best Buy reported revenue of \$8.53 billion, up 1% from the year-earlier period. Profit fell to \$188 million, from \$229 million.

Best Buy raised its forecast for the year based on the results, saying it expects revenue to grow 2.5%, compared with an earlier estimate of 1.5%.

—Sarah E. Needleman contributed to this article.

Ex-VW Official to Stay in Jail

BY MIKE SPECTOR

A federal appeals court has denied a former Volkswagen compliance executive's bid to overturn a decision keeping him imprisoned before trial on charges he participated in the German auto maker's emissions fraud.

The Sixth U.S. Circuit Court of Appeals in Cincinnati on Wednesday affirmed a district judge's order keeping Oliver Schmidt behind bars in Michigan amid concerns he would flee the country if released on a \$1.6 million bond. Mr. Schmidt, a German citizen, for several years headed Volkswagen's environment and engineering office in Auburn Hills, Mich., where he liaised on compliance matters with U.S. and California environmental regulators.

The appeals court found U.S. District Judge Sean Cox in Detroit correctly weighed relevant legal factors when denying Mr. Schmidt's request to be freed on bond during a hearing in March.

"The record demonstrates the district court considered the relevant statutory factors, and we find no clear errors in the district court's factual findings," three appeals court judges wrote in a brief order. "We agree that no condition or combination of conditions will reasonably assure Schmidt's appearance as required."

The judges unanimously concluded that hearing oral arguments from lawyers was un-

necessary to rule on Mr. Schmidt's appeal.

A lawyer for Mr. Schmidt didn't immediately respond to a request for comment. A Volkswagen spokeswoman declined to comment.

Mr. Schmidt has pleaded not guilty to the charges.

Judge Cox in March said the case was a "very, very serious" one that involved defrauding U.S. officials as part of a conspiracy to rig nearly 600,000 diesel-powered Volkswagen vehicles with software that allowed them to dupe government emissions tests and pollute beyond legal limits on the road.

The government during the March hearing successfully argued that Mr. Schmidt might flee if released. He was arrested in January at Miami International Airport before

boarding a flight to Germany.

Volkswagen as a corporation pleaded guilty to criminal charges in the scandal earlier this year. In the U.S., the German auto maker has agreed to fines and settlements collectively totaling billions of dollars with the Justice Department, regulators, state attorneys general, consumers and dealers.

Mr. Schmidt is one of seven Volkswagen executives or employees criminally charged in the U.S. for alleged roles in the company's emissions deception. Five others reside in Germany and aren't expected to be extradited to the U.S.

Another engineer pleaded guilty in September to criminal conduct for helping Volkswagen cheat on emissions tests and is scheduled to be sentenced in July.

Signet Jewelers Ltd. widely missed quarterly earnings expectations with same-store sales falling 12%, pressured by the later timing of the Mother's Day holiday.

Signet also said it would outsource its consumer-financing operation after launching a strategic review of the program a year ago.

The company plans to sell \$1 billion of prime accounts by October to Alliance Data Systems Corp., which operates loyalty programs and private-label credit cards.

The parent of Kay Jewelers, Zales and Jared said its fiscal first quarter earnings dropped to \$70.3 million, or \$103 a share, from a

year-earlier \$146.8 million, or \$1.87 a share. Analysts surveyed by Thomson Reuters had expected the company to post earnings on a per-share basis of \$1.66.

For the quarter ended April 29, Signet's revenue fell 11% to \$1.4 billion, below the \$1.46 billion expected by analysts.

—Ezequiel Minaya

ANSELL

Company Sells Condoms Business

Ansell struck a \$600 million deal to sell its condoms business to a pair of Chinese investors as it shifts focus to operations targeting medical and industrial markets.

The Australian company, which produces a range of rub-

ber safety gear from surgical gloves to protective suits worn in commercial diving, said Thursday that it signed a binding deal to sell the condoms business to Humanwell Healthcare (Group) Co. and Citic Capital China Partners III, a buyout firm managed by Citic Capital Holdings Ltd.

The decision to sell the business creates value for shareholders and is designed to improve revenue growth, said Magnus Nicolin, Ansell's chief executive and managing director.

Ansell, which traces its roots to a bicycle-tire factory in Melbourne more than a century ago, said the deal won't include Ansell's medical and sexual-wellness joint venture in India.

—David Winning and Robb M. Stewart

Oliver Schmidt is one of seven Volkswagen employees charged for alleged roles in the company's emissions scandal.

Photo: Volkswagen/PRESSPHOTOAGENCY



Kay Jewelers, the parent of Kay Jewelers, posted lower revenue and profit for its latest quarter.

TECHNOLOGY

WSJ.com/Tech



AGENCE FRANCE PRESSE/GTETTY IMAGES
World champion Go player Ke Jie ponders a move against AlphaGo. Google is using the contest to forge better ties with officials.

Google Shifts to Go Mode

A friendly game of Go in the city of Wuzhen this week has given Google an opening to return to China's good graces, seven years after it left the country over government censorship of its namesake search engine and hacks of its Gmail service.

By Liza Lin in Wuzhen, China, and Jack Nicas in San Francisco

Few companies can match Google for its global reach, with more than a billion customers for each of seven different products. Yet China manages without it, leaving a gaping hole in the global map for the Silicon Valley company and its parent, **Alphabet Inc.**, as they expand into driverless cars, cloud computing and other technologies made possible by advances in artificial intelligence, or AI.

On the surface, the Google entourage was here for a three-game Go rematch between its AlphaGo computer program and Ke Jie, China's 19-year-old world champion.

China's AI talent has "sig-

nificantly increased in quality and number," said Ms. Jia, who attended the Wuzhen event. She said Google is looking to hire AI engineers in China to add to the more than 500 staff in Beijing and Shanghai. Although its main products are blocked, Google still runs an online advertising business in mainland China, helping Chinese and international firms market their businesses overseas and on some domestic platforms.

Hiring Chinese engineers will likely be easier than winning over the country's regulators and consumers, given lingering bitterness over Google's 2010 departure, when company co-founder Sergey Brin became an outspoken critic of China's government.

In a sign of the importance Google placed on the event, Alphabet Chairman Eric Schmidt made his first public appearance in China since 2015, joined by Google scientists including Demis Hassabis and Jeff Dean.

Google worked with the provincial government in the

region to stage AlphaGo, but no Chinese internet service live-streamed the event. People familiar with the situation said streaming plans were dropped at the last minute for reasons that weren't clear.

Google remains interested in expanding its presence in China, but it recognizes the challenges and is moving slowly, according to a person familiar with the company's thinking. Google recently introduced its Translate app into China and is working to bring in more Android apps over the next year, this person said.

There are many business reasons to return. China is a dark spot for Google Cloud, its business of running companies' systems and data on its computers.

In hardware, Google recently launched new flagship smartphones and a smart talking speaker. But the key selling points of those devices are their Google services, such as Google's virtual assistant, which are blocked in China, and these products aren't available there.

quarter ended Dec. 31.

Mr. Yang said last week on his Weibo social-media account that the changes in the China business sought to respond to the world's fastest-changing smart-devices market. Lenovo's business in China will now be split up into a data-center group and a consumer division for PCs and smart devices, he said.

Lenovo said it was also bringing back Liu Jun, a PC and mobile-phone veteran.

"We are a company to learn quickly, no matter from success or failure," Mr. Yang said Thursday. "You have to make adjustments to make the organization better than before, and to make it stronger than before."

The restructuring is part of a raft of management changes and cost-cutting moves Lenovo has made in the past three years to try to regain its footing.

Lenovo has axed at least 2,000 U.S. jobs since buying Motorola. The company continues to lose talent because some employees are unsure about the company's direction, said a handful of insiders, who declined to be named because they aren't authorized to speak publicly.

A Lenovo spokesman said the company's attrition rates are in line with the industry and Lenovo has been adding talent, signs that "morale has improved and that Motorola continues to be a place where technology-loving employees want to work."



A Lenovo store in Beijing. The company will restructure in China.

computers and mobile phones.

"The challenges are always there," said Yang Yuanqing, Lenovo's chief executive, in an interview Thursday. "We don't care what the market share is today as long as we can grow at a premium to the market."

Lenovo's back-to-back acquisitions three years ago of Motorola and IBM's low-end server business were attempts to diversify Lenovo's operations into faster-growing industries. But these industries have proved tougher for Lenovo to penetrate than expected.

Lenovo faces stiff competition from Dell and HP in selling servers to corporate data centers.

The global smartphone business, meanwhile, is dominated by Apple Inc. and Samsung Elec-

tronics Co. at the premium end, while upstart competitors have eroded Lenovo's dominance even on more affordable phones sold in China.

"The market is rapidly changing and Lenovo needs to respond to market demand," said Tim Bajarin, president of Creative Strategies, a technology research firm. "They have struggled with these new acquisitions."

Lenovo said Thursday as it reported fiscal fourth-quarter earnings that it is seeing positive momentum in its business, with overall revenue growing again after five quarters of decline. Gross profits, though, remain challenged, falling nearly 10% in the latest quarter from a year ago, after a 67% drop in the third fiscal

year watching live and on-demand game content on YouTube and Twitch, up from 9.6 billion in 2016, according to industry tracker SuperData Research. It estimates total revenue for the videogame live-streaming market to reach \$1.5 billion this year.

Mixer is a revamped version of Beam, a service built by a little-known startup Microsoft acquired for an undisclosed amount last August.

To stand out, Microsoft said it plans to offer original features, such as the option for viewers to watch up to four broadcasts simultaneously.

Microsoft Gets Into Mix With Live Gaming

By SARAH E. NEEDLEMAN

Microsoft Corp. launched its own videogame live-streaming service called Mixer, setting up another battle among some of the biggest names in the technology industry.

Despite its long history in videogames, Microsoft is late to live streaming, in which people watch real-time videos of other people playing games and esports contests. It faces competition from the leaders, **Amazon.com Inc.**'s Twitch and **Alphabet Inc.**'s YouTube. **Facebook Inc.**, which has two bil-

lion monthly users, this year signed esports streaming deals.

A live-streaming service is a logical move for Microsoft, one of the few tech titans that owns a popular piece of dedicated gaming hardware. The company stopped reporting sales of its Xbox consoles in 2014. Last month, it said its Xbox Live gaming service had 52 million users in the quarter ended March 31.

Still, "it would be tricky for anyone to try to capture market share," Jefferies analyst Tim O'Shea said.

Microsoft said it would

prominently feature Mixer on Windows 10 and Xbox consoles, though it will continue to make the YouTube and Twitch apps available.

Mixer will be free for Windows 10 computers, Xbox consoles and mobile devices running iOS, Android or Windows. Microsoft plans to sell \$5.99 monthly subscriptions to its streamers' channels—a dollar more than what Twitch charges—as a way for viewers to support their favorites.

Microsoft's move comes as interest in live streaming is increasing. People are expected to spend 11.4 billion hours this

year watching live and on-demand game content on YouTube and Twitch, up from 9.6 billion in 2016, according to industry tracker SuperData Research. It estimates total revenue for the videogame live-streaming market to reach \$1.5 billion this year.

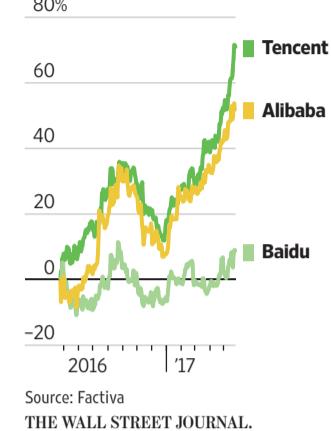
Mixer is a revamped version of Beam, a service built by a little-known startup Microsoft acquired for an undisclosed amount last August.

To stand out, Microsoft said it plans to offer original features, such as the option for viewers to watch up to four broadcasts simultaneously.

CHINA CIRCUIT | By Li Yuan

Tech Whiz Charts Baidu's Turnaround

Tech Race
Share-price performance



Source: Factiva

THE WALL STREET JOURNAL.

missed the mobile internet wave, belatedly pouring billions of dollars into group buying, meal delivery and other services, which are struggling. Last year, after a college student with cancer died following a treatment he found on Baidu, authorities tightened regulations on medical ads, a huge source of revenue for the search engine. Profit slumped 9.3% in the first quarter of 2017 from a year earlier.

Now, with Baidu, "it's the right time, the right place and the right people," Mr. Lu told me in an interview last week. Innovation is happening at a faster pace in China than in the U.S., he says.

The mobile internet, for example, took off among Chinese users because traditional industries like banking and retail are weaker and easier to disrupt, and, he says, Baidu's large reserve of programmers position the company to be a world leader in artificial intelligence.

Mr. Lu is the No. 2 at Baidu, behind co-founder and chief executive Robin Li. As vice chairman, group president and chief operating officer, the 55-year-old Mr. Lu has been shaking things up. He's canceled unpromising products, merged three driverless car units into one and ushered some senior executives aside.

Dressed in a dark blue polo shirt, light brown sandals and black socks on a recent day, he looks like one of the thousands of programmers at Baidu's Beijing headquarters. Still, he's known for a manic work ethic, in the office by 7 a.m. and staying late. He told me that he used to question why humans need to sleep.

After running Microsoft's Office and search groups, Mr. Lu was a candidate for the CEO job, which went to his onetime subordinate, Satya Nadella, people familiar with the matter say. Mr. Lu and Microsoft say they parted last September due to his health.

Mr. Lu's experience, technical expertise and diligence made him a sought-after candidate for almost all big Chinese technology companies, says Kai-Fu Lee, CEO of investment firm **Sinovation Ventures** and former head of Google and Microsoft China.

Mr. Lu says he turned down offers at bigger and stronger companies because those would require only 70% of his capabilities while Baidu will demand 100%.

He will need to give his all. After Google withdrew from China over censorship and hacking in 2010, Baidu became a dominant force in Chinese tech, along with e-commerce titan **Alibaba Group Holding Ltd.** and game and messaging kingpin **Tencent Holdings Ltd.**

Then, Baidu stumbled. It

missed the mobile internet wave, belatedly pouring billions of dollars into group buying, meal delivery and other services, which are struggling. Last year, after a college student with cancer died following a treatment he found on Baidu, authorities tightened regulations on medical ads, a huge source of revenue for the search engine. Profit slumped 9.3% in the first quarter of 2017 from a year earlier.

Now Baidu's market capitalization is less than a quarter of Tencent's and Alibaba's. In the past year, share prices of Tencent and Alibaba rose by 71% and 51%, respectively. Baidu's rose by 8%.

Mr. Lu is spending heavily to recruit talent in artificial intelligence.

The company needs to revamp its business, resurrect its reputation and reboot its share prices and morale.

To do that, Mr. Lu will first have to defend Baidu's core search business. Its edge is eroding as online users turn to e-commerce and social media sites. E-commerce ad revenue surpassed search-engine ads in China in 2016, according to research firm iResearch.

Mr. Lu's solution: make voice, photo and video searchable and widen search availability to cars, personal digital assistants like Amazon's Echo and other physical devices.

He's spending heavily to recruit talent in artificial intelligence, driving up research and development expenses to 2.8 billion yuan (\$412 million) in the first quarter of 2017, a 35% increase from a year earlier.

It is in driverless cars where Mr. Lu thinks Baidu can displace Google parent **Alphabet Inc.** to become a world leader.

Just as Google did to popularize its Android mobile operating system, Mr. Lu announced last month that Baidu will open its self-driving car technologies to others to help develop autonomous vehicles.

Reaction from the government and auto makers to the initiative, called "Project Apollo," has been positive, he says: "If Apollo performs well, we will catch up with and even surpass Google."

Google declined to comment.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.



Baidu's Qi Lu, shown in 2016, says he is confident he can turn the company around—and take on Google once again.

FINANCE & MARKETS

China Chides Moody's After Downgrade

Methodology faulted; Beijing faces balancing act as it searches for foreign bond investors

BY SHEN HONG

SHANGHAI—Moody's Investors Service is facing a backlash in China against its decision to cut the country's credit rating, a move that has come just as foreign ratings firms are set to receive greater access than ever to the world's No.2 economy.

China's Finance Ministry immediately criticized the Moody's downgrade—it's first such move in nearly three decades—accusing it of using an "inappropriate" methodology and betraying "a lack of necessary knowledge of Chinese law." The U.S.-based rating

firm had cited concerns about rising debt as China's economy slows as the main reason for its downgrade.

In an article published on Wednesday evening, China's official Xinhua News Agency criticized Western rating firms as discriminating against developing countries. "Their methodologies are flawed and their reputation has already been questioned," Xinhua said.

And on Thursday, the state-run People's Daily's overseas edition ran a column written by Mei Xinyu, a well-known economist at China's Ministry of Commerce, in which he accused Moody's of applying "double standards" to its rating of China versus that of Western countries.

In response to Beijing's criticism, Moody's reiterated the rationale behind its latest rating decision in a written reply

to The Wall Street Journal, citing expectations for slowing economic growth and increased reliance on debt-driven policy stimulus.

Other countries facing credit-rating downgrades are often critical of the firms responsible. When Standard & Poor's cut the U.S. government's debt rating to double-A-plus from triple-A in 2011, the Treasury Department complained about what it called a \$2 trillion error in the rating firm's math.

In calibrating its response to Moody's, Beijing must weigh its desire to push back against the downgrade with its simultaneous efforts to encourage more foreign investors into its \$8 trillion bond market. Last year China relaxed many of the restrictions foreigners faced on investing in Chinese bonds, while the gov-

ernment is currently planning to launch a bond-trading link between the mainland and Hong Kong.

Granting major ratings firms greater leeway to operate in China has long been seen as a crucial step in the

\$8

The size of China's bond market, in trillions

bond market's opening, as it should help improve investor confidence. Local firms that currently dominate ratings in China, are often criticized for their leniency: The vast majority of China's corporate-bond issuers enjoy an investment-

grade rating of at least above double-A, making it difficult for investors to discern different issuers' creditworthiness.

Beijing has said it would allow foreign firms to provide credit-rating services in China by July 16, as part of a plan agreed to at the summit between President Donald Trump and Chinese President Xi Jinping at Mar-a-Lago in April.

It is too early to say whether as a result of its downgrade Moody's will face problems growing in China once the market opens up. Many of the companies that issue bonds in China are state-owned, meaning the government could in theory press firms not to pay out-of-favor firms for ratings.

Analysts say it will be hard for China to punish Moody's without harming its reputation among investors.

"As a general matter we are encouraged by the policies of the Chinese Government to open the Chinese Capital Markets, including to the CRA [credit rating agency] industry," Moody's said in its reply to the Journal.

"These [foreign ratings firms] are big boys and if China did that, that would be evidence of a too-thin skin," said Tim Condon, an economist at ING in Singapore.

Still, the backlash in China against Moody's is reminiscent of what happened in March last year, when the firm lowered its outlook on China to negative from stable. At that time, aside from similar criticisms in state media, China's vice finance minister, Zhu Guangyao, accused the ratings firm of acting under "ideological influences" and treating emerging economies unfairly.



Supporters of French President Emmanuel Macron's political movement marched in Amiens, northern France, earlier this month.

Right Argues Euro as French Vote Nears

BY WILLIAM HOROBIN
AND NOEMIE BISSEURBE

PARIS—Opposition to the euro is wavering inside France's far-right National Front party due to infighting over whether its signature policy is to blame for Marine Le Pen's failed presidential bid.

Ms. Le Pen's vow to withdraw France from the euro underpinned a presidential campaign that led her to the runoff in the country's two-round election. Her stinging loss to Emmanuel Macron, who is unabashedly pro-European, has left party bosses pointing fingers. This week Ms. Le Pen waded into the debate, expressing concern that the antieuro stance might hurt the National Front's chances going into legislative elections June 11 and 18.

In an attempt to quell tensions ahead of the vote, Ms. Le Pen said the party would review its position on the European Union's common currency after the elections.

"This return to monetary sovereignty worries French people," Ms. Le Pen, who is running for a seat in the National Assembly, told French radio Monday. "It will be a debate. We will have to open this

discussion."

The party's soul-searching is a measure of how popular the euro remains in France despite criticism from economic nationalists and populists across Europe. Ms. Le Pen built her presidential campaign around the argument that the currency was stripping France of its economic independence, saddling the country with low growth and high unemployment.

Since the May 7 election, fissures within the party over the euro have risen to the surface.

Marion Maréchal-Le Pen, Ms. Le Pen's 27-year-old niece, said she was quitting politics two days after the vote. One of two National Front-affiliated lawmakers currently in Parliament, Ms. Maréchal-Le Pen had questioned the party's antieuro stance. Her announcement, which cited reasons both political and personal, shocked many inside the party, who saw Ms. Maréchal-Le Pen as a future leader of the National Front.

"We need to listen to the fact that French people were not convinced by our arguments," said Nicolas Bay, the party's secretary general.

Other senior figures, however, say dropping the anti-

euro policy would unravel the party's economic program of recovering full national sovereignty from the EU. National Front Vice President Florian Philippot, a leading euroskeptic, has said he would quit the party if it changed its stance. "National sovereignty isn't a salami," he said on French radio Tuesday. "You can't cut it into slices."

The conflict threatens to tear apart the party just as Ms. Le Pen is working to turn her showing in the presidential election into a springboard for the National Front to become France's main opposition party. Ms. Le Pen won 33.9% of the vote, the party's highest ever score in a presidential contest.

Opinion polls show the National Front is likely to fall far short of its parliamentary goal. According to a survey by pollster Opinionway, the National Front would win between 10 and 15 seats in the 577-seat National Assembly.

Mr. Macron's party, La République en Marche, is expected to take the largest share of seats, with between 280 and 300, the poll shows.

The second-largest group would be the center-right Républicains, with between 150 and 170 seats, with the Social-

ists in third, with between 40 and 50 seats.

Opposition to the euro was a central plank of Ms. Le Pen's careful rebuilding of the party, as she shifted the National Front toward antiglobalist economic policies and away from the xenophobic legacy of her father, Jean-Marie Le Pen.

During early campaigning, the stance helped Ms. Le Pen draw a line between her anti-establishment party and France's main parties, which embrace the euro. But as Ms. Le Pen sought to lure the support of rivals who had been knocked out in the first round of voting, that line was blurred.

After forging an alliance with nationalist candidate Nicolas Dupont-Aignan, Ms. Le Pen appeared to soften her opposition to the euro, saying leaving the currency was no longer a precondition for implementing her economic policies. Then, in a live television debate with Mr. Macron, she said she wanted to return to a national currency while keeping the euro for international transactions.

"We gave the impression French people would have two or three currencies in their wallets," said Mr. Philippot, "and that stressed everyone."

Wells Fargo & Co. is sweetening its signing bonuses for veteran brokers, a move to capitalize on Morgan Stanley's and Merrill Lynch's retreat from the industry's costly recruiting practice known as "prisoner exchange."

The San Francisco bank's brokerage arm told industry recruiters this week it would raise its recruitment offers after The Wall Street Journal reported Morgan Stanley would significantly cut back on the pricey practice of poaching brokers, people familiar with the matter said.

"Attracting the industry's top talent will always be a priority for Wells Fargo Advisors," a spokeswoman for Wells Fargo said, adding that recruiting advisers and gaining their clients has "helped us grow in key markets."

Wells Fargo is betting on a vacuum left after its rivals' recent decisions to tamp down recruitment efforts, industry recruiters said, as the brokerage unit grapples with an exodus of brokers after its retail banking scandal.

Wells Fargo's brokerage arm, known as Wells Fargo Advisors, has been losing brokers at a higher rate since the bank paid a \$185 million settlement in September for opening up as many as 2.1 million accounts using fictitious or unauthorized information. At the end of September, Wells Fargo had 15,086 brokers, but its head count fell nearly 3%, or 429 brokers, through the first quarter of this year.

Over that same period, both

Bank of America Corp.'s Merrill Lynch's and Morgan Stanley's head counts declined by half a percentage point, while

UBS Group AG lost slightly more, with its total number of brokers falling 1.7%.

For brokerage firms, recruiting is synonymous with growth. Brokers hired away from rivals usually bring as much as 80% of their clients and assets with them, giving the acquiring firm an immediate revenue boost. "Recruiting is instant magic," said Bill Wilkins, a Los Angeles-based broker.

kerage recruiter.

Before last fall, deals had reached such lofty prices that they were sometimes money losers for firms, paying the industry's most sought-after brokers more than three times the fees and commissions they generated in the past year. However, in October, the Labor Department said certain incentives tied to those bonuses could run afoul of its fiduciary rule requiring brokers to act in the best interest of retirement savers, forcing brokerages to lower the overall size of its deals.

For brokers who generate several millions of dollars in fees and commissions, Wells Fargo is willing to offer a recruitment bonus of as much as three times the annual revenue they generate, with the bonus structured as a loan forgiven as the broker stays with the firm and hits certain targets, people familiar with the matter said. That is up from the roughly 2½ times most brokerages were recently offering but still below the sky-high deals offered in the years following the financial crisis.

Executives often called recruiting a zero-sum game as brokerages would spend millions of dollars swapping brokers with one another, sometimes referring to it as a prisoner exchange. Still, brokerages weren't willing to pull back out of fear a rival would attract big-money teams, recruiters and analysts say.

That was until UBS last year changed its recruiting practices to extend offers only to teams of brokers managing hundreds of millions of dollars, if not billions. Merrill followed suit earlier this month, telling some executives they would pause all recruiting after June 1 as it works on a new incentive package aimed at the industry's biggest producers. Then Morgan Stanley followed with its own decision this week.

UBS, Merrill and Morgan Stanley are all looking to cut back on spending at a time when firms are spending tens of millions of dollars to comply with the Labor Department's fiduciary rule.

FINANCE WATCH

ROYAL BANK OF CANADA

Earnings, Revenue Increased in Quarter

Royal Bank of Canada's second-quarter profit and revenue surpassed expectations, led by gains in the lender's fee-based businesses.

Net interest income increased 4.2% to 4.2 billion Canadian dollars (US\$3.13 billion) while non-interest income climbed 11% to C\$6.11 billion.

Toronto-based RBC, Canada's largest lender by assets, said its net profit rose 9.3% to C\$2.81 billion, or C\$1.85 a share, in its quarter ended April 30, from C\$2.57 billion, or C\$1.66 a share, a year earlier. When adjusted to exclude gains from the sale of Moneris Solutions Inc. and other items, earnings came in at C\$1.89 a share.

Revenue increased 8.2% to C\$10.31 billion.

Analysts polled by Thomson Reuters had expected adjusted

earnings per share of C\$1.80 and revenue of C\$9.45 billion.

Revenue from personal and commercial banking operations rose 5%, as growth in Canadian banking more than offset declines in the company's U.S. and Caribbean business. Assets under management at the bank increased 12%.

—Imani Moise

PETRÓLEO BRASILEIRO

Oil Company to Bid On Offshore Stakes

Brazilian state-controlled oil company Petróleo Brasileiro SA said Thursday it plans to bid on three of eight exploration blocks the government plans to offer on the auction in the subsalt layer later this year.

Under a law passed last year that gives Petrobras preferential rights to Brazil's most coveted offshore oil fields, the company said it plans to take 30% stakes in the Sapinhoá, Peroba and Alto

Cabo Frio Central blocks.

—Paul Kiernan

BANK OF KOREA

Central Bank Leaves Rate at Record Low

The Bank of Korea left interest rates unchanged for a 10th straight meeting Thursday, maintaining its support for the economy for now, though an improved growth outlook and U.S. policy tightening point toward an eventual rate increase.

The widely expected decision to leave the policy rate at a record-low 1.25% comes as the central bank is expected to upgrade its 2017 economic outlook again after nudging up its growth and inflation forecasts for 2017 last month amid signs the economy is recovering.

Bank of Korea Gov. Lee Ju-yeon told reporters the economy was recovering at a "faster than expected" pace and he expects an upward revision to the bank's

growth forecast in a quarterly outlook due in July.

The bank said in April it expects gross domestic product to expand 2.6% in 2017, slightly faster than its earlier estimate of 2.5% growth.

Mr. Lee said he was monitoring policy moves by the U.S. central bank. A Federal Reserve meeting in June looms large, with the possibility of another rate increase following those in March and December.

—Kwanwoo Jun

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Wells Fargo is betting on a vacuum left by its competitors.

CHUCK BURTON/ASSOCIATED PRESS

MARKETS DIGEST

Nikkei 225 Index

19813.13 ▲ 70.15, or 0.36%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

STOXX 600 Index

392.14 ▼ 0.23, or 0.06%

High, low, open and close for each trading day of the past three months.



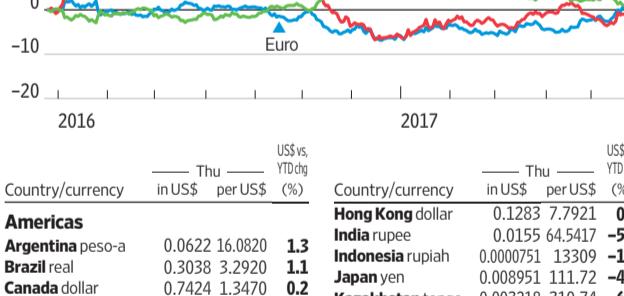
International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
World	The Global Dow	2772.91	8.12	▲ 0.29	2193.75	2778.48	9.7
	MSCI EAFE	1891.83	4.19	▲ 0.22	1471.88	1956.39	10.2
	MSCI EM USD	1012.71	7.68	▲ 0.76	691.21	1044.05	27.5
Americas	DJ Americas	579.54	1.99	▲ 0.34	480.90	580.46	7.2
Brazil	Sao Paulo Bovespa	63311.19	53.84	▲ 0.09	48066.67	69487.58	5.1
Canada	S&P/TSX Comp	15413.87	-5.62	-0.04	13609.58	15943.09	0.8
Mexico	IPC All-Share	49407.10	-87.30	-0.18	43902.25	50154.33	8.2
Chile	Santiago IPSA	3699.57	-3.70	-0.10	2998.64	3786.05	14.8
U.S.	DJIA	21082.95	70.53	▲ 0.34	17063.08	21169.11	6.7
	Nasdaq Composite	6205.26	42.23	▲ 0.69	4574.25	6217.34	15.3
	S&P 500	2415.07	10.68	▲ 0.44	1991.68	2418.71	7.9
	CBOE Volatility	10.09	0.07	▲ 0.70	9.56	26.72	-28.1
EMEA	Stoxx Europe 600	392.14	-0.23	-0.06	308.75	396.45	8.5
	Stoxx Europe 50	3235.05	-2.46	-0.08	2626.52	3279.71	7.5
Austria	ATX	3204.30	...	Closed	1981.93	3204.49	22.4
Belgium	Bel-20	3894.37	-8.34	-0.21	3127.94	4055.96	8.0
France	CAC 40	5337.16	-4.18	-0.08	3955.98	5442.10	9.8
Germany	DAX	12621.72	-21.15	-0.17	9214.10	12841.66	9.9
Greece	ATG	771.82	5.79	▲ 0.76	517.10	800.08	19.9
Hungary	BUX	34349.11	97.90	▲ 0.29	25126.36	34975.81	7.3
Israel	Tel Aviv	1423.35	4.80	▲ 0.34	1372.23	1490.23	-3.2
Italy	FTSE MIB	21291.72	-78.01	-0.37	15017.42	21828.77	10.7
Netherlands	AEX	527.46	-0.41	-0.08	409.23	537.84	9.2
Poland	WIG	61536.22	723.73	▲ 1.19	42812.99	62666.49	18.9
Russia	RTS Index	1083.52	-4.07	-0.37	874.88	1196.99	-6.0
Spain	IBEX 35	10937.70	30.30	▲ 0.28	7579.80	11184.40	17.0
Sweden	SX All Share	586.90	...	Closed	443.66	593.34	9.8
Switzerland	Swiss Market	9035.09	...	Closed	7475.54	9136.95	9.9
South Africa	Johannesburg All Share	54028.39	-280.28	-0.52	48935.90	54716.53	6.7
Turkey	BIST 100	97712.94	-600.83	-0.61	70426.16	98794.90	25.1
U.K.	FTSE 100	7517.71	2.81	▲ 0.04	5788.74	7533.70	5.2
Asia-Pacific	DJ Asia-Pacific TSM	1605.34	10.68	▲ 0.67	1308.52	1608.13	12.8
Australia	S&P/ASX 200	5789.60	20.60	▲ 0.36	5103.30	5956.50	2.2
China	Shanghai Composite	3107.83	43.76	▲ 1.43	2821.05	3288.97	0.1
Hong Kong	Hang Seng	25630.78	202.28	▲ 0.80	20038.42	25630.78	16.5
India	S&P BSE Sensex	30750.03	448.39	▲ 1.48	25765.14	30750.03	15.5
Japan	Nikkei Stock Avg	19813.13	70.15	▲ 0.36	14952.02	19961.55	3.7
Singapore	Straits Times	3234.37	3.13	▲ 0.10	2729.85	3271.11	12.3
South Korea	Kospi	2342.93	25.59	▲ 1.10	1925.24	2342.93	15.6
Taiwan	Weighted	10108.49	64.07	▲ 0.64	8394.12	10108.49	9.2

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on May 25

US\$ vs. Country/currency

— Thu — in US\$ — YTD chg (%)

Country/currency — Thu — in US\$ per US\$ (%)

— YTD chg (%)

Country/currency — Thu — in US\$ per US\$ (%)

— YTD chg (%)

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FINANCE & MARKETS

Utilities Climb on Defensive Plays

BY LIYING QIAN

Shares of utilities companies are leading gains in the S&P 500 this week, signaling a dollop of investor unease in an otherwise surging stock market.

The utilities sector of the S&P 500 had climbed 1.8% through Wednesday's close, making it the best performer of the index's 11 sectors and outpacing a 1% gain for the S&P 500. The sector underperformed early in the year, but it is now up 8.5% in 2017 versus the broader index's 7.4% gain.

The gains in part reflect scaled-back expectations for U.S. economic growth, some analysts and investors said. The sector got a boost last week, as turmoil in Washington cast further doubt on President Donald Trump's ability to push for policy changes like tax cuts, infrastructure spending and lighter regulation. On May 17, utilities rose 0.2% as the S&P 500 fell 1.8%.

Utilities shares have also risen in tandem with U.S. government bond prices. The yield on the 10-year Treasury note was 2.254% Thursday, compared with 2.446% at the end of 2016.



REBECCA COOK/REUTERS

Analysts say the gains in utilities in part reflect scaled-back expectations for U.S. economic growth.

Yields have fallen from their 2017 highs as investors have tempered their expectations for higher inflation and interest rates. Yields fall as bond prices rise.

According to minutes from the Federal Reserve's May

meeting released Wednesday, some officials expressed concern about recent softness in inflation but not enough for them to scrap plans to raise rates two more times this year.

Utilities are often perceived

by investors as bond proxies or defensive stocks because of their relatively high dividends. The dividend yield on the S&P 500 utilities sector was 3.5% Wednesday, while the S&P 500's was 2%, according to FactSet.

Other income-paying sectors, such as consumer staples and real estate, have also been rising.

Investors and analysts also say that utilities are attractive during broader market turbulence because demand for electricity, water, natural gas and sewage services tends to be stable. The sector includes shares of companies like DTE Energy Co., a Detroit-based energy company, and Consolidated Edison Inc., which provides electric service to parts of metropolitan New York.

Early last year, worries about a global economic slowdown drove investors into utilities stocks, sending the sector up more than 20% in the first half of 2016 and pushing its 12-month trailing price/earnings ratio above the S&P 500's.

Some investors say the recent gains in shares of utilities companies could be fleeting.

"Overall, the economy's momentum is firm, and the hype around the latest Washington news will dissipate gradually," said Alan Gayle, director of asset allocation at RidgeWorth Investments.

In the long run, Mr. Gayle said he still expects rates to move higher and utilities to retreat.

Stocks Advance; Oil Prices Pull Back

BY AKANE OTANI
AND RIVA GOLD

Consumer-discretionary shares lifted U.S. stock indexes while oil prices slid.

Strong first-quarter earnings and upbeat U.S. economic data have pushed stocks higher this year despite waning expectations for tax cuts and fiscal stimulus from the Trump administration.

Still, some investors say they remain wary of the stock run. The S&P 500 traded as of Wednesday at roughly 22 times its past 12 months of earnings, according to FactSet, above its 10-year average of 17 times trailing earnings.

"We think U.S. equities look expensive," said Jeff Hussey, global chief investment officer at Russell Investments, whose firm has reduced exposure to U.S. stocks this year. Stock investors might find better opportunities elsewhere, such as Europe, Mr. Hussey said, citing broad earnings improvement across the eurozone and relatively low valuations.

The Dow Jones Industrial Average added 71 points, or 0.3%, to 21083.

The S&P 500 rose 0.4% and the Nasdaq Composite climbed 0.7%—both establishing fresh closing records.

Consumer-discretionary stocks rose, among the biggest gainers in the S&P 500 for the day. Energy shares fell with oil prices, putting pressure on major stock indexes, after the Organization of the Petroleum Exporting Countries agreed to extend output cuts.

The S&P 500 energy sector fell 1.4%, while crude for July delivery shed \$2.46, or 4.8%, to \$48.90 a barrel.

New Standards for Currency Trading Arrive

BY CHERLEY DULANEY

A group of global standards setters on Thursday completed a new set of principles for trading in the foreign-exchange market, capping a two-year effort to improve transparency after a series of collusion scandals at major banks.

The Bank for International Settlements, a Switzerland-based consortium of central banks, released the final version of the code of conduct for the global foreign-exchange market. A group that included central banks, asset managers

and banks has been working on the code since 2015. The first phase was released in May 2016.

The code is aimed at raising transparency and fairness in six areas: ethics, governance, execution, information sharing, compliance and trade settlement.

The code was a response to global investigations into fraudulent behaviors among foreign-exchange traders at several major banks.

"Public trust was shaken as a result of the global financial crisis, and there were specific situations in the global FX

market that caused public trust to be further undermined," said David Puth, chief executive of foreign-exchange

The code is aimed at raising transparency and fairness in several areas.

settlements firm CLS Group. "We felt that the FX market was in need of a large effort to help restore trust."

The new code includes 55 "principles" that set a global standard for practices such as information sharing among banks, hedging client trades, and transparency around pricing. The foreign-exchange market lacks a centralized exchange, which has historically made it more difficult for investors to get information about the pricing and execution of their trades.

The code addresses the controversial practice of "last look," which allows market makers to pull out of trades after quoting a price, by saying market participants

"should be transparent regarding its use and provide appropriate disclosures."

The code has faced some criticism because it is voluntary. The banks, hedge funds, brokers and trading platforms that choose to adhere to the code will be in charge of enforcing the principles internally.

"The code is not intended to supplant regulation," said Mr. Puth, who was chairman of a group of market participants that worked on the code. "We think rules are more easily arbitraged, people can find safe harbor in rules."

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MARKETS

China Lulls Din With Yuan-Dollar Peg

Central bank focuses on stability, but move risks a sharp drop if currency is pressured

China's central bank is effectively anchoring the yuan to the dollar, a policy twist that has helped to stabilize the currency in a year of political transition and market jitters about Beijing's economic management.

By Lingling Wei
in Beijing and Saumya
Vaishampayan
in Hong Kong

The yuan weakened more than 6% against the dollar in 2016; this year, it is up roughly 1%, and the expectation that the currency will fluctuate—measured by a gauge known as implied volatility—is around its lowest in nearly two years.

The newfound tranquility might not last: The focus seen in recent weeks on stability against the dollar, whether it goes up or down, means pressure on the yuan to weaken could get dangerously bottled up, potentially bringing bouts of sharp devaluation.

On Wednesday, Moody's Investors Service cut China's sovereign-credit rating, citing the peril of rising debt as growth slows. The effort to keep up with the dollar could add to the challenge by forcing the central bank to keep burning through its foreign-exchange reserves to support the yuan.

How China manages its currency is one of the most consequential decisions in global financial markets, and one that remains largely inscrutable to investors. As Beijing tackles a huge buildup of corporate debt, many investors worry the process could create more risk and even, if long-suppressed volatility erupts in ways that can't be controlled, set off a financial crisis.



A stronger dollar could potentially hurt Chinese exporters like this food processing plant in Huabei.

The shift comes in a year of enormous political stakes. Beijing is preparing for a twice-a-decade leadership transition in the fall, and its emphasis has been on stability.

While recent regulatory efforts aimed at curbing debt rattled Chinese markets for stocks and bonds, the country's currency market has been relatively calm.

The People's Bank of China's previous strategy was to let the yuan track the dollar when the U.S. currency weakened, part of a tactic to guide the currency steadily lower but keep it from falling too fast. When the dollar strengthened, the central bank shifted the yuan's "fix" instead to a basket of currencies.

With damping currency volatility against the dollar now a bigger priority, the yuan has been propped up even as the dollar rises. A case in point: Early Wednesday, the yuan's

official value came in at 6.8758 a dollar, well firmer than the markets' expectation for 6.9 per dollar and only slightly weaker than the previous fixing. A day later, after the Moody's downgrade, the central bank again fixed the yuan stronger than expectations, and traders say some big Chinese banks sold dollars to bolster the yuan.

The close alignment with the dollar could ease the threat of a trade war with the U.S., after President Donald Trump claimed China has exploited weakness in the currency at the expense of its trading partners. Mr. Trump recently refrained from labeling China a currency manipulator.

"China's management of its currency has changed significantly in the wake of the U.S. election, with the renminbi essentially repegging against the dollar," said Robin Brooks, chief economist at the Institute of International Finance, using another name for the yuan. "The repeg could be quite sticky, and only a major surprise has the potential to dislodge the exchange rate."

A study by Mr. Brooks and Gene Ma, China economist at the institute, concludes that the central bank has moved away from a rule-based method of fixing the yuan and is exerting more discretion over the exchange rate.

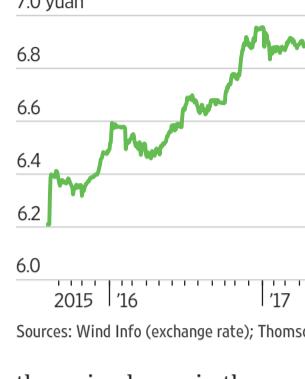
Press officials at the central bank didn't respond to requests for comment. In a report issued Thursday, the Commerce Ministry said China is trying to strike a balance between improving the yuan's flexibility and keeping it stable.

The steadier yuan, coupled with more restrictions on money leaving China and higher interest rates, has calmed investors and helped keep money onshore. Some Chinese exporters—

Calmer Days

China's apparent currency peg to the dollar has helped drive expectations of volatility to the lowest level since before the central bank devalued the yuan in 2015.

How many yuan one dollar buys



Sources: Wind Info (exchange rate); Thomson Reuters

One-month implied volatility for the dollar against the yuan



THE WALL STREET JOURNAL.

the main players in the country's foreign-exchange trading market—are switching from hoarding dollar earnings to selling them for yuan. That has helped reduce capital outflows and beef up the nation's currency reserves.

"Our forecast shows that renminbi will remain stable at least in the near future, and we no longer need to delay converting our dollar profits to renminbi," said Lang Guanhui, chairman of aluminum producer Sunstone Development Co. His company put off such conversion for the entire year of 2016.

The recent approach is a contrast from Beijing's bid two years ago to woo the International Monetary Fund to get it to declare the yuan a reserve currency, with pledges to instill greater market influence and transparency into its currency management.

Some Chinese officials say it is in China's and the world's interest to loosen controls on the yuan only gradually, as setting it free all at once could cause global market turbulence.

"I believe in strengthening the management of expectations for the currency and keeping the exchange rate ba-

sically stable," said Sheng Songcheng, a senior adviser at the central bank.

China's exchange-rate policy has been a cause of global market turbulence in the past two years. Implied volatility hasn't been at its current lows since before the central bank unexpectedly devalued the yuan in the summer of 2015.

A resurgent dollar, driven by more U.S. interest-rate increases, could make it much costlier for China to maintain the anchor to the dollar, potentially hurting Chinese exporters' competitiveness. That would drag down growth further and add to economic headwinds at home.

Meanwhile, the central bank is letting the yuan slide against currencies of its other trading partners, like the Korean won and the Japanese yen. An index of the yuan's value against a basket of currencies fell to its lowest level on May 19 since it was first published by the central bank in 2015.

"It's depreciation by stealth," said Ashley Perrott, head of pan-Asian fixed income at UBS Asset Management in Singapore.

—Liyan Qi contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

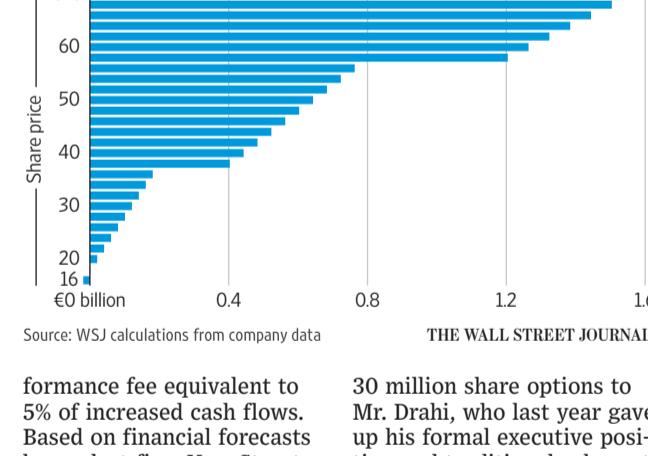
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Altice Boss's Pay Could Get Even Bigger

Triple Play

Altice's share price at the end of 2021 vs. payout for Patrick Drahi



So if the share price finishes 2021 at or below €18—the estimated exercise price, being the average Altice share price for December 2016—then Mr. Drahi's options are worthless. If they double to €36, his total payout for the five-year period is worth €360 million. If they triple, he gets €1.1 billion.

Such a payout is a powerful incentive, but it is doubtful Mr. Drahi needs it. Never mind his outstanding stock options under separate agreements, which are collectively worth €55 million at the current share price; he already owns 59% of Altice—a stake worth about €19 billion today. If the share price triples, his stake is worth another €38 billion (\$43 billion). This is surely incentive enough.

Stock options are usually granted to executive managers to give them "skin in the game." For entrepreneurs, existing equity stakes are enough. Mark Zuckerberg,

who owns about 14% of Facebook, didn't get stock options like other top executives last year because "his existing equity ownership position sufficiently aligns his interests with those of our stockholders," said the company's compensation report. Even John Malone—the debt-loving, tax-hating U.S. cable entrepreneur from whom Mr. Drahi learned his playbook—doesn't receive stock options from Liberty Media or his other Liberty companies; instead he uses them, infamously liberally, to incentivize his managers.

Mr. Drahi is known for his aggressive approach to debt, acquisitions and cost-cutting. That he also takes an aggressive approach to his own remuneration won't have surprised Altice minorities, who have made plenty of money on his coattails. But the new pay plan must make them wonder at what point skin in his game becomes skin out of theirs. —Stephen Wilmot

Bike-sharing apps require riders to put down a deposit in case the bike disappears. In China, the problem might be the deposit disappearing.

China's Ministry of Transport, the People's Bank of China, and several other ministries released a directive this week requesting that popular but controversial bike-sharing apps should ensure that security deposits for renting bikes don't get mixed with other company funds and are returned promptly.

As bike-sharing services have expanded rapidly in China, companies such as Ofo and Mobike have raised more than \$1 billion in equity funding. Anecdotal accounts of customers' security deposits being misused have surfaced in local media.

Chinese regulators are under heavy pressure to clean up the country's risk-laden financial system. Bike deposits are apparently as important as bank deposits.

FDA Is the Latest Drug-Pricing Threat



J. SCOTT APPLWHITE/ASSOCIATED PRESS
Scott Gottlieb is the new commissioner of the U.S. FDA.

model of buying up old drugs and jacking up their prices.

Other proposals will be trickier to implement, but they could have larger implications for drug stocks. Intervening in situations in

which the FDA deems that brand-drug makers are abusing safety rules to deny samples to generic companies for testing, a subject of proposed legislation in Washington, could place older branded-drug franchises in jeopardy. That would be bad news at the margin for large pharma and biotech stocks.

A separate proposal aimed at enhancing competition for complex generics is easier said than done, but presents risks to high-profit margin products like asthma inhalers that investors have traditionally been able to count on.

It turns out there is more for investors to worry about in Washington besides a potential overhaul of the Affordable Care Act.

—Charley Grant

How HP Stole Lenovo's Computer Crown

Chinese computer giant Lenovo thrived for years in a declining PC industry by relentlessly cutting costs. That looks outdated. HP Inc. has stolen its crown as the world's largest computer maker with a strategy Lenovo needs to address quickly.

The grinding decline of the PC market paused last quarter and grew 0.6% year-to-year—tiny, but the first growth in five years, according to International Data Corp. Revenue growth has therefore also come back to PC makers. PC and tablet sales grew 5% in the latest quarter from a year earlier, Lenovo said Thursday. HP, which reported its earnings a day earlier, saw even stronger growth—10% in its PC segment.

A sustained rebound is unlikely. Consumers have less reason to upgrade their computers as regularly as before. Given the rise of smartphones, most people now use PCs only for simple tasks like web browsing or word processing, something that a five-year-old PC can handle without glitches.

There are exceptions, especially in premium segments and it is here where HP did better than its Chinese rival. Gamers are still eager to upgrade computers as graphics-heavy games gobble up processing power. Virtual reality creates another demand for high-end PCs.

HP has hit with its gaming-dedicated line of computers called Omen, which

HP Chief Dion Weisler bragged last month are "literally blowing the competition away."

It isn't quite that bad for Lenovo: Its gaming-focused PC sales grew 34% in the fiscal year ended in March. But Lenovo starts from a much smaller base in that niche.

HP's sales growth last quarter was also driven by a 17% increase in laptop sales. Lenovo, which had done a good job gaining market share by cost-cutting, isn't as well-equipped in the premium segment.

"We know that we can't cut our way to glory, that we need to innovate our way to success," Mr. Weisler said on an earnings call. Those are probably wise words for Lenovo, too.

—Jacky Wong

To fly the
pillowy skies,
we put four
in-flight sleep
cushions to the
test **W8**



OFF DUTY



Sheryl Crow
on the gadgets
that make
parenting
easier
W8

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Monday, May 26 - 29, 2017 | **W1**



PHOTO ILLUSTRATION BY F. MARTIN RAMIN/THE WALL STREET JOURNAL; LETTERING BY ANGELA SOUTHERN; CANDLE ILLUSTRATION BY ARTHUR MOUNT

WARM WELCOME Greek Border Card by Jonathan Adler, from \$0.60, paperlesspost.com; Zip Pouch, \$245, anyahindmarch.com; USB Key Fob, \$295, smythson.com; Haford Grange Paperweight, \$58, theline.com; Sunglasses, \$150, ray-ban.com; Tray, \$140, l-object.com; RH, Restoration Hardware Table, \$1,595, rh.com

A HOSTESS-GIFT GUIDE

'No Candles, Please'

With the invitation for a weekend away comes the pressure of exactly how to thank your generous hosts. Here, 22 strategic gifts that will get you invited back—and steer clear of scented, waxy clichés

BY NANCY MACDONELL

IF YOU'RE SPENDING this kickoff-to-summer weekend as a house guest, you've likely pondered the challenges of choosing a hostess gift that's not another boring, superfluous candle. This offering of gratitude can be maddeningly tricky.

What will charm, and what will fall flat? How much money should you lay out? And must you bring a gift at all?

To clear up the lattermost question: The answer is incontrovertibly yes. "My mother would always tell me, if you're not ringing the doorbell with your elbows, something is wrong," said Stacey Fraser, the founder of children's clothing line Pink Chicken, who frequently hosts friends

at her home in Amagansett, N.Y. "It's just good manners." In the view of publicist Sheila Donnelly Theroux, who has a home in Sandwich, Mass., on Cape Cod, arriving empty-handed suggests that you're there "to be entertained."

Ms. Theroux once had a guest show up without a present, announcing that she'd assumed her hosts—Ms. Theroux is married to the writer Paul

Please turn to page **W2**

OFF DUTY

GIFTS FOR GIFTED HOSTESSES

Continued from page W1
Theroux—already had everything. Possibly worse was the widow who brought presents only for Mr. Theroux. "She didn't come back," said Ms. Theroux dryly.

The price factor flummoxes many house guests. Those in-the-know stress that you needn't be extravagant. Ms. Fraser suggested between \$25 and \$100 if you're staying for the weekend, and maybe up to \$200 if it's for the week. Ms. Theroux concurred: "Under \$25, under \$50 or under \$100, depending on your budget and the circumstances. It can be flowers from your backyard." Just as your mother told you, it's the thought that counts.

Perhaps the most fool-proof option is food. Sure, elevated pantry staples like a generous hunk of Parmesan or a bottle of Umbrian olive oil don't seem personal, but chances are they will be used and enjoyed—a high mark for any gift. So, too, beautiful chocolates might not be creative but they will be eaten. "I appreciate anything edible that people bring," said writer Valerie Stivers, who can host up to six adults and eight children at her country home in Winhall, Vt. She is especially grateful if a guest has taken the time to cook something. "When you're trying to feed a houseful of people, it's great to have a lasagna you can heat up," she said. "If it's in a pretty casserole dish, and they're going to leave the dish, even better." A cake on Crate and Barrel's wood-and-marble cake stand or a bottle of Champagne is "always welcome," said creative director Marcus Teo, who entertains guests at his elegant 3-bedroom cabin in Hillsdale, N.Y.

Mr. Teo also offered guidelines specifying what not to buy: clothes ("very difficult to get right") and anything enormous, be it satellite-dish-size wooden bowls or cumbersome coffee-table books. Art is tricky, he added, unless you're extremely confident of your host's taste. Generally, scented candles top the list of no-nos. Recently, even those from chic, pricey brands like Diptyque and Cire Trudon have developed a reputation for predictability, and many hosts are saddled with drawers of unwanted wax. "Candles are absolutely overplayed," said Andrew Fry, a former fashion publicist who with his partner Michael DePerno owns Plain Goods, a

An excess of ribbons and bows can read as anxious overkill.

shop in New Preston, Conn. "Although we have a candle line, we steer people away from them."

Kitchen and dining items, meanwhile, are also a safe bet. After all, your hosts may entertain as frequently as every weekend—and need the tools to do so. For design snobs, Rachel Schectman, owner of Manhattan concept shop Story, suggested an Aarke, the elegant stainless-steel carbonated water maker. (Since it's priced at almost \$200, however, we'd advise doing a bit of research to see if your hosts already happily own a SodaStream.)

Ms. Stivers said she always welcomes place mats and cloth napkins to help her set a pretty table, as well as coffee mugs. "You can never have enough mugs," she said. Plains Goods' Mr. DePerno said his default suggestion to customers is linens: "Everyone loves a set of kitchen towels or napkins." Along with Plain Goods, a smart source for such things is Amagansett, N.Y., store Tiina, which offers stylishly quirky versions: heaven-and-hell-themed tea towels from

FOR THE GARDEN

- Vasse Vaught Metalcrafting Bird Feeder, \$73, modernartisans.com
- Gloves, \$88, bestmadeco.com
- Rosemary Grow Kit, \$18, urban-agriculture.net

FOR PLAY

- Leeber Elegance Cocktail Stirrers, \$18, amazon.com
- Soccer Ball, \$75, modestvintageplayer.com
- Fredericks and Mae Kite, \$44, areaware.com
- SunnyLife Beach Bats, \$88, shopbop.com

FOR THE BEACH

- Izipizi Adult Sunglasses \$45 each, Kids Sunglasses, \$35 each, ameico.com
- Walter Bosse Corkscrew, \$98, modernviennabronze.com
- Beach by Elisabeth Bell Chess Towel, \$135, beachbybell.com
- Wonderboom Speaker, \$100, ultimateears.com

FOR THE HOUSE

- Swedish company Klässbols, as well as Iittala ceramic pitchers and plates with folkloric designs.
- Fortune Finds by Lizzie Fortunato Basket, \$65, lizziefortunato.com
- Polaroid Zip Instant Photoprinter, \$130, bestbuy.com
- Bag, \$48, parkerhatch.com; Cables, \$30 each, lecord.se
- L'Officine Universelle Buly Matches, \$19, bergdorff Goodman, 212-753-7300

FOR THE KIDS

- Bear Ice Shaver, \$78, store.moma.org
- Lego Creator Expert Mini Cooper, \$100, lego.com
- Masks, \$52 each, coralandtusk.com

FOR THE KITCHEN

- Stick With Me Sweets Bon Bons (chocolates), \$88 for 24-piece box, swmsweets.com
- 'Salad for President' by Julia Sherman, \$35, abramsbooks.com
- Parmigiano-Reggiano, \$32 per pound, zingersmans.com; Kollossos Olive Oil Set, \$38, food52.com
- Seasonal Wholegrain Jam Tarts, \$30 for 6, eatedbread.com

OFF DUTY



DEAR PRUDENCE The 2017 Subaru Impreza's body has been future-proofed to earn five stars in all relevant crash safety tests through 2025.

SUBARU

RUMBLE SEAT DAN NEIL

Subaru Impreza: Fall Head-Over-Heart In Love

AFTER LAST WEEK'S column on the Ferrari GTC4Lusso you might be thinking, What, *another* hatchback?

Truly, the 2017 Subaru Impreza 5-Door and the Lusso have a lot in common. The Ferrari is powered by a 680-hp V12 engine. The Subaru also has an engine.

And like Ferrari, Subaru takes a unique engineering path to all-wheel drive—what the company calls “Symmetrical All-Wheel Drive.” It’s really the franchise. To be honest, in past years I’ve recommended the compact-class Impreza purely on the superiority of the AWD system and rather despite the car, which has suffered from chintzy interiors, dated electronics, lustless exterior styling and lethargic handling (excepting WRX STIs).

The 2017 Impreza—the generational redesign of the sedan/hatch, built atop the company’s new global platform—represents step-change improvements along many, but not all, fronts. The cabin dress (molded door and dash fittings, instruments and switches, composite fascia and upholstery) now approaches best in class. Powertrain isolation (the remoteness of engine shaking and vibration) and cabin quiet are also way up, as is—most unexpectedly—handling sharpness. I’m not sure why the engineers quickened the steering ratio from 16:1 to 13:1, but I approve.

As for design, the Impreza 5-Door remains a strictly non-ergonomic zone, a prim and practical car for clients fairly described as same. What style quotient there is—the intersecting light lines playing across the doors—mildly plagiarizes/pays tribute to the Mazda5.

Only slightly longer and wider, with an extra inch of wheelbase devoted to improv-

ing rear legroom, the 2017 model hides some notable dimensions: The hatch opening—the cutline for which wraps around the rear roof pillars—is 5 inches wider, to better accommodate those huge, overcomplicated baby strollers. The redesigned architecture pushes the rear shock towers farther apart, widening the cargo space.

When the rear seatbacks are in place, cargo capacity is good (20.8 cubic feet). When they are down, it’s great: 55.3 cubic feet—about as much cargo capacity as a Ford Expedition with the third row folded.

Built in Subaru’s newly enlarged apartments in Lafayette, Ind., the Impreza 5-Door comes in four flavors, from \$19,715 to \$25,415. The price of our 2.0i Limited tester (\$29,260) ballooned with the optional power moonroof; the Harman Kardon amplifier and speakers; the EyeSight driver assist package, including automatic pre-collision braking (when it really helps); and the 8.0-inch high-res touch screen, hosting apps for navigation, entertainment (Apple CarPlay) and smartphone integration.

Can I just say, I like the way Subaru saves money on product design? To reduce costs, the Impreza’s unitized steel structure has been future-proofed to earn five stars in all relevant crash-safety tests through 2025. The body exhibits 70% higher torsional rigidity than that of the car it replaces, and the crash-energy absorption is up 40%.

Even if you don’t crash, this investiture of steel makes for a very stout, unshakable little car, a sense of structure like a hot-dip galvanized walnut. With strut suspension in front, multi-links in back, both mounted on fully isolated subframes and lashed with anti-

roll bars front and rear, the Impreza’s undercarriage is likewise pretty grown up.

Alas, these fine, muscular limbs are let down by the only available engine: the naturally aspirated, direct-injected, 2.0-liter horizontally opposed four cylinder, here churning out 152 hp with only the greatest exertion (6,000 rpm). Never has a car screamed so loudly for another 100 hp. The chassis can handle it.

Enthusiasts will be glad to learn Subaru will continue to offer the Impreza with a conventional five-speed manual transmission, as well as in Sport trim. Our test car was equipped with the automatic transmission, a stepless CVT than can be shifted manually by way of paddles behind the steering wheel.

Yeah. Well. Oof.... To be sure, this engine/transmission package has moments of high adequacy. The Impreza cruises down the highway like the world was just one road trip to Bonnaroo, barely breathing and getting 37 mpg. The CVT doesn’t have any issues with the yawn and saw of city traffic either—which is to say, within its comfort zone, the transmission is responsive and elastic.

But wafting acceleration is not among the Impreza’s limbic delights. Zero-to-60 mph is solidly in the 8-second range, and the moan from the CVT sounds like Aunt Martha’s ghost is entertaining a gentleman caller. At interstate speeds, sudden demands for passing acceleration are answered first with indifference, then with a grudging gathering of mph. This is not the Subie I’d want to take up Pikes Peak.

So quick recap: The new Impreza 5-Door makes a great family hatchback, starting under \$20,000, with good fuel economy, mostly adequate

power, state-of-the-art safety, a strong chassis, and a nicely appointed five-seat cabin with easily accessed cargo for all of baby’s adorable crappola.

What sets the Impreza apart from equally cromulent competitors like the Honda Civic Hatchback or Mazda3 Hatchback is its standard full-time AWD. And it is here I want to address the psychology of parenting and the power flow of AWD.

The security of AWD appeals strongly to new parents, whose state of mind—hyper-vigilant, over-functioning, tormented with fears of low-probability events—makes them easy targets for smooth-talking salesmen. What if you

and your family are caught in a sandstorm?

But AWD systems are not created equal. In most crossovers, the engine drives the front wheels until there is a loss of traction there. Only then will the electro-mechanical neurons fire, closing the clutch packs that connect engine torque to the rear wheels, and then typically only at a fraction of torque. These systems are known as part-time, on-demand all-wheel drive.

In my experience, in most conditions, such systems have so much latency and power loss that they are not worth the additional cost and weight over a front-wheel-drive variant wearing

all-season tires.

By virtue of its mechanism (starting with the north-south oriented flat-four engine), the Subaru powers the four wheels equally, all the time—symmetrically, if you will. If one wheel slips under power, that wheel’s allotment of torque is instantly sliced to wheels that have traction, proportional to the degree of that traction, with no loss of engine power. Unlike on-demand systems, the Subaru AWD system is always working, always on guard, ready in an instant.

New parents should know that when it comes to babysitting traction, only Subaru keeps so watchful an eye.



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2017 SUBARU IMPREZA 2.0I LIMITED

Base price \$25,415

Price, as tested \$29,260

Powertrain Naturally aspirated, direct-injection 2.0-liter DOHC horizontally opposed four cylinder; continuously variable automatic transmission; full-time all-wheel drive.

Power/torque 152 hp at 6,000 rpm/145 lb-ft at 4,000 rpm

Length/base curb weight 175.6 inches/3,181 pounds

Wheelbase 105.1 inches

0-60 mph 8.7 seconds

EPA fuel economy 28/37/31 combined

Cargo capacity 20.8/55.3 cubic feet, rear seatbacks up/folded

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OFF DUTY

Paris in the Offspring Time

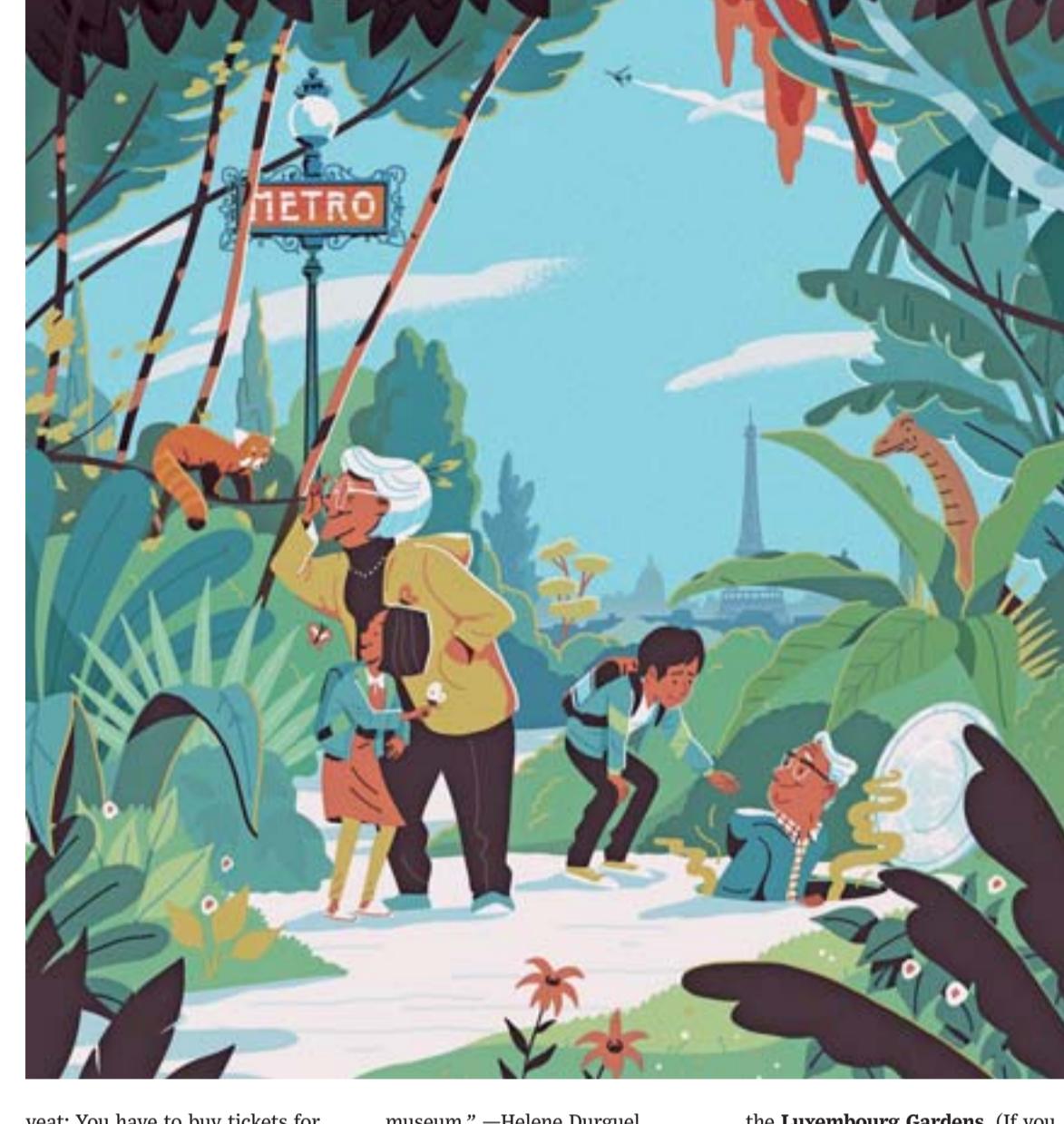
When it comes to entertaining junior jet-setters in the French capital, Euro Disney isn't the only game in town. Here, 10 kid-friendly diversions recommended by the most exacting experts—grandparents

BY SARA TUCKER

If you're traveling in Paris with a little sightseeing, or a whole brood, the thought of a forced march through the Louvre or Notre Dame is enough to make you shudder. Solution: Take the following sage advice, edited from interviews with local grandparents, on how to spend a pleasant—for all ages—day in the city. Many of the tipsters are members of Crossroads, a multicultural social club based in Avon-Fontainebleau, an hour outside of Paris. One of their secrets: When in doubt, remember the magic three—animals, wheels and water.

► "The Paris Zoological Park, in the Bois de Vincennes, has been completely redone to modern specifications; it reopened in 2014 after a four-year closure. There are fewer animals than there were, because they're not crammed together like in the old days. In the 1950s, when I used to come here with my grandmother, the lions were in a cage. Now they're outdoors in a savannah-like habitat." —Patrick Texier (parczoologiquedeparis.fr/en)

► "The Jardin d'Acclimation, in the Bois de Boulogne, is great for a picnic, rides, animals and playgrounds, and the entry fee is only 3 euros. The park was inaugurated in 1860—Napoleon III and Empress Eugenie attended the ceremony—and it really is like something out of another era. From the metro stop at Porte Maillot you can take Le Petit Train, a restored black-and-white locomotive (now electrified) that's been working the park since 1878, when it was pulled by donkeys. The park is perfect for a leisurely day with small children and their grandparents, but it is also good for every age in between. There's a bird sanctuary, some farm animals (goats, sheep, chickens) and playgrounds where you can zip line or drive a boat on the lagoon. Food-wise, you can buy a pâani from one of the truck vendors or head to the crêperie. One ca-



STEVE SCOTT (2)

veat: You have to buy tickets for each fair ride individually and that can get expensive." —Kristine Bendall (jardindacclimation.fr)

► "My preschool-age grandchildren love the little menagerie at the **Jardin des Plantes**, where they can see small creatures—insects, birds, snakes, turtles—and a few mammals, including red pandas. The park itself is beautiful, with lovely botanical gardens, historic architecture and winding paths. For somewhat older children, check out the natural-history

museum." —Helene Durguel (jardindesplantes.net)

► "A tour of the sewers of Paris is smelly, gross and fun for kids, especially boys. The sewers were laid out in the 1850s, and you get a lot of history. It's a good way to see underground Paris without the huge lines you have for the Catacombs. The tours are on foot and begin near the Alma Marceau metro station." —Jennifer Moore (en.parisinfo.com)

► "Rent a toy wooden sailboat for a couple of euros at the octagonal basin behind the Senate building in

the **Luxembourg Gardens**. (If you want your own sailboat, you can buy one at Rendez-vous, the souvenir shop in the Hotel de Ville.) You can spend several hours in the park, which also has a marionette theater, Sunday concerts at the gazebo and a large playground divided into two sections, with zip lines and climbing ropes for the over-seven age group. Or take a ride aboard a full-size boat along **Canal Saint Martin** from the Bassin de la Villette to the Bassin de l'Arsenal. You pass through four double locks and under the Boulevard Richard Lenoir as you glide along, and once you pass the

Bastille you end your ride out in the open in the Place d'Arsenal." —Kirby Williams (en.parisinfo.com)

► "My half-French, half-Dutch family likes to get together at **Chez Gladines Charonne**, near the Bastille. It serves good Basque food, not expensive, and the portions are large. The servers are young and good with little with children, and the atmosphere is fun—everybody can talk loudly and cheerfully." —Rose Ruiter (64 Rue du Charonne, chezgladines-charonne.fr/en)

"The tour of the sewers of Paris is smelly, gross and fun for kids."

► "We like to go to the **Palais de la Découverte** (Palace of Discovery), the science museum in the west wing of the Grand Palais, not far from the Champs Elysées. Most of the wall panels are in French, but it doesn't really matter—kids love the animatronic dinosaurs and the interactive exhibits, especially the ones about light, hydrogen, sound and electricity." —Gabriele Winkler (palais-decouverte.fr)

► "Take a Segway tour of Paris monuments. Your grandchild must be at least 12 years old and weigh over 100 pounds, but the activity isn't strenuous and most kids and adults can handle it with ease after a short introductory lesson. The ride itself is super fun, and the guides are funny, knowledgeable and good at keeping their herd out of harm's way. You don't go inside any of the historic buildings, but who cares? It's way more fun to zip through the parks, along the Seine and over the bridges, pausing in front of key sites for a five-minute history lesson. If you want to bicycle, there's an outfit called **French Mystique** (Bruce, the owner, is actually a Bostonian) that does bicycle tours of the Parisian suburbs and beyond.—Sadie Leigh (fattiretours.com/paris/segway-tours; frenchmystique-tours.com)

THE GALÁPAGOS GO GLAM

Now it's the accommodations that are evolving in Darwin's wildlife haven, spawning a new breed of luxury options

BY CHRISTIAN L. WRIGHT

In the popular imagination, the Galápagos Islands represent the ultimate natural paradise—an earthy mecca where the wildlife that inspired Charles Darwin's Theory of Evolution still waddles and crawls freely about. Lately, however, the place has gotten quite glamorous. A couple of nice resorts have opened and the small expedition ships that cruise the area are becoming more yacht-like. At the silent-auction gala at a fancy Manhattan private school last spring, such a voyage was the "trip of a lifetime" hot ticket. On Showtime's series "Billions," hedge-funder Bobby Axelrod (Damian Lewis) whimsically suggested to his wife and kids that a quick sail to the Galápagos might be just the thing to help him manage the stress of Wall Street.

That said, glamour only goes so far in the Galápagos. While the trappings of the state-rooms (Châteauneuf-du-Pape on demand!) or suites (massages on call!) have been elevated, 97% of the archipelago is protected by the Galápagos National Park, formed in 1959. The blue waters and volcanic terrain have not changed in millions of years, and the Islands are not landscaped or polished or staffed like other in-demand destinations. Here, the flightless cormorant rules the roost. The regulations are still strict—no jet skies, no veering off the authorized path and no touching wildlife (with few predators, the animals show no fear and will get close enough to humans to introduce themselves). Even many consumables, from pomegranates to pasteurized milk, are forbidden. Even so, the possibilities are many. Here, a handful of high-end ways to meet the blue-footed booby and friends.



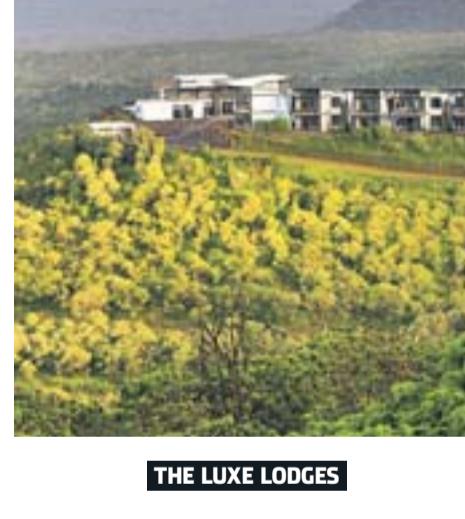
THE BEAGLE UPGRADE

The exotic allure of the Galápagos hasn't faded much since Charles Darwin, sailing back to England in 1836, waxed on about all his findings in this "world within itself." The type of vessels sailing around the islands these days are, as you'd expect, far more technologically advanced than Darwin's three-masted HMS Beagle, but every type of watercraft is tightly controlled by the Galápagos National Park. From the number of vessels allowed to cruise among the 20 islands (80 boats, none bigger than 100-passengers) to the approved shampoos (biodegradable only), the Galápagos bows to the

frigate bird and land iguana, not the high-net worth. New luxury ships are compensating with swankier onboard amenities.

Launched in 2015, Santa Cruz II (pictured) bills itself as a chic expedition ship. At 235 feet long with 50 cabins, it's small enough to operate in isolated areas, but still appeal to the urban sophisticate with a Cordon Bleu-trained chef, two hot tubs and a gym. MV Origin, a 142-foot yacht launched in 2016, accommodates 20 people on week-long itineraries and coddles them with Apple TV, picture windows in all 10 cabins and iced tea after snorkeling.

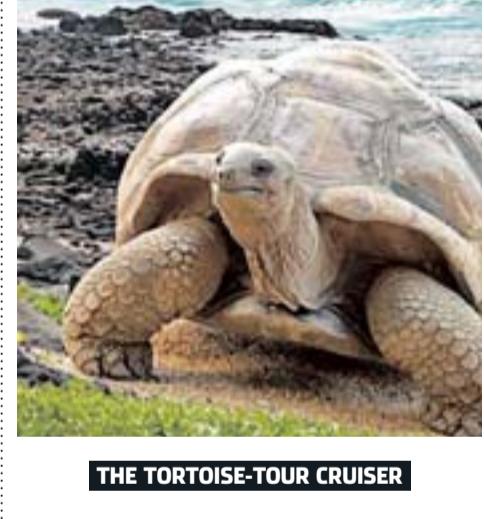
From \$4,235 per person for a 5-night trip on the Santa Cruz II; from \$7,500 per person for a week on MV Origin; mythsandmountains.com



THE LUXE LODGES

The archipelago, spanning more than 20,000 square miles on either side of the equator, consists of 13 major islands. Humans and hotels inhabit just four of them. The Galapagos Safari Camp nestles in the highlands of the second biggest island in the Galápagos, Santa Cruz. Once a family compound (and still family-owned), the 136-acre spread brings an African safari-style lodge to the islands. Nine private luxury tents look out above the tree line to the sea. Between guided wildlife excursions, guests tend to flop down by the infinity pool or

From \$3,610 per person for five nights at Galapagos Safari Camp, galapagossafaricamp.com; from \$5,830 per person for four nights at Pikaia Lodge, pikaialodge.com



THE TORTOISE-TOUR CRUISER

Fourteen species of giant tortoise live on the Galápagos Islands, and all of them are vulnerable to extinction. In partnership with local outfits Angermeyer Cruises and Anando Tours, WildAid—a charity whose mission is to quash the illegal wildlife trade—has recently created the Galápagos Conservation Fund and launched M/Y WildAid's Passion. Originally a 159-foot private yacht that still feels like one, the Passion has been reconfigured as a 12-passenger deluxe tourist cruiser with a staff-to-guest ratio of one to one. The snazzy boat, with four deck decks, marble bathrooms, a

glass enclosed lounge for unobstructed views, has access to trekking on the smaller islands like Bartolome and Chinese Hat, bird-watching on Santa Fe, and snorkeling off islets like Gardner.

SIVAN ASKAYO (LOGUE); WILDAID (TORTOISE)

On many of the excursions you're likely to come across some of those famous tortoises—and when you do, pat yourself on the back. Angermeyer, a family-owned operator will make a \$100 donation to the fund for every passenger. Some bookings also help fund WildAid's programs in the archipelago, which range from training park rangers to government conservation initiatives.

From \$5,980 per person for an eight-day trip on WildAid's Passion, visitgalapagos.travel/passion-galapagos-luxury-cruise.html



She's a fan.



MANDARIN ORIENTAL
THE HOTEL GROUP

OFF DUTY

SUNDAY LUNCH

A Menu Less Ordinary

At chef Hugh-Fearnley Whittingstall's table, weekend entertaining calls for wild improvisation

BY ELIZABETH G. DUNN

THE RABBIT with anchovies, rosemary and cream would not do. That recipe is intended for wild rabbit, not the farmed variety most common in the U.S. And would the apricots for apricot Eton mess really be in season in enough parts of the country at the time of publication? Local ones are mandatory.

I received all this in an email exchange with Hugh Fearnley-Whittingstall's assistant, in the course of deciding on a Sunday lunch menu that could reasonably be replicated by American readers. Under other circumstances, I might have lobbed a diplomatic request for compromise, a gentle plea to surrender to the realities of modern living. Let the apricots be imported. For Mr. Fearnley-Whittingstall, though, I was willing to go along for the ride.

After all, he's lived the fantasy I play out in my head every time I'm snarled in rush-hour traffic or stuck in line at the grocery store. In his early 30s, he moved from London to a gamekeeper's lodge in rural southwest England, where he began living off the land, planting and foraging and fishing and hunting to feed himself.

Watercress departs from its typical context as a salad green and finds its way into a silky soup spiked with garam masala.

From there, under his company name, River Cottage, Mr. Fearnley-Whittingstall has developed several popular series for British television, opened a cooking school and three restaurants, written 17 cookbooks, and taken up a number of advocacy campaigns tackling issues like the factory farming of chickens and ecologically destructive fishing.

"The idea is to get people away from total dependence on pre-made,

industrial food, and move toward real food that is seasonal, local, organic and wild," Mr. Fearnley-Whittingstall said over the phone from River Cottage H.Q. in East Devon. "The basic reason why is because I think they'll be happier. They'll enjoy their food more. They'll probably be healthier. Why not make consuming food a really positive thing emotionally and communally?"

Okay. Sold.

On the occasion of his latest book release, I asked Mr. Fearnley-Whittingstall to prepare a Sunday lunch menu drawn from its pages. "River Cottage A-Z" catalogs some 333 ingredients, from Alexanders (a leafy green) to Zander (a freshwater fish), offering an authoritative backgrounder for each as well as a sensible recipe.

"So many of us get quite stuck in a rut of recipes that we know and love, and we find certain ingredients outre and hard to understand," Mr. Fearnley-Whittingstall said.

"The book is really about making unfamiliar ingredients less daunting to work with."

To him, a casual, social meal like Sunday lunch is an ideal opportunity for mining the more exotic reaches of the produce aisle. This menu offers subtle forms of subversion. Watercress departs from its typical context as a salad green and finds its way into a silky soup spiked with garam masala, the Indian spice blend. In place of a conventional risotto, Mr. Fearnley-Whittingstall suggests pearl barley cooked in the same fashion, with sweet beets, tangy goat cheese and a pinch of heady lavender. Dessert is a classic crème brûlée, only here the custard tops a tart compote made from rhubarb—a refreshing alternative to strawberries, the go-to early-summer fruit.

Hewing strictly to the ethos behind "River Cottage A-Z" would involve abandoning a preset menu altogether. It would mean taking a chance on whatever oddity you find at a farmer's market, or on a walk in the woods—or in Mr. Fearnley-Whittingstall's case, in the spare freezer, where he might find a trove of pheasants or partridges or rabbits awaiting a burst of inspiration. Wild ones only, of course.

"The idea is to get people away from total dependence on pre-made,



BEN MOSTYN FOR THE WALL STREET JOURNAL

FREE-RANGE FEAST Clockwise from above: Mr. Fearnley-Whittingstall hosts Sunday lunch at River Cottage; chilled spiced watercress and yogurt soup; roasted beet orzotto serves as a main course. Below: rhubarb crème brûlée.



Rhubarb Crème Brûlée

ACTIVE TIME: 45 minutes
TOTAL TIME: 2½ hours SERVES: 6-8

1 pound rhubarb, trimmed and cut into ½-inch chunks

½ cup plus ½ cup superfine sugar, plus more for finishing

2 tablespoons water

½ cup whole milk

2 cups heavy cream

1 vanilla bean, split lengthwise

6 large egg yolks

1. Spread rhubarb out in a single layer in a large lidded saucepan. Add ½ cup sugar and 2 tablespoons water and cover. Cook over low heat until rhubarb is tender but not collapsed, 10-15 minutes.

2. Spoon rhubarb into a fine mesh sieve to allow excess liquid to drain off. Let cool, then divide among 6-8 individual ramekins or other small heat-proof dishes. Chill uncovered in the refrigerator at least 30 minutes. Preheat oven to 300 degrees.

3. Meanwhile, make custard: combine milk and cream in heavy-bottomed pot, then scrape in vanilla seeds and add pod. Bring to a simmer over low heat, 5-6 minutes. Off heat, let sit 5 minutes to infuse with vanilla, then discard pod. Bring a kettle of water to a boil.

4. Combine egg yolks and remaining ½ cup sugar in a large bowl. Add infused hot cream mixture, mixing well to combine. Pass through a fine sieve and discard solids.

5. Remove chilled rhubarb from refrigerator and gently pour hot custard over top, trying not to disturb fruit. Place ramekins in a roasting pan. Carefully add enough boiling water to pan so it comes halfway up sides of ramekins. Bake until custard is just set but wobbles slightly in center, 25-40 minutes.

6. Remove ramekins from roasting pan and let cool. Transfer to refrigerator and chill at least 1 hour before serving.

7. To serve, scatter 1 teaspoon sugar over each crème. Use a cook's blow-torch to caramelize sugar until golden and bubbling, about 1 minute. Alternatively, place ramekins on a baking sheet and pop under a hot broiler until browned, 2-3 minutes. Let cool until sugar has set, 5-10 minutes. Serve immediately, or refrigerate up to 2 hours.

Chilled Spiced Watercress and Yogurt Soup

ACTIVE TIME: 45 minutes

TOTAL TIME: 3 hours SERVES: 4-6

2 tablespoons olive oil, plus more for finishing

2 medium onions, finely sliced

Sea salt and freshly ground black pepper

4 cups chicken or vegetable stock

3 tablespoons unsalted butter

1 onion, finely chopped

2 garlic cloves, finely chopped

3 strips lemon zest

1½ cups pearl barley, rinsed and drained

½ cup dry white wine

1 teaspoon finely chopped lavender leaves

7 ounces soft goat cheese, crumbled

1. Heat oil in a saucepan over medium-low heat. Add onions and a pinch each of salt and pepper. Cook, stirring regularly, until onions are soft and translucent but not browned, about 10 minutes. Add garlic and cook until fragrant and softened, 2 minutes more.

2. Add stock, bring to a boil and boil about 6 minutes. Reduce heat and simmer 4 minutes more. Remove from heat, let cool 30 minutes, then refrigerate until chilled, 30 minutes more.

3. Meanwhile, add a pinch of salt to a medium pot of water and bring to a boil over high heat. Add watercress and blanch until just tender, 2 minutes.

Drain and plunge watercress into ice water to halt cooking, then drain again.

4. In a blender, combine drained watercress with chilled stock mixture, garam masala and yogurt. Process until finely puréed, 2-3 minutes. Refrigerate until cold, 20-25 minutes.

5. Serve soup cold, topped with yogurt, pepper and a trickle of olive oil.

Roasted Beet Orzotto With Lavender

ACTIVE TIME: 45 minutes

TOTAL TIME: 2½ hours SERVES: 4-6

1 pound small or medium beets, scrubbed

1. Preheat oven to 375 degrees. Place beets in a small roasting pan and drizzle with 1 tablespoon oil and a pinch each of salt and pepper. Cover pan with foil and roast until beets are tender, 1-1½ hours. Remove from oven. Once cool enough to handle, use your fingers to rub skin from beets. Cut flesh into small cubes.

2. Heat stock in a lidded medium saucepan over medium heat until nearly simmering. Meanwhile, heat remaining oil and half of butter in a large saucepan over medium heat. Add onions, garlic and lemon zest to pan. Sauté, stirring gently, until onions are soft but not browned, 10 minutes. Add beets and stir well. Add barley and toast, stirring occasionally, 2 minutes.

3. Add wine and let reduce until pan is almost dry, 2-3 minutes. Add hot stock, a couple ladlefuls at a time, to pan. Stir until stock is absorbed. Repeat until you've used all the stock and barley is tender, about 40 minutes.

4. Off heat, sprinkle lavender and half of goat cheese over top of barley. Dot with remaining butter. Cover and let stand 2 minutes, then stir. Season with salt and pepper to taste. To serve, divide risotto among bowls. Top with remaining goat cheese and a trickle of olive oil.

A LITTLE SOMETHING SWEET

BETTER BY THE SLICE

No ice-cream maker required for this rich frozen treat

CHAD ROBERTSON and Elisabeth Prueitt of San Francisco's Tartine Bakery are two of this country's most influential bakers. Ms. Prueitt, who is gluten-intolerant, has built a deep repertoire of desserts that are gluten-free but wanting in no other respect.

Her new book, "Tartine All Day," contains a recipe for a dark-chocolate-and-toasted-almond (and incidentally gluten-free) take on semifreddo, the fully frozen Italian dessert whose name means "semi-frozen." No ice-cream maker needed. A low moisture content yields a scarcity of ice-crystals, and several beaten eggs produce a rich and airy

texture—cold but not icy—semi-frozen, even.

I've had great results with Valrhona's Guanaja, Caraïbe and Andoa dark-chocolate bars. I've further experimented with Cacao Prieto, made by chocolatier Roger Rodriguez in Brooklyn. His Mandarin & Bergamot chocolate lends this semifreddo a citrus note, and his Dominican Spice gives it a little heat (inasmuch as a cold dessert can be said to have heat). You can fold in chopped candied ginger, too, before freezing, for zing. Just don't add anything too heavy. The magic of this dessert lies in its levity.

—Aleksandra Crapanzano



Dark Chocolate and Toasted Almond Semifreddo

Note: The eggs in this recipe are not fully cooked.

ACTIVE TIME: 15 minutes

TOTAL TIME: 4½ hours (includes freezing) SERVES: 8

½ cup granulated sugar

3 large eggs

2 large egg yolks

Sea salt

2 cups heavy cream

8 ounces semisweet chocolate (63% cacao or higher), melted, warm but not hot

¾ cup toasted, coarsely chopped almonds

1. Line a 9-by-5-inch loaf pan with plastic wrap. Set a heat-proof bowl over a pan of simmering water. In bowl, whisk together sugar, whole eggs, egg yolks and a pinch of salt until very pale and thick, 4-6 minutes.

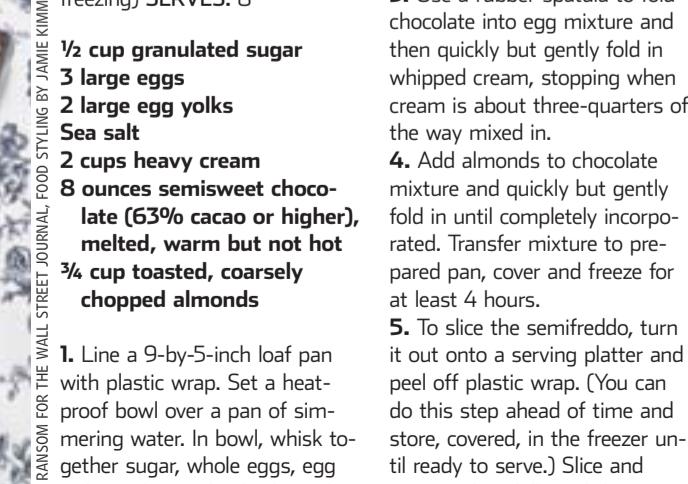
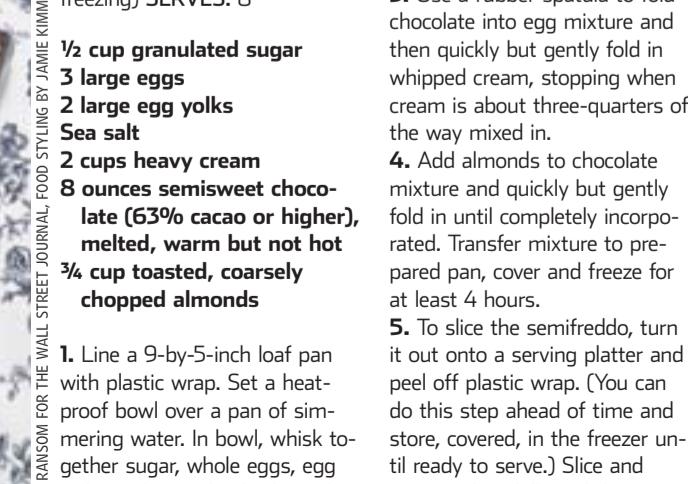
Remove from heat.

2. Use an electric mixer fitted with a whisk attachment to beat cream to soft peaks. Set aside ¾ cup of whipped cream for serving and chill, covered, in the refrigerator until needed.

3. Use a rubber spatula to fold chocolate into egg mixture and then quickly but gently fold in whipped cream, stopping when cream is about three-quarters of the way mixed in.

4. Add almonds to chocolate mixture and quickly but gently fold in until completely incorporated. Transfer mixture to prepared pan, cover and freeze for at least 4 hours.

5. To slice the semifreddo, turn it out onto a serving platter and peel off plastic wrap. (You can do this step ahead of time and store, covered, in the freezer until ready to serve.) Slice and serve with a dollop of the reserved chilled whipped cream.



OFF DUTY

Make a Scene

Many interior decorators got their start in, or still practice, set design. Here, the tricks that translate to home décor

BY JEN RENZI

THE SILVER SCREEN frequently inspires home design, especially when a movie strongly evokes a particular period, place or character. "Sets—both historic and current—are the perfect combination of aspirational and mysterious," said Los Angeles-based decorator Melinda Ritz, whose film and television career includes conjuring the urbane, tony apartments featured in NBC's "Will & Grace." In fact, designers like Ms. Ritz, who do both scenic and interior work, often find that the former unexpectedly fuels the latter. "Many clients find us through the style-driven movies we've done," said Lisa Frantz, of New York firm Marks & Frantz, whose film credits include the early-aughts power minimalism of "The Devil Wears Prada" and the implausibly posh starving-artist eclecticism of "Sex and the City." Tony Duquette (1914-1999), a pioneer in this sort of crossover, created dramatic interiors for Elizabeth Arden and J. Paul Getty and designed lavish sets and costumes for MGM (1945's "Ziegfeld Follies") and Broadway (the original, 1960, production of "Camelot").

Set design and interior design share many challenges. The need for a mise-en-scène to "read" through a camera relates to interior-design concepts like sight line and focal point. Circulation, another décor concern, has a corollary in stage blocking. Set design even schools designers in economy. "Film taught me what was cinematic, a wow factor for real living, and that it does not have to be expensive," said New York decorator Miles Redd, who majored in film and began his career in that industry.

Dallas decorator Michelle Nussbaumer credits her early work in theater for her ability to use objects inventively. She's been known to blow up a detail from a painting or photograph to cover an entire wall to, as she puts it, "create the feeling of a Venetian palazzo or 1940s Hollywood."

Here, interior designers divulge other sleight-of-hand techniques they picked up while dressing sets.



Supplement the Kliegs

Especially advantageous in spaces short on natural illumination, reflective finishes amplify light. "Here, bookcases lined in antiqued mirror helped brighten a dining room—a super-helpful trick we use on film sets," said Ms. Frantz. Also adding sparkle to this Manhattan-apartment dining room her firm designed: the same antiqued mirror set as panels in a door, a blown-glass chandelier, polished table and crystal candle holders. If you prefer less glitz, Alyssa Urban of New York firm Cullman & Kravis, who started her career designing sets for "Late Night With Conan O'Brien," recommends "more subtly reflective finishes [to] add texture and depth." She suggests silver leafing, verre églomisé and cabinets fitted with translucent chicken-wire glass.



Consider scale

"For film and television, we avoid large-scale chairs, because they can swallow up an actor," said Ms. Marks. "Think about your stature: If you're only 5' 6", you don't want a 42-inch-deep sofa." For this foyer in an Old Greenwich, Conn., home, she chose a pair of petite antique armchairs tailored to the inhabitants despite the ceiling's double height. Ms. Ritz encourages "sit testing" and considering a chair's scale vis-à-vis your body before making a purchase. For a TV talk show hosted by Suzanne Somers, Ms. Ritz brought in 40 types of chairs to determine, among other things, how overwhelmed Ms. Somers appeared in them. Big furniture can overpower a room as well. "Many manufacturers make seating quite oversized and not suited to older-style homes or apartments," said Ms. Marks. Ms. Nussbaumer added that scaling furniture to a room, and not the human body, became popular in the 1980s "and makes a space look dated."



Lights, camera, more lights

"Sets are lit from multiple angles to eradicate dark shadows," said Brooklyn interior designer Jaime Walters, a veteran of home-renovating shows, where rooms are made camera-ready. For this dining room of a Philadelphia townhouse, she created an inviting—and flattering—environment by supplementing a dimmable chandelier with a ceiling-mounted art spotlight and a glowing floor lamp. "Lighting from above flattens and deadens a space, whereas lighting from all angles gives an object shape and volume," explained London designer Tim Gosling, who studied and practiced theater design before focusing on interiors and furniture. "I like a border sunk into the floor with inset up-lighters, library standing lamps to pool light around seating areas and side tables, and traditional side lights to add rhythm."



Manipulate the windows

Windows on a set frequently look onto the surrounding sound stage. "We dress windows in sheer fabrics and use gelled backlighting to make them look more real," explained Ms. Marks. Translucent sheers in a residential context can similarly screen a subpar view. For this parlor-floor living room of a Brooklyn brownstone, sheer Roman shades obscured foot traffic outside and cut daytime glare without darkening the space. Some of Ms. Marks' favorite styles include "linen with natural slubs, which create a bit of interest, and the finest, thinnest wools," for their exceptional drape. Her TV work has broadened her residential bag-of-tricks, which also includes tinted and graphically patterned sheers. "Ivory tends to look too bright on camera, so we gravitate to colors like pale yellow and blue, and some directors of photography really love patterns."

Work the sight lines

"In both realms, you have to create focal points, moments that draw the eye so it takes in something beautiful from every angle," said Ms. Ritz. Ms. Urban added that on a set "you design for the perspective seen through the camera." Similarly, in a residential space, designers consider what features will be visible from certain key vantages such as the family-room sofa or the front door, Ms. Nussbaumer explained. You can create attention-getting vignettes in a room by grouping artwork or accessories like mirrors, or doing something as simple as outlining a door frame with a 6-inch-wide mirrored border—a technique Tony Duquette used all the time. Here, in the master suite of her Dallas home, Ms. Nussbaumer styled a fireplace with a generous array of blue and white china to create a visual anchor; meanwhile, the desk, curtains and corner cabinet form their own vignette.



OFF DUTY

To Sleep on a Plane, Perchance to Dream

Far from being dormant, travel pillows have seen a rousing renaissance. But are the latest models sufficiently soporific?

BY KEITH BLANCHARD

YOU'VE SEEN them at the airport: Pillow People, with their colorful little plush neck cushions strapped to a suitcase handle or clogging up the TSA security bins. Some just pace around the boarding area with one already deployed, as if they might catch a snooze right in the Group 3 line.

They're a laughingstock, right? And then an hour later, there they are, across the aisle in 17B, snoring away in perfect serenity enveloped in their puffy neon chokers or leaning face-first into an inflatable ziggurat placed on their tray tables. All while you furiously try to work the seat-back credit-card reader.

I'm not afraid of flying, exactly, but I'm also never able to really, truly relax. Oh, I can doze fitfully, given a long enough flight, wake up with a start and knock my seatmate's meticulously organized printouts all over the floor. (That happened.) It's rest, kind of, but it's deeply unsatisfying. Each hour of plane sleep, by my estimation, equates to about 37 seconds of actual horizontal-on-a-bed sleep.

So finally, after one particularly restless cross-country flight, I de-

A bewildering array of designs faced me, from actual pillows to plush Jenga tray-table towers to wearable alien head cowls.

cided to see for myself what all the fuss was about. To become, possibly, a Pillow Person. But which ones to test? A bewildering array of designs faced me, from actual pillows to plush Jenga tray-table towers to wearable alien head cowls. You have your simple inflatables and your highly elaborate innovations, like the Tumi Pax, a jacket that converts into a pillow, or Huzi Design's infinity pillowbands with noise-cancelling properties, or the unspeakable abomination that is the HoodiePillow.

In the end, I considered four relatively simple designs that were small enough that I could easily jam them all into a carry-on. Would the comfort be worth the indignity?



THE NECK BRACE FROM HEAVEN

► **Bullrest Memory Foam Travel Pillow**

Aesthetic Ski goggles worn around the back of your neck.

Materials A patented blend of hard plastic and soft memory foam.

Experience The Bullrest (named for an animal with an infamously strong neck) was carefully designed—reportedly with input from medical engineers—to not just cushion but also support your head and neck vertebrae. Although stiffer than you expect a "pillow" to be, the Bullrest is very comfortable, like a firm mattress for your skull. A proprietary blend of memory foam adjusts to accommodate all manner of cranial topography. A wide-mouth vent keeps air flowing so the back of your head doesn't roast, and the shape is angled so as not to interfere with over-the-ear headphones. For me, the curve let my head roll left and right a little too much; turbulence might make you feel like you're watching a tennis match. But that's nitpicking: This pillow did put me to sleep—while I was trying to write this article, no less—so I'm not complaining. \$60, bullrest.com



THE COBRA

► **BCOZZY Chin Supporting Travel Pillow**

Aesthetic A wee, colorful stuffed-animal snake trying adorably to choke you.

Materials Super-soft memory foam stitched into a lazy overlapping C that bends open to hook around even the most prodigious necks.

Experience The BCozy loops fully around your neck like a bloated scarf and limits your head from lolling over too far. Coupled with the wings of your airplane-seat's headrest, it does a good job of absorbing turbulence and letting you feel like your head is sinking into a cloud; I caught some good shut-eye between the flight attendants' visits. You can wear the overlapping ends on one shoulder, to lean safely toward a preferred seatmate, or turn them to the front if, like mine, your jaw drops open charmingly when you sleep sitting up. The BCozy is compressible enough to stuff into the unused pocket of any laptop bag, and you can turn the red or blue side up to signal your political leanings while you slumber. \$30, bcoozy.com



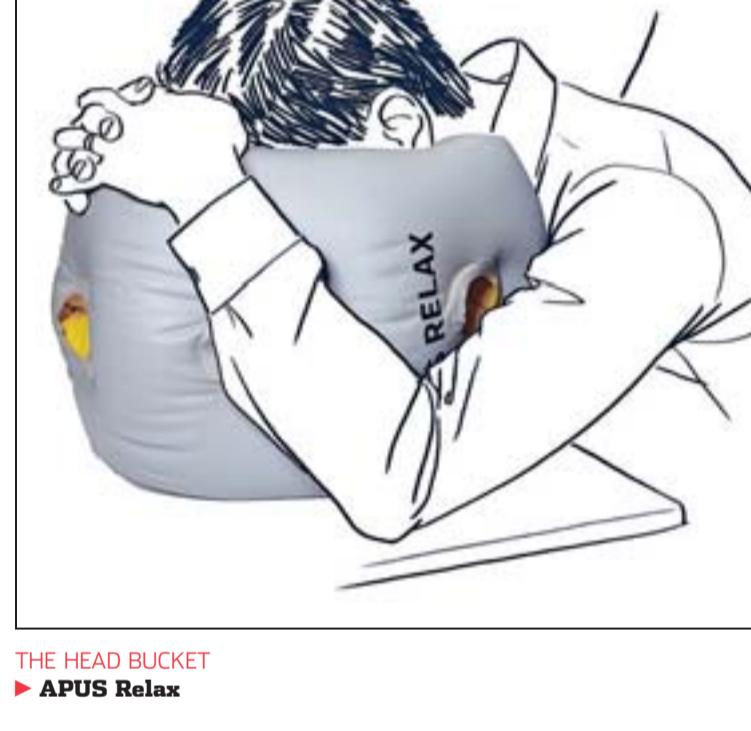
THE BEANBAG NECK-CHAIR

► **Ostrich Pillow Light**

Aesthetic A tall, foamy head doughnut.

Materials The colored exterior is a sheeny, not-quite-drool-resistant viscose and elastane; the gray inside liner feels like your softest sheets. In between, a sea of polystyrene microbeads smushes around safely like so much weightless sand.

Experience The Ostrich Pillow Light is agreeably simple, compact and adjustable. You can tug it down onto your forehead like the world's fattest headband to safely lean against the thrumming window-seat wall. You can install it around the middle of your face, to block light and let your seatmates know the conversation is over. Or you can drape it around your neck and cinch up the drawstring, and fake a neck injury for a sympathy upgrade. I found it comfortable but inconclusive; I never made it past alarm-clock-snooze-mode sleep. \$45, ostrichpillow.com



THE HEAD BUCKET

► **APUS Relax**

Aesthetic A slightly cubist take on the beach ball.

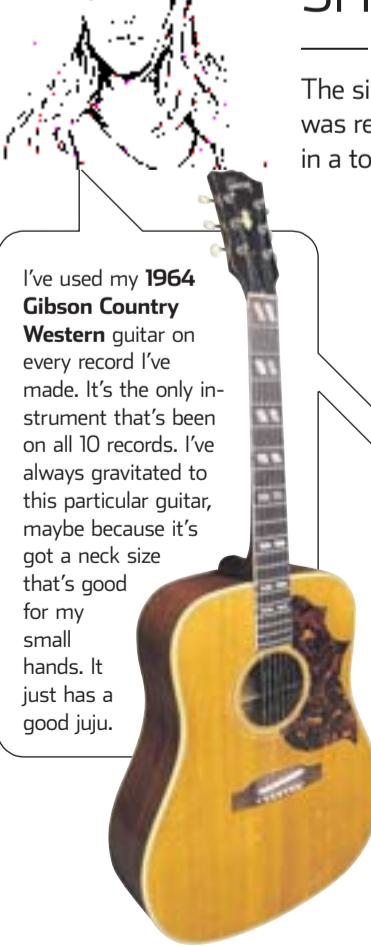
Materials Inflatable plastic, filled with user-supplied airport-Cinnabon breath.

Experience Who among us hasn't quietly wondered what it would be like to live inside a beach ball? Now's your chance to poke your head and hands inside and give it a whirl. A relatively small seat-back-tray-table air bag, this is clearly a space-conscious option: When not in use, the Relax easily rolls up and tucks inside your pocket. It inflates and deflates easily, and has holes top and sides to slip your face and hands in so you can play "Words With Friends" until you feel drowsy. But it's tight quarters inside—with my hands inserted, I scratched my face with a fingernail. I couldn't catch any Zzzzs at all in this contraption, mainly because the overinflated-balloon quality made it feel like I was trying to fall asleep face down in a pool toy. \$30, apusrelax.com

MY TECH ESSENTIALS

SHERYL CROW

The singer-songwriter—whose album 'Be Myself' was recently released—on driving her kids to school in a tour bus and recording demos on a plane



I've used my 1964 Gibson Country Western guitar on every record I've made. It's the only instrument that's been on all 10 records. I've always gravitated to this particular guitar, maybe because it's got a neck size that's good for my small hands. It just has a good juju.

I don't love my kids' being on the iPad, but there is a great on-the-fly drum program called "EasyBeats" that both of my kids love. It's a way of creating music, and they don't even really know they're doing it.

Whenever we're anywhere near the beach, we love to go snorkeling. We all use these amazing Tribord snorkeling masks. They cover your whole face, so you breath into the mask instead of just a snorkel. They're fantastic.

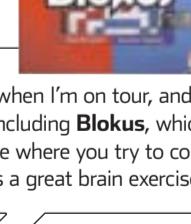


I use "Waze" because traffic in Nashville is getting bad. I tell everyone: It's a great place to live; please don't move here. We used it the other day so our tour bus could drop my kids at school. My 10-year-old was psyched and my 7-year-old was mortified. That's the difference in my two boys.

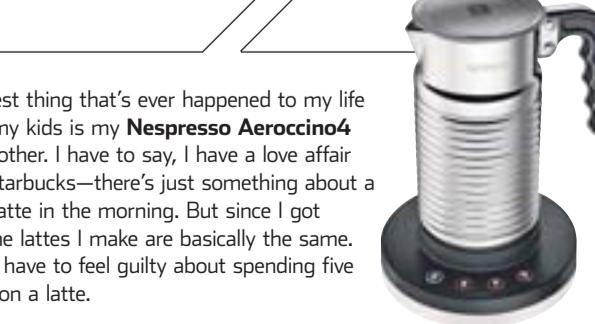
My go-to iPhone app is "Voice Memos" [to record]. On an airplane, I'll beat box a little groove then hum a melody. Later, I'll see if I can figure out what I thought was brilliant about it. Most people think I'm talking on the phone.

The best thing that's ever happened to my life since my kids is my Nespresso Aeroccino4 milk frother. I have to say, I have a love affair with Starbucks—there's just something about a Venti latte in the morning. But since I got this, the lattes I make are basically the same. I don't have to feel guilty about spending five bucks on a latte.

My 10-year-old eats ice all the time. He likes the ice from Sonic Drive-Ins. At Christmas, Santa Claus brought our family an Opal Nugget Ice Maker, which makes Sonic-style ice. It sits right on top of your cabinet. It doesn't need its own drain and it makes the best ice. We love it.



My kids are on the bus with me when I'm on tour, and we take several games with us, including Blokus, which my boys love. It's a thinking game where you try to connect squares corner to corner. It's a great brain exercise.



The exercise gear that I use every day is the Hypervibe G17 Pro. It's a vibrating machine that you stand on and it engages your core and strengthens all the small muscle groups. It's particularly good for people who are getting older, which is why I bought them for my parents.

—Edited from an interview by Chris Kornelis

F. MARTIN RAININ/THE WALL STREET JOURNAL (PILOTS); ILLUSTRATIONS ARTHUR MOUNT

AUSTIN VINTAGE GUITARS (GIBSON)

MANSION

'Neither the Crusades nor
Alexander's expedition to India can
equal this emigration to California.'

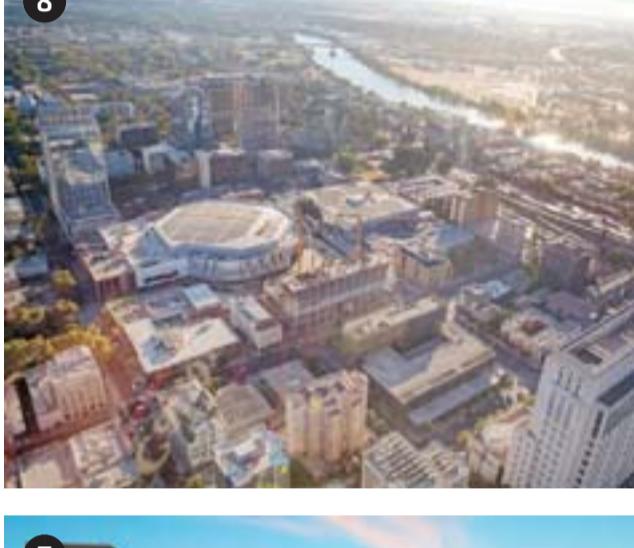
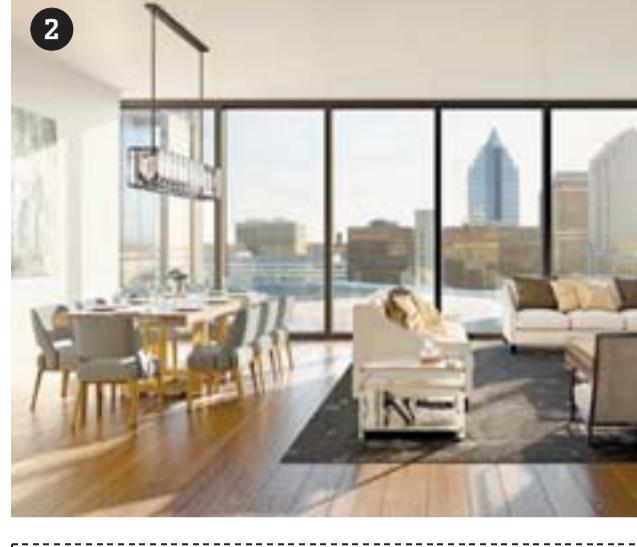
—C.N. Ormsby's 1849 letter home

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THE WALL STREET JOURNAL.

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California's Newest Hot Spot

The once-sleepy government town of Sacramento rides a new real-estate boom.



LOOKING UP Sacramento, which was mired in a housing slump a few years ago, is now home to bidding wars and urban renewal projects. 1, 2. Renderings of the Residences at the Sawyer, one of the city's most ambitious residential projects. 3. The Golden 1 Center 4. The State Capitol 5. Bikes at the Cannery. 6. Raleigh and Nan Klein 7. The club house at McKinley Village. 8. The city.

BY CANDACE JACKSON

PRICE CUTS HAVE BEEN REPLACED by bidding wars. A once-sleepy downtown is flush with urban-renewal projects. A luxury condo tower with penthouses priced over \$4 million is under construction. Sacramento, Calif., long seen as a fairly bland government town, is in the midst of a real estate boom.

When Suzanne Greer listed her six-bedroom home just outside of Sacramento last month, so many potential buyers showed up to the three-hour open house that her real-estate agent had to extend it by two hours. Offers started coming in that evening. Eight buyers entered a bidding war.

"We've been here 17 or 18 years and have never seen it like this," says Ms. Greer, who, with her husband, owns a commercial air conditioning business. She sold the home for \$40,000 over

the \$799,000 asking price—plus two months of free rent so she doesn't have to move out right away while she builds a new home nearby.

Houses are moving fast. Homes in Sacramento have been selling in an average of 34 days—six days faster than they were at this time last year, and 28 days faster than the U.S. overall.

It is a dramatic turn of events for a city that just a couple of years ago was still struggling to

Please turn to page W10

13,000 SQUARE FEET OF CHILD'S PLAY

A stage with velvet curtains; spirited games of skeeball; a hidden room under the basement stairs and a backyard zip line. This couple's South Dakota home was designed to inspire and enrich their children.

BY STEFANOS CHEN

CHAMP, EILEEN AND MAX just got home from school. Champ, 11, heads to the living room, removes his shoes and—swoosh—takes the metal slide to the basement.

On this lower level, their parents, Keith Baumgarten and Sara Keane Baumgarten, have built a vast playland for their four children, ages 4 to 11, in their 13,000-square-foot home in Sioux Falls, S.D. Here, the children practice classical guitar, mixed with some piano and percussion, on a stage flanked by velvet curtains. In a hidden room beneath the stairs, decorated with Chinese lanterns and jade carpet, the children practice Mandarin once a day with a private tutor. Later, they can play skeeball, the classic carnival game, or enjoy a snack from the basement's kitchen.

In an adjacent guesthouse, there is an elaborate, lofted playhouse with bunk beds for each of the children. Outside, there is a large swimming pool and a play set that includes a climbing



HOUSE OF THE DAY

wsj.com/houseoftheday

United States
A light-filled, multilevel Manhattan apartment

Australia
A Queensland mansion overlooking the sea

United States
A California home for indoor-outdoor living

THE SLIDE RULES Keith Baumgarten and Sara Keane Baumgarten paid \$2.05 million for their Sioux Falls, S.D., home, top right, and spent another \$1.2 million renovating it. Above, left and right, Champ at the top of the metal slide and Eileen at the bottom.

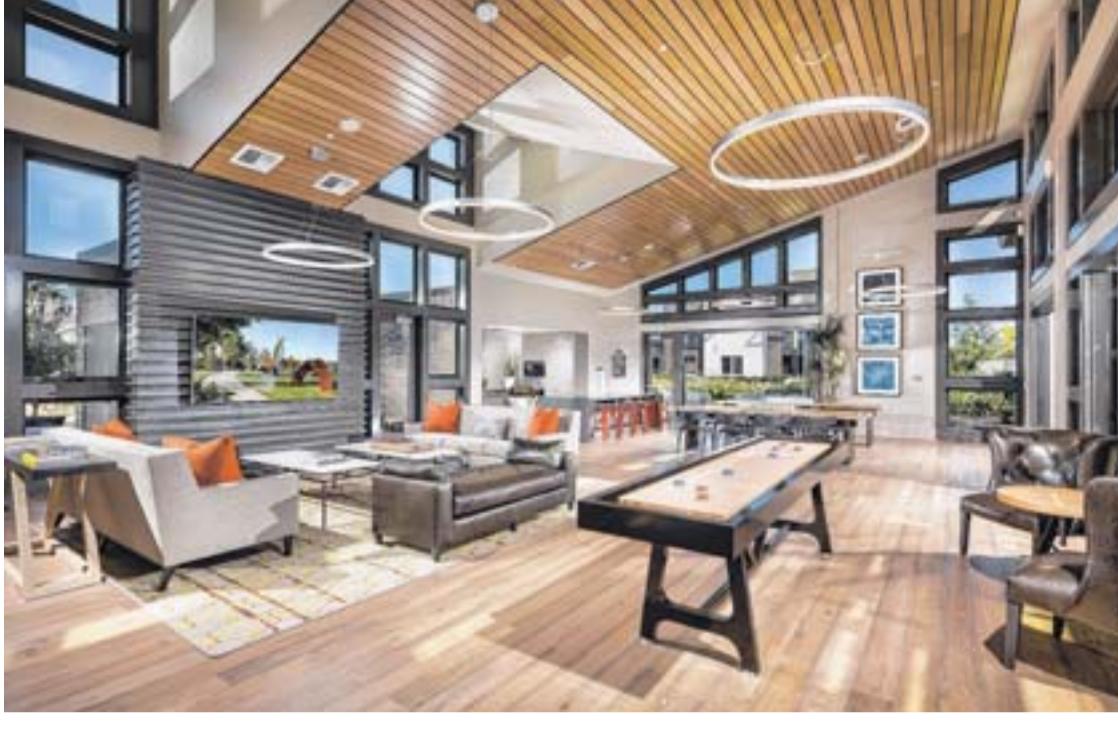
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CLOCKWISE FROM TOP LEFT: VISUALHOUSE (RENDERINGS); 2: SACRAMENTO KINGS; MAX WHITAKER FOR THE WALL STREET JOURNAL; MICHELLE DREWES FOR THE WALL STREET JOURNAL; 4: THE NEW HOME COMPANY; SACRAMENTO KINGS

Douglas Elliman

MANSION

CALIFORNIA'S NEWEST HOT SPOT



JUST IN TIME In November, Bryan and Kaycie Yong, below, bought this three-bedroom home, below left, in McKinley Village for \$375,000. 'It was really competitive,' says Ms. Yong, who is expecting her first child in this month. Clubhouse and pool, above; clubhouse interior, left.

Continued from page W9
pull out of a deep housing slump, even as other markets in California surged. Sacramento is finally seeing the kind of downtown resurgence that is been happening in cities across the U.S. over the past 10 to 15 years. And the region is partly benefiting from some spillover as San Francisco and Silicon Valley's tech boom brings skyrocketing prices and a housing shortage, pushing buyers to look further afield.

About an hour-and-a-half drive northeast of the Bay Area, Sacramento remains relatively affordable. The median price a square foot of a Sacramento-area home is \$228, compared with \$531 in the Bay Area.

If current trends hold, Javier Vivas, manager of economic research for Realtor.com, predicts that Sacramento prices will rise 7.2% this year over last year, compared with a national average of about 3% over the same period. San Francisco prices are forecast to rise by 8.4%. (News Corp., owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.)

Nick Sadek, a real-estate agent with Sotheby's International Realty, says about a third of his buyers come from the Bay Area. One client, who works for Google and is able to work remotely, sold his small home in Menlo Park for \$4 million and bought a 3,800-square-foot home in a Sacramento suburb for \$1.3 million.

Raleigh and Nan Klein sold their home in Alameda, near Oakland, last year to buy a home in Davis, 20 minutes outside of Sacramento. After 30 years, the empty nesters say they were tired of the Bay Area's congestion and looking for an easier place to live.

"We were looking for somewhere we could walk and bike a lot," says Mr. Klein. In December, they purchased a two-bedroom home with a den in the Cannery, a new-

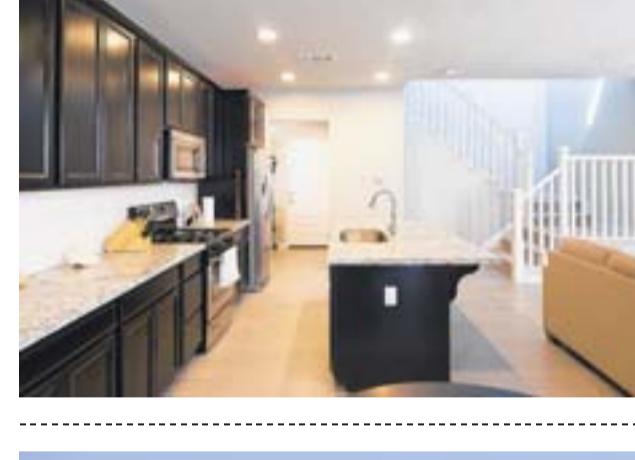
home community set up around an urban farm that is bikeable to town. Though the couple declined to say what they paid for their homes, similar models start in the \$700,000 range.

Developers are betting big on a revitalization of the city's downtown, which is pocked with seedy areas and long offered little beyond offices and the state capitol building.

A partly vacant Westfield mall has been mostly dismantled to create Downtown Commons, an 11.8-acre pedestrian-friendly residential and commercial plaza. Developed by the NBA's Sacramento Kings and JMA Ventures, it includes offices, shopping and the new Golden 1 Center, the only indoor/outdoor NBA arena that is 100% solar-powered (and boasts an \$8 million Jeff Koons sculpture). Nearby, a local developer is turning a 100-year-old bank building into a 30,000-square-foot upscale food hall. Local developer LDK Ventures is turning an old 140-acre rail yard into a development with a Kaiser hospital, a Major League Soccer stadium, offices and housing.

One of the most ambitious residential projects is the Residences at the Sawyer. Offering city and river views, as well as room service and a concierge, the condominiums are breaking new ground in pricing and amenities. Set on top of a Kimpton Hotel, condos also come with VIP access to Golden 1 Center, a private lounge and a pool and terrace overlooking the arena. One-bedrooms start at \$600,000 and three-bedroom penthouses with over 3,300 square feet go up to just over \$4 million, says director of sales Christopher Miller, of the Agency Development Group.

Sacramento "went from one of the worst real-estate markets to one of the best," says Vivek Ranadivé, a Silicon Valley-based founder of two tech companies, Tibco and Teknekron Software Sys-



house, the couple wants to be closer to the action. As Kings season ticket holders, they liked that they could see the arena from their two-bedroom unit.

Kaycie and Bryan Yong, who both work for the state of California, wanted to be close to downtown to shorten their commutes. With a budget of \$300,000, they found that listings were often selling for \$50,000 over asking. "It was really competitive," says Ms. Yong, who is expecting her first child in this month.

In November they purchased a new-construction three-bedroom home for \$375,000 in McKinley Village, which is a short drive from downtown.

Local real-estate agents warn that Sacramento's pace of growth may not be sustainable. Though the city of 485,000 has benefited from expansions in the medical and health-sciences industries, unemployment is 4.5% in Sacramento County, relatively high compared with the national average of 4.1% and San Francisco County's 2.7%. Mr. Vivas of Realtor.com says the housing market needs more support from the local economy, instead of just demand from other areas.

The frenzied market can be a challenge. Mark and Andrea Goldsmith listed their home just outside of Sacramento in April for \$1 million and got an offer six days later. The buyers were a Bay Area couple who offered to pay all cash. When it came time for the Goldsmiths to buy a house closer to the city, they found themselves in bidding wars. In the 20 months they spent looking, they say they saw prices in their target neighborhoods go up by about 20%.

They're now in contract to pay \$862,000 for a three-bedroom, 1,700-square-foot house that was listed for \$769,000. "I think it was a risky time to buy," says Ms. Goldsmith, a former home appraiser. "But we plan to live there for 10 or 20 years so I'm not worried about it."



GO EAST Raleigh and Nan Klein sold their Bay Area home last year and bought a replacement at the Cannery, a community 20 minutes outside Sacramento. The Cannery's community spaces, above,

tems, and owner and chairman of the Kings. He has purchased a condo in the Sawyer.

Real-estate agents and developers say the most desirable neighborhoods are in

the urban core—a shift from the prior boom cycle around 2005, when suburban areas with gated developments and highly rated public schools were more popular.

Shelly and Paul Zehnder

recently sold their suburban home to move downtown, where they're in contract to purchase a 1,200-square-foot condo at the Residences at the Sawyer. With all three of their children now out of the

FROM TOP: THE NEW HOME COMPANY (2); RYAN ANGEL MEZA FOR THE WALL STREET JOURNAL (3)

PRIVATE PROPERTIES | CANDACE TAYLOR

Onetime New Jersey Home of Yogi Berra Goes on Sale



him," Mrs. Cali recalled.

Built in the 1920s, the Tudor-style home has five bedrooms and measures about 6,800 square feet, according to listing agent Christine Lane of Halstead Property. The Calis kept many of the original details but expanded the house. The home sits on 1.37 acres, with an outdoor swimming pool and a pool house.

Mr. Cali co-founded the real-estate company Cali Associates, which went public in 1994 and later merged with Mack Co. to become Mack-Cali Realty, which owns millions of square feet of commercial property in Jersey City and the vicinity.

Mr. Cali died in 2014, and Ms. Cali said she is selling because she's relocating to another home in Montclair now that her children are grown.

according to the book "Pride of October: What It Was to Be Young and a Yankee."

After the Calis bought the house, she said, they realized that baseball fans frequently stopped by the house in search of Mr. Berra.

"I asked Yogi, would he mind giving me some autographed photos, because they're very disappointed when they open the door and it's not



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MANSION

BALANCE SHEET

A Couple Goes Back to School in Madrid

A 1,700-square-foot space that used to hold language classes becomes a flexible one-bedroom

BY J.S. MARCUS

TO CONVERT a defunct language school into a luxurious one-bedroom apartment, Madrid couple Agustín Martínez Gil and Javier Quintanero relied on what could be called "the shutter switcheroo."

The onetime school, tucked away on the second floor of a grand, six-story 19th-century apartment building near Madrid's Royal Palace, had become a 1,700-square-foot empty shell when the couple bought it in July 2015. Its only adornment: five windows' worth of antique, slat-free shutters.

Madrileños typically use these solid wood shutters to seal up their windows from the inside before leaving for vacation. But Mr. Martínez Gil, a 60-year-old interior architect, brought the vintage pine pieces deep into the home, using the shutters to create a paneled room divider that separates the bedroom from the open-plan living and dining area.

Later, he found traditional slatted shutters—typically used by Madrileños outside their windows—to use inside the windows. "With these outdoor shutters, you can play with the light inside," he says.

The adjustable room divider is also playful. The couple open and close the paneled doors depending on whether they want more privacy or a more spacious feel.

The couple paid \$616,600 for the space, then spent about \$538,000 on a yearlong renovation and new furnishings. Their timing was fortunate: Madrid prices bottomed out a matter of months before the couple closed their deal—and have been climbing ever since.

Prices in Madrid have risen more than 15% since early 2015, and in the couple's neighborhood—called Palacio, after the Royal Palace—there are now apartments of similar size to theirs for sale for more than \$1 million.

Typically, such 19th-century buildings in Madrid had imposing second-floor units used as offices by lawyers and doctors, who preferred to live on the floors above. The couple's home still has its original high ceilings and parquet floors. The thick walls mean that even with the strong morning sun they can do without air-conditioning. However, they had to add a new heating and ventilation system, at a cost of \$63,900.

Aside from the shutters, the former school space came with a load-bearing wall, a few doorways, a sink and a powder room.

The couple put their kitchen behind the wall near a new dining area. To connect the two spaces,



THE GREAT DIVIDE A room divider made from old shutters separates the living and dining area from the bedroom. A painting of Frank Sinatra and Ava Gardner in Madrid decorates the living room, where a former gym bench upholstered in leather serves as a coffee table.



IN THREE ACTS The kitchen, far left. The bedroom is separated from the living/dining area by a shutter wall, left. Homeowner Agustín Martínez Gil, above, designed the interior.

they removed a door and radically widened its frame. They then drilled large portholes on either side of the doorway. As a result, the kitchen blends with the dining room, and the symmetrical portholes help brighten the bathroom, which they placed behind the kitchen. Their shower now stands where the school had its lone sink.

The two added a dose of coolness to the rear kitchen and bathroom by replacing a section of what Mr. Martínez Gil calls a "horrible, awful white floor," with new Portuguese ceramic tiles in a black, white and gray check pattern.

Mr. Martínez Gil often travels to

Paris and Stockholm, and the furnishings are pan-European. He updated an 18th-century Spanish antique bench with Italian upholstery, at a total cost of about \$5,600. He also added an imposing wooden bar cabinet in a more traditional Spanish style. The original parquet floors were given a matte finish with Swedish varnish.

In the living room, the couple use a leather bench reclaimed from a Madrid gym as a combination ottoman and coffee table. They also chose the living room to exhibit a Madrid-themed work of art—a painting by American artist William Rand based on a celebrity snapshot

of Frank Sinatra and Ava Gardner in the city's legendary Museo Chicote, a glamorous 20th-century watering hole visited by celebrities and toreros. The painting—a holdover from their former home, a 3,000-square-foot apartment a short walk away—presides over the new home.

The couple built a walk-in closet off the bedroom, but chose to isolate their bathroom on the other side of the apartment.

"This apartment is made for our kind of life," explains Mr. Martínez Gil, whose husband, a stylist, gets up early. The room divider's two doors are kept closed in the morning, so Mr. Quintanero can shower

and have breakfast without disturbing Mr. Martínez Gil.

The couple divides their time between Madrid and the Costa del Sol's Marbella, where they spend their summers. They also have a weekend home in a mountain village near Toledo.

The Madrid one-bedroom, which they share with their dogs, Consuelo and Theo, is smaller than their cavernous previous apartment, but the former school seems just right, says Mr. Martínez Gil.

"We are two people and two Chihuahuas," he says. "We have all the space we need to have a comfortable life."

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HOUSE CALL | LOU PINIELLA

Baseball Was a Family Affair

Before he was a Yankee, he was coached by his mom; growing up in a close-knit Florida community

In the summer after my junior year of high school, I came this close to dying. I was playing baseball for a league team that made the finals in Ontario, Calif. On our day off, we were hiking a trail on nearby Mount Baldy when I ran to catch up to the guys. I tripped and began stumbling down a hill trying to regain my balance. I couldn't stop.

As the hill steepened, I tripped again and slammed into a boulder. Had that rock not stopped me, I would have fallen and rolled several hundred feet down to the river below.

Though the collision left me with a broken ankle and a gash on my head, I played the next day. We lost. My mom never blamed my coaches for what happened to me, only me for being careless.

In West Tampa, Fla., I grew up in a close-knit community of émigrés, mostly from northern Spain, with some Italian and Cuban families mixed in. Everyone had come to work in the cigar factories.

Up until I was around 7, my parents and I lived in my maternal grandparents' three-bedroom wood house. My Uncle Mack and his wife lived there, too. At first, everyone had to share an outside house in a stand-alone garage out back. Then my dad put in a bathroom.

The houses in our neighborhood were only 15 feet apart. My grandparents came from Spain and had an RCA radio that everyone huddled around for news and sports.

My mother, Margaret, was athletic. She was 5-foot-9 and had played in an all-star basketball league in the 1930s. In high school, she played first base on the boys' baseball team. Her two brothers also played baseball.

She went to my games when I was in baseball leagues. At times she was my coach off the field.

My father, Lou Sr., worked for the Curtis Candy Co. in Chicago and became a district supervisor in Florida. He was often traveling.

Around this time, we moved to West Tampa Heights, about 3 miles away. We lived on Conrad Street in a one-story house. The following year, in 1950, after my brother Joe was born, we moved to Cordelia Street to a three-bedroom house that a friend of my father had built for him.

The best thing about our new home was that the entire block between Cordelia and Ivy was a playground with a baseball field. I learned to speak English there in the first grade. My fondest memories are of the neighborhood parties thrown by our

neighbors, the Pancettis. They often served crab enchiladas and spaghetti with spicy red crab sauce.

Like the Pancettis, my dad and I went crabbing near Old Tampa Bay. We'd go with nets and a tin tub and walk the grass flats to catch them. We'd clean them, and Mr. Pancetti did the rest.

When I was a teen, my dad organized an amateur baseball league in West Tampa Heights. He pitched when he was home. My uncles played on the team, too. I became the batboy and learned everything about the game from them. Eventually I started playing in local leagues.

By then, my father started his own small candy-store distributor business. My mother, who had been an accountant at a cigar factory, handled his books. I worked with my dad every Saturday. I'd bring the stuff in from his truck.

In the summers, my mom and dad would argue about my schedule. I worked three days a week for him, but she wanted me out on the field playing baseball.

Admittedly, I had a temper as a kid. I probably got that from my dad. My frustration was with myself, never anyone else. That temper dogged me into high school and the pros. Even into managing.

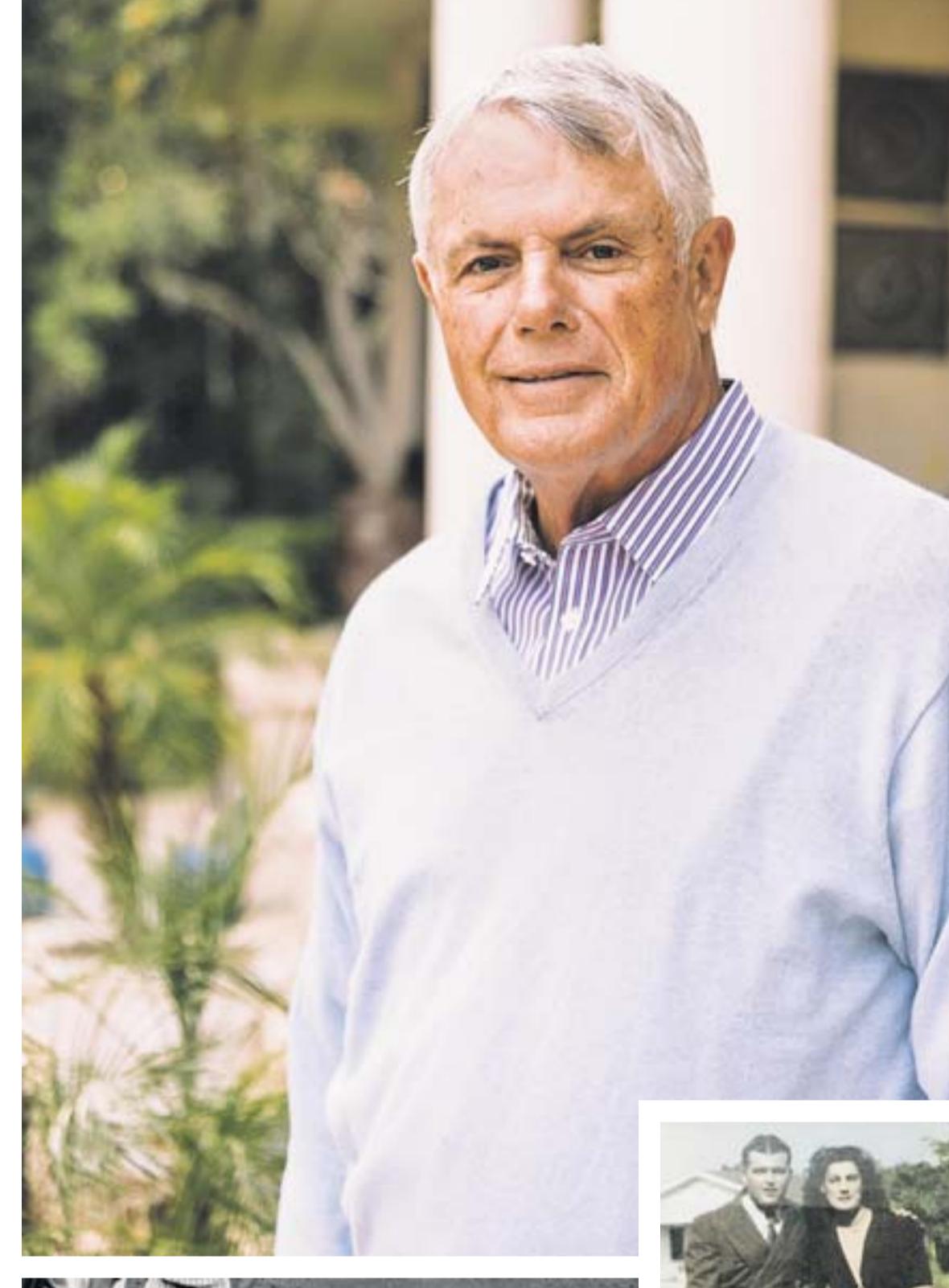
Now that I'm older, I don't like watching myself angry when they show old games on TV. I fixed that problem a long time ago by catching the rage early. Of all the teams I played for, the Yankees are still closest to my heart.

Today, Anita, my wife of almost 50 years, and I live in a gated golf community in Tampa. We are blessed to have a spacious home where we can spend time with our children and grandchildren.

Anita is a wonderful cook. My favorite dish is her spaghetti with blue crabs. When I smell her cooking the red sauce and crabs, I tear up. It takes me back.

—As told to Marc Myers

Lou Piniella, 73, is a former professional baseball player and manager. He won two World Series with the New York Yankees and was named Manager of the Year three times. He is the author of "Lou" (Harper), a memoir.



HOME TEAM Lou Piniella, top, in his Tampa, Fla., home; left, in 1978 after being called out in a playoff game; above, in 1946 with his parents.

PRIVATE PROPERTIES | CANDACE TAYLOR

British Singer Harry Styles Lists in Los Angeles

Pop star Harry Styles is putting his modern Los Angeles home on the market for \$8.495 million. That is significantly more than the British singer paid for the home. He bought it in January of last year for \$6.87 million, public

records show.

Mr. Styles spends much of his time in London, and he recently bought a home in Manhattan, said listing agent Justin P. Huchel of Hilton & Hyland, who declined to comment on the star's reasons for selling.

Mr. Huchel said the price increase reflects renovations Mr. Styles made to the house as well as "a very strong market" in Los Angeles. Mr. Styles couldn't be reached for comment.

In the Hollywood Hills, the

house has views of the Pacific Ocean and downtown, Mr. Huchel said. Measuring about 4,400 square feet, it has three bedrooms, a gym and a screening room. Large terraces overlook the city's skyline. The gated property, which sits on

roughly a quarter of an acre, also boasts a swimming pool and cabana. Part of the home's appeal is that it is located on a quiet street and vegetation shields the house from prying eyes, Mr. Huchel said. "There's a premium for

the privacy," he said.

Mr. Styles, 23, gained fame as a member of the popular boy band One Direction, which is now on hiatus. He recently released a self-titled debut solo album and is slated to begin a solo tour in September.



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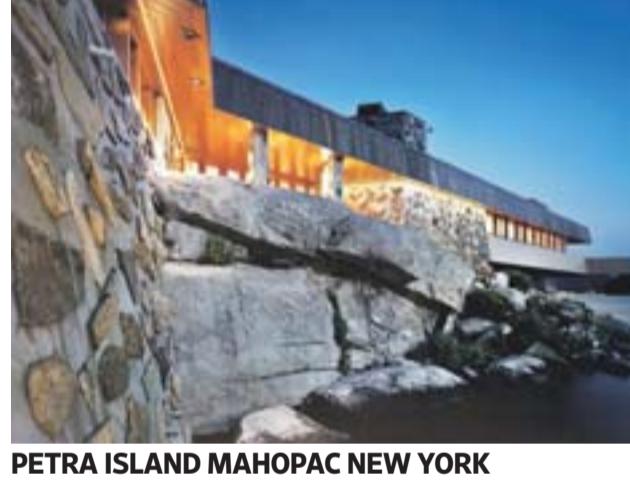
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MANSION



13,000 SQUARE FEET OF CHILD'S PLAY



ROOM TO GROW The back of the home has walls of windows, top, where Mrs. Baumgarten walks with Tigger beside the pool. Left, behind a large table in the lower level is a sleepover room with privacy curtains, a custom-cut mattress and electrical outlets for gadgets. Above, Dr. and Mrs. Baumgarten with their children, Eleanor, Champ, Eileen and Max in a sitting room.

Continued from page W7
wall, firehouse pole and zip line.
The Sioux Falls house is nothing like the couple's former home. In 2006, Mrs. Baumgarten, a business-management consultant, and her husband, Dr. Baumgarten, an orthopedic specialist, were renting a 611-square-foot apartment on Manhattan's Upper East Side. With their first child on the way, big-city living was wearing thin.

"I wanted a place to raise the kids where they wouldn't know the brand names of cars and clothes by grade school," she said. So two months pregnant with their first child, she and her husband took a friend's advice and moved to Sioux Falls, in southeastern South Dakota.

Dr. Baumgarten, now 44, a former assistant physician with the New York Mets, was offered a partner position at the city's Orthopedic Institute. Mrs. Baumgarten, 41, left her job shortly after the baby was born.

"We thought we'd give it two years," said Mrs. Baumgarten, who now owns and manages 19 rental properties in Sioux Falls. "Four kids later and we love it here."

In 2009, they bought a house on 2½ acres in a tree-lined neighborhood about a 10-minute drive from downtown, paying \$2.05 million, according to county records. With an eye toward making the home fun for their four children, the Baumgartens embarked on a four-year, roughly \$1.2 million renovation. They also built a guesthouse with a 2,500-square-foot apartment for Mrs. Baumgarten's mother, Mary Keane.

"Sara and I made a pact that I would stay and help raise the kids," said Mrs. Keane, 67, who moved to Sioux Falls from Kansas City, Mo., in 2010 after the couple's third child, Max, was born. Mrs. Keane's apartment includes the children's custom bunk beds for weekend sleepovers.

Extracurriculars are a big part of the couple's parenting philosophy. "I never wanted my kids to say they hate [a subject], because they're not good at it," Mrs. Baum-



FUN AND GAMES In the loft of Mrs. Keane's home, the children have custom bunk beds with peek-a-boo windows, above. Clockwise from right, the main home's living room, a skee-ball game and a performance stage.



DANA DANEWOOD FOR THE WALL STREET JOURNAL (7)

garten said. "Also, I like discipline."

To that end, the children take Mandarin and Spanish lessons from two international students who also live at the home. Math and music practice are a daily routine.

Building a fun house is serious work. The 4,000-square-foot basement was jacked up to raise the

ceiling height from 8 feet to 12 feet, said Troy Prosa of TAP Architecture, based in Minneapolis.

The family lived for a year with a large hole blown out of the lower level, where tons of dirt had to be excavated.

Mr. Prosa also designed the basement's musical stage, which has professional lighting and

sound. Nearby he created a sleepover room with privacy curtains, lots of plugs for electronics, and a custom-cut Tempur-Pedic mattress on the floor that can sleep eight. The custom-built curly slide gets more use than the stairs.

With four children, a grandmother, two visiting language tutors and two dogs, Spanky and

Tigger, the family uses all seven bedrooms and 11 bathrooms. Including the guesthouse and pool house, there are four kitchens and a home office that Mrs. Baumgarten shares with the children during study time.

"We'll never get our money back for this, but it is so worth it," she said. "I'm never selling."