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DJIA 20663.02 ▲ 0.27%

NASDAQ 6055.13 ▲ 0.73%

NIKKEI 19553.86 ▼ 1.32%

STOXX 600 389.19 ▼ 0.50%

BRENT 52.51 ▲ 0.57% GOLD 1251.70 ▼ 0.46%

EURO 1.1131 ▼ 0.25%

What's News

Business & Finance

SoftBank is disputing accusations of executive malfeasance, including alleged kickbacks, from attorneys who say they represent shareholders. **A1**

◆ France is opposing the possibility of relocating Europe's top financial regulator to Frankfurt from London after Brexit. **B1**

◆ Italy put Alitalia up for sale after months of fruitless talks with unions and the airline's shareholders. **B1**

◆ IBM is ordering its remote workers back to the office, a move it says will improve collaboration and speed the pace of work. **B1**

◆ Japan said its economy grew at a 2.2% rate last quarter, the fifth straight period of expansion, boosted by strong exports. **A4**

◆ The FCC backed a plan to begin rolling back net-neutrality rules, reopening a battle over regulation. **B4**

◆ Alibaba's quarterly sales jumped 60% and net nearly doubled on a wave of consumer spending in China. **B4**

◆ Facebook was fined by the EU for providing inaccurate information in its 2014 deal for WhatsApp. **B4**

◆ The White House doesn't support breaking up big banks, Treasury Secretary Mnuchin told lawmakers. **B5**

◆ GM said it would stop selling vehicles in India, in its latest retrenchment. **B3**

◆ U.S. stocks rose, rebounding back from their worst session of the year. **B7**

World-Wide

◆ Trump said he was the target of a "witch hunt," the morning after a special counsel was named to investigate Russia's alleged election interference. **A1**

◆ The Treasury secretary said he would review a request by Senate Democrats for a list of all of Trump's business contacts. **A5**

◆ A corruption scandal moved closer to Brazil's president, sending markets plunging and prompting calls for his impeachment. **A1**

◆ NATO is considering reviving a Cold War naval command to counter Moscow's increased submarine activity in the Arctic. **A3**

◆ The alliance is likely to formally join the coalition against Islamic State at a meeting next week. **A3**

◆ The U.S.-led coalition in Syria launched airstrikes on regime forces as they neared U.S.-backed rebels. **A3**

◆ U.K. Conservatives, softening their tone, opened the way to a financial settlement with the EU after Brexit. **A3**

◆ The White House told lawmakers it intends to launch formal negotiations on overhauling Nafta. **A4**

◆ One in six Americans married someone of a different race or ethnicity in 2015, new data show. **A5**

◆ A car plowed through a sidewalk in New York's Times Square, killing one person and injuring 22. **A5**

◆ Died: Roger Ailes, 77, built Fox News into a conservative media juggernaut. **B3**

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WORLD NEWS

Egypt, Saudis Draw Closer Ahead of Trump Trip



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

CAIRO—In private, Egyptian officials like to complain about arrogant and uncouth Saudis. In Riyadh, there is just as much eye-rolling about the supposedly unreliable and incompetent Egyptians.

Periodically, this tension erupts into open spats. Yet

these quarrels only go so far: no matter the mutual frustration, the Arab world's most populous coun-

try and its economic powerhouse simply can't afford not to get along with each other.

The latest such cycle of squabbles followed by reconciliation began in October, when Egypt—alone among Muslim members of the United Nations Security Council—supported a Russia-sponsored resolution on Syria. That angered Saudi Arabia, which backs Syrian rebels targeted by Russian airstrikes.

Tensions finally subsided in recent weeks, as President Donald Trump courted Cairo and Riyadh. The Trump administration is pushing for a new coalition of moderate Arab states hostile to Iran and open to cooperation with Israel that would be anchored on an alliance between Saudi Arabia and Egypt. Mr. Trump



Saudi King Salman and Egypt's President Sisi in Riyadh in April.

Saudi Fund Creates Arms-Making Firm

Monarchy aims to decrease dependence on suppliers in the U.S. and elsewhere in the West

Riyadh—Saudi Arabia's sovereign-wealth fund announced the establishment of a state-owned arms manufacturing company, a step intended to spur the growth of an indigenous military industry.

Riyadh, one of the world's biggest defense buyers, wants half of the money it spends on military equipment to go to local companies by 2030, from around 2% at present. The goal is part of the kingdom's efforts to diversify its economy away from oil revenues by developing a domestic industrial base.

The new company, called

Saudi Arabian Military Indus-

tries, will focus on manufacturing and repair in four units: aircraft, ground vehicles, weapons and missiles, and defense electronics, the kingdom's Public Investment Fund said. These capabilities will be developed in part through partnerships with foreign defense companies and local firms, it said.

The sovereign-wealth fund, a key engine of Saudi Arabia's plan to transform the economy, expects the creation of SAMI to lead to 40,000 new jobs—a priority for the Saudi government as it struggles to reduce youth unemployment.

The announcement comes ahead of U.S. President Donald Trump's Saturday arrival in the kingdom. The U.S. and Saudi Arabia are expected to announce a package of arms deals to coincide with the visit, Mr. Trump's first outside the U.S. since taking office.

—Margherita Stancati

by a sense that Egypt, once the Arab world's undisputed leader, has lost that mantle to Saudi Arabia's benefit. While the islands deal is still making its way through the courts and Egypt's Parliament, officials in Cairo suggest the actual hand-over won't happen soon because Mr. Sisi, amid Egypt's economic crisis, is loath to spark renewed protests.

In Riyadh, that is a detail that officials prefer not to notice in public. In a rare TV interview this month, the powerful Deputy Crown Prince Mohammed bin Salman said he had no doubt that the island issue will be resolved in time for one of the kingdom's major infrastructure projects—the King Salman Bridge that would link Egypt and Saudi Arabia via the disputed islands—to be started by 2020.

It is only Iran and the Muslim Brotherhood that are trying to provoke a quarrel between Cairo and Riyadh, he added. "Relations with deep roots do not get affected in any way whatsoever," Prince Mohammed said. "In the history between Egypt and Saudi Arabia, the two countries have always stood with each other during all circumstances and during all times and this has not changed."

To what extent that will be the case remains to be seen, as long as the main areas of disagreement remain unresolved, cautioned Abdel Moneim Aboul Fotouh, a moderate Islamist politician who ran for president in Egypt in 2012.

"The reasons behind the dispute still stand," he said, "and so this rapprochement is not built on strong bases."

wouldn't swiftly step aside for Mr. Arora to become chief executive. His resignation came after the allegations surfaced.

A January 2016 letter, sent to SoftBank by Boies, Schiller & Flexner and made public by the law firm, alleged Mr. Arora had conflicts of interest related to Indian deals. The firm says it represented a group of anonymous investors in SoftBank and its subsidiary Sprint Corp. Mintz & Gold LLP, another law firm, later took over the matter.

Then, in October, Mr. Giannakopoulos sent a letter to Mr. Son saying he represented SoftBank shareholders concerned about Mr. Sama's financial dealings, including payments made to him in connection with consulting on investments in the Indian companies.

The complaint sent to Indian authorities also points to those alleged payments. Other documents reviewed by the Journal show Mr. Sama was paid \$250,000 a month by SoftBank for six months of work related to three SoftBank deals as well as a \$3 million success fee, all through a British Virgin Islands company.

SoftBank said the arrangement had been disclosed and approved by Mr. Fisher, the SoftBank director. Mr. Fisher said he personally negotiated Mr. Sama's increased compensation and that Mr. Sama's work helped the company avoid substantial investment-banking fees.

Mr. Fisher said the investigation caused the board to have a broader "dialogue" that led to creating an independent compensation committee.

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FUND

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It isn't known whether Indian authorities have decided to pursue any formal investigation. SoftBank has denied all the allegations and is working to stop the letter-writing campaign by bringing a criminal complaint in Switzerland and stepping up an international investigation into the identity of the person or people behind the complaints.

SoftBank said this week that the allegations are false and part of a "malicious smear campaign" based on "falsehoods and innuendo."

On April 30, the head of Saudi Arabia's Public Investment Fund—which last year pledged to commit the \$45 billion to the Softbank fund—wrote a letter to SoftBank's board asking for more information about the allegations and SoftBank's internal inquiries, according to a copy of the letter reviewed by The Wall Street Journal. PIF declined to comment.

The accusations have come in the form of a series of letters from law firms and a Swiss consultant who claim to represent an undisclosed number of SoftBank shareholders. The lawyers and consultant declined to identify the shareholders, and nothing could be learned of their motives.

Besides kickbacks, the accusations include conflicts of interests, in which executives allegedly had personal investments connected to SoftBank consultants; and an improper consulting arrangement involving a shell company in the British Virgin Islands.

While it is unclear who filed the complaint with the Indian government, the other allegations against SoftBank come in letters made public and others sent over the past year to the company's board from Nicolas Giannakopoulos, a consultant based in Switzerland, and two

American law firms that say they represented other SoftBank shareholders.

In December, SoftBank filed a criminal defamation complaint in Switzerland against Mr. Giannakopoulos. It has hired global investigations firm Kroll Inc. to unmask any backers Mr. Giannakopoulos may have—and to try to figure out who else might be behind the campaign.

On his LinkedIn profile, Mr. Giannakopoulos describes himself as a private security and investigation consultant.

In public letters, Mr. Giannakopoulos asked the firm to oust the president and chief financial officer of its international arm, Alok Sama, over alleged financial misdeeds. The company says Mr. Sama did nothing wrong.

Mr. Giannakopoulos said this week he hadn't received a copy of the defamation complaint. "As an investor in SoftBank, I expected the company to be interested in investigating the issues I raised," he said in a statement.

"None of the allegations contain even a shred of truth," Mr. Arora said in a statement. Mr. Sama called the allegations "corporate terrorism masquerading as shareholder activism" and said they are based on "obvious untruths."

The campaign amounts to "disgraceful corporate blackmail" or "sabotage," said Ronald Fisher, a SoftBank director. "We have no understanding of what's driving it."

SoftBank's Indian investments were made in high-profile startups, including e-commerce company Snapdeal.com, ride-hailing service Ola and real-estate search portal Housing.com.



SoftBank Group Chairman and CEO Masayoshi Son.

didn't respond to requests to comment about the complaint.

The complaint alleges Mr. Sama and former SoftBank president Nikesh Arora received kickbacks from companies SoftBank invested in as the firm poured money into Indian startups in recent years.

In January, Housing.com merged with online real-estate firm PropTiger.com, which is backed by News Corp, the parent company of the Journal. A News Corp spokesman declined to comment.

Among the theories SoftBank management is considering is whether insiders could be involved in the campaign, according to people familiar with their probe. Some of the allegations rely on private documents, the people said, and may have been obtained via hacking.

SoftBank in October launched the Vision Fund, teaming with PIF, to create what could be a powerhouse investor in technology over the next decade. An announcement about the closing of the fund

could come as early as this weekend, according to a person involved in the negotiations.

SoftBank last year assigned a committee of independent directors and the law firm of Shearman & Sterling LLP to investigate claims raised in the letters to the SoftBank board. The company said the probe found no evidence of wrongdoing. Another firm, Morrison & Foerster LLP, conducted a second, more recent investigation that reached the same conclusion, SoftBank said.

One of the allegations made in the complaint to India's Enforcement Directorate is that Mr. Sama holds a personal investment connected to Raine Group, a U.S. merchant bank that consults for SoftBank.

SoftBank said its investigation found that Mr. Sama indeed held a stake in a Raine Group investment fund, and that it had been disclosed appropriately when he joined the company in 2015. SoftBank made a \$150 million investment in Raine Group in February.

Mr. Sama's investment has no connection to Raine's advisory business that earns fees from working with SoftBank, said Jeff Sine, co-founder of Raine Group.

The allegations against Mr. Arora first surfaced last year, just under two years after he joined SoftBank as its No. 2 executive and potential successor to Masayoshi Son, the Japanese billionaire founder of the company.

Mr. Arora was hired away from Google Inc. He resigned abruptly last year after, he said, Mr. Son told him he

Deadly Building Collapse in Sri Lanka



ONE DEAD: Rescue workers looked for survivors after a five-story building collapsed during construction in the Sri Lankan capital of Colombo. One person was killed; at least 22 were injured. The reason for the collapse wasn't immediately known.

CORRECTIONS & AMPLIFICATIONS

A Coty Inc. representative said e-commerce accounts for 7% of total beauty and personal-care industry sales. An interview with Coty Chief Executive Camillo Pane in Wednesday's Journal Report failed to make clear whether the 7% figure represented company or industry sales.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

WORLD NEWS

NATO Weighs Stronger Atlantic Presence

Bloc considers reviving Cold War-era command to counter Russian sub activity in Arctic seas

By JULIAN E. BARNES

BRUSSELS—The North Atlantic Treaty Organization is considering reviving a Cold War naval command to counter Moscow's increased submarine activity in the Arctic and protect Atlantic sea lanes in the event of a conflict, allied diplomats and officials briefed on the planning work said.

Discussions about bringing back NATO's old Atlantic Command indicate that the alliance remains focused on improving allied defenses against a resurgent Russia despite the Trump administration's demand for a greater focus on counterterrorism.

Top military officers from NATO nations—including the chairman of the Joint Chiefs, U.S. Marine Gen. Joseph Dunford—who were gathered in Brussels this week, received a briefing on a review of the

command structure, including options for the Atlantic post.

Military planners and defense experts warn that Russia's submarine fleet is increasingly able to operate in the Arctic and North Atlantic without detection, as NATO's ability to monitor its activities has declined since the Cold War.

Developing strategies to protect Atlantic sea lanes has risen in importance amid an alliance resurrection of Cold War plans for moving heavy military equipment rapidly from the U.S. to Europe in case of a confrontation with Russia.

If that were to happen, military planners and defense experts believe Russia's submarine fleet could complicate protecting U.S. convoys.

Researchers from the Center for a New American Security, a Washington-based think tank, recently briefed NATO Secretary-General Jens Stoltenberg on military challenges in the Arctic and Atlantic. They laid out results of war-game simulation in which Russian subs interrupt an alliance military exercise, attack a U.S. military transport ship, and



LEV FEDOSOV/TASS/ZUMA PRESS

Russia's Yury Dolgoruky nuclear ballistic-missile submarine arrives at the base of its northern fleet.

cut an undersea cable between Iceland and Canada, interrupting global communications.

An allied command focused on those issues, NATO officials briefed on the review said, could help create war plans to overcome challenges and prod allies to make crucial investments in surveillance planes, ships and other military hardware.

Czech Army Gen. Petr

Pavel, the chairman of NATO's military committee who is leading the review, said new challenges, like Russia's use of so-called hybrid or nontraditional military tactics, as well as separate rising terrorism threats, necessitate the review.

"We have to assess potential threats from any direction, including the North Atlantic, including the Arctic," Gen. Pavel said.

From 1952 to 2003, NATO had a Supreme Allied Commander, Atlantic, usually an admiral, with headquarters in Norfolk, Va., who focused on plans to ship war materiel to Europe from the U.S.

NATO aims to complete its command structure review by February 2018. But before then, alliance diplomats must hash

out delicate political questions about what NATO member would lead the command, the precise responsibilities and where it would be located.

The deployment of a new 4,500-strong NATO force to the Baltic Sea region has increased the need to ensure the allies have the freedom to use the Atlantic Ocean to reinforce the forward-positioned troops, an alliance official said.

The U.S. has allocated money to modernize Iceland's Keflavik Air Station. But Jerry Hendrix, a defense fellow at CNAS, said more allied resources including patrol boats, submarines and additional aircraft are needed for the Atlantic and Arctic.

If Russian subs can slip past Iceland undetected, they are able to hide easily and threaten U.S. reinforcements of European allies. Currently, in the event of a conflict with Moscow, allies would likely have to choose between escorting convoys carrying supplies to Europe or hunting Russian subs, said Mr. Hendrix, a retired Naval officer. If the U.S. can't move equipment to Europe, he said, the alliance will be weakened.



U.K. Prime Minister Theresa May announced her Conservative Party's election manifesto in Halifax, West Yorkshire, on Thursday.

U.K. Conservatives Soften Brexit Tone

By JASON DOUGLAS

LONDON—The U.K.'s governing Conservative Party opened the way to some financial settlement with the European Union after Brexit, appearing to soften its stance on a likely early sticking point in coming negotiations, as it published its manifesto for a national election on June 8.

The party, which opinion polls suggest will win the election with an increased majority, confirmed it intended to extract Britain from the bloc's customs

union as well as its single market for goods and services.

The manifesto reiterated Prime Minister Theresa May's hard-line stance that Britain is prepared to scrap talks if it can't reach a satisfactory deal in the talks. "[W]e continue to believe that no deal is better than a bad deal," it said.

Analysts said including these and other commitments in the election manifesto could help Mrs. May overcome any lingering parliamentary resistance if she wins a comfortable majority. A parliamentary convention

means the unelected House of Lords—a majority of whom have strong qualms about exiting the EU—don't normally oppose manifesto pledges.

"This suggests that May has an eye on the parliamentary battles that could lie ahead if the talks collapse," said Murtaza Rahman, head of Europe at risk consultancy Eurasia Group.

The manifesto said Britain will agree to a "fair settlement" to honor past commitments to the EU budget not yet paid, but stressed "the days of making vast annual

contributions to the European Union are over." That paves the way for a deal on money that had threatened to upset the early stage of talks.

Some European officials estimate the bill for Brexit could be as high as €100 billion (\$112 billion), though British ministers say they won't pay anywhere near as much.

In a speech launching the Conservatives' policy proposals, Mrs. May described Brexit as "a chance to step back and ask ourselves what kind of country we want to build together."

BRUSSELS BEAT | By Stephen Fidler

How to Avoid a Hard Border in Ireland

Here's an issue that will quickly occupy Brexit negotiators once they get down to business next month: the appearance soon of a new European Union border on the island of Ireland.

The frontier poses a real problem for both sides, with Britain's departure from the bloc, which the U.K. and Ireland joined in 1973, threatens the free movement of people and goods across the border that has come with EU membership. According to Irish government figures, 177,000 trucks, more than 200,000 vans and 1.85 million cars take advantage of this every month.

The U.K. and Ireland have said they want no return of a "hard border" and the barriers and border posts reminiscent of the conflict in Northern Ireland. "You can see how fast we come to a question of war and peace," German Chancellor Angela Merkel said on Wednesday in remarks about Brexit and Ireland.

In an interview last week, Tony Blair, the former British prime minister, said negotiators "should treat Ire-

land as a special case and we should do everything we possibly can to preserve what is there now." Mr. Blair was an architect of the accords that brought peace to Ireland, which even after 20 years remains fragile.

He said he detected "a huge desire in the U.K., in Ireland and in Europe to come up with a smart solution."

But current Prime Minister Theresa May made two pledges in her Conservative Party election manifesto on Thursday that made a hard border more likely.

She promised Britain would leave the EU customs union, which means customs checks on goods, and to cut net migration to the U.K. to tens of thousands annually from hundreds of thousands today.

Denis MacShane, a Europe minister when Mr. Blair was prime minister, said Irish politicians and others who insisted there will be no customs checks and border posts between Northern Ireland and the Republic of Ireland if Britain leaves the customs union "are pulling the duvet over their heads."

As Mr. Blair pointed out,

leaving the customs union and the EU's zone of common regulation known as the single market is an issue mostly for the EU.

On the other hand, it is the U.K. that wants control over movement of people.

But the U.K. has also said it wants to preserve the so-called Common Travel Area between the U.K. and Ireland that dates back to 1923 and allows citizens of each country to travel to and live and work in the other.

So how does this all happen?

There are three approaches that could help.

Technological. Electronic customs checks operate widely across the world. Ireland's Revenue Commissioners say 92% of goods imported into Ireland from countries outside the EU are processed and cleared within 30 seconds. Ireland will have to scale up its operation to cope with U.K. imports.

Customs clearance isn't necessary now on trade with the U.K. but, after Brexit, many checks could also be carried out at approved premises of importers in the

North, away from the frontier, the commissioners say.

Spot checks and big fines. This would allow people to self-declare what they are bringing into the EU, even via an app on their smartphones. There could be border monitoring of vehicles and spot checks together with hefty fines for violators.

Political. The entire island of Ireland could remain part of the single market and the customs union. In practical terms, that would push the customs clearance problem over the Irish Sea into Great Britain. The Common Travel Area could be retained with the U.K. able to carry out identity checks between the island of Ireland and Great Britain.

The big problem with that would lie in the likely fierce opposition from Protestants in Northern Ireland loyal to the British crown. They likely would view it as the start of a slippery slope toward the political unification of Ireland.

The smoothest solution is thus probably ruled out on political grounds. The other ideas reduce the need for barriers and guards at borders. But they couldn't replicate today's frictionless movement of goods and people.

its allies were preparing to launch a military offensive at al-Tanf, officials said.

It was unclear what elements of the Damascus-aligned forces the coalition airstrikes hit. The Syrian government is supported by Russian forces, the Lebanese militant group Hezbollah, Iraqi Shiites, and Iran.

The incident at al-Tanf brings the U.S. and the Syrian regime and its allies closer to full-on military conflict when the U.S. and Russia are discussing ways to de-escalate and find ways to avoid striking each other in Syria's volatile mix of regional and international forces fighting on various fronts.

The U.S. in April struck a Syrian air base with dozens of cruise missiles in response to the regime's alleged use of chemical weapons, in the first such U.S. operation. The strike on Thursday apparently was the first to target Syrian military personnel.

Coalition Warplanes Strike Assad Forces

By MARIA ABI-HABIB

WASHINGTON—The U.S.-led military coalition in Syria launched airstrikes on Syrian regime forces as they approached U.S.-backed rebels in al-Tanf, on the border with Jordan, according to two U.S. officials.

The U.S. strikes hit advancing regime forces at 4 p.m. local time to head off their advance on al-Tanf, where U.S. special operations forces operate along with Maghawir al Thawra, an elite Syrian rebel force.

"The coalition struck regime elements in the vicinity of Tanf after the regime failed to respond to warning to stop [the] advance," said one U.S. official briefed about the incident. "There have been worries recently that this would happen as regime and regime-affiliated forces get closer to Tanf."

Over the past week, U.S. officials have expressed concern that Syria's government and

Alliance Seen Joining Coalition Fighting ISIS

By JULIAN E. BARNES

BRUSSELS—The North Atlantic Treaty Organization is likely to formally join the coalition against Islamic State at a meeting of the top alliance leaders next week, officials said.

NATO Secretary-General Jens Stoltenberg on Thursday said the move is still under discussion and no final decision has been made. But he highlighted the advantage of NATO joining the coalition, a shift in tone officials said was a sign of emerging consensus within the alliance.

"Allies who are arguing in favor are pointing to the fact that by joining the coalition NATO could send a clear message of political support," Mr. Stoltenberg told reporters, ahead of a meeting with European Union defense ministers.

NATO joining the coalition is largely a formality. All NATO countries are also members of the broader U.S.-led coalition against Islamic State. Mr. Stoltenberg said it is difficult to make a distinction be-

tween the NATO organization and NATO members.

France, Germany and other allies have voiced skepticism about NATO joining the coalition effort. Some allies fear it could open up NATO to take a combat role or put more of the cost of the coalition effort on the alliance. Others have said it would marginalize Arab nation's contributions to the fight.

NATO diplomats have until Friday to voice objections to the move. Top NATO military officers on Wednesday endorsed the move.

"Having NATO as a member of the defeat-ISIS coalition puts them at the table when we have discussions, and opens up information and intelligence sharing," U.S. Marine Gen. Joe Dunford, the chairman of the Joint Chiefs of Staff, said after a NATO meeting in Brussels.

Top NATO leaders, including U.S. President Donald Trump, will gather Thursday in Brussels to discuss the alliance's counterterrorism work and efforts to boost European military spending.



INTS KAUNINS/REUTERS

German soldiers rested at a NATO exercise in Lithuania Wednesday.

WORLD NEWS

Japan Manufacturers Drive Growth Run

Strong exports contribute to rising GDP, setting the U.S. an example to match

By YOKO KUBOTA

TOKYO—Japan's longest growth streak in more than a decade is partly the result of a strength U.S. President Donald Trump would like to emulate: a robust manufacturing base that is shipping to overseas markets such as China.

The government said on Thursday that an 8.9% rise in exports helped the economy grow at an annualized 2.2% in the first quarter, marking the fifth straight quarter of expansion. That run, the longest since 2006, signals that the radical economic-stimulus program introduced by Prime Minister Shinzo Abe more than four years ago—known as Abenomics—may finally be turning a corner.

To be sure, all isn't rosy. Workers have seen little improvement to their paychecks as cautious companies curb raises. And Japan's declining population, inflexible labor laws, strict caps on immigration and an uncertain global outlook also suggest major risks for the economy.

Still, Japan now looks poised for steady, modest growth after a decadeslong period of stagnation. Strong demand for high-tech products like smartphones is buoying Japanese companies that supply the guts of the devices, even if their names no longer grace their packages.

Driving the recovery are companies like Fuji Techno



Workers operate metal-drilling equipment at Fuji Techno Machine, a family-owned parts maker in Tokyo that employs six people.

Machine Co., a maker of metal components used in machines that in part make displays for the next version of Apple Inc.'s iPhone and semiconductors. The family-owned business operates out of a small green hangar in southern Tokyo, its air filled with metal-drilling sounds and lubricant odor.

The chief, Hajime Iimuro, regularly pays overtime to his six workers, unable to find another worker in an environment of 2.8% unemployment.

"It's gradually been getting busier and busier," he said.

Fuji Techno Machine is one of the some 490,000 manufac-

turers in Japan serving as the backbone of the world's third-biggest economy after the U.S. and China. From small suppliers to major companies, many of them are winning in export markets.

One of the fastest-growing is China, where factories assemble the parts crafted by Japanese machines. And a weaker Japanese currency under Mr. Abe is lifting competitiveness.

That playbook may sound familiar to Mr. Trump, who built his "America first" presidential campaign around a promise to bring manufacturing jobs back home. Mr.

Trump has pledged to tax Chinese imports and has suggested the U.S. needs a weaker dollar to compete better in places like China.

The U.S. lost millions of such jobs to lower-wage countries, especially to China after it joined the World Trade Organization in 2001. Manufacturing now accounts for about one-eighth of the U.S. economy, compared with nearly one-fifth in Japan. While the same forces have affected Japan, its manufacturers have done better at securing spots in the supply chain that China can't easily replace, especially

in finely crafted parts such as Mr. Iimuro's that require skilled labor.

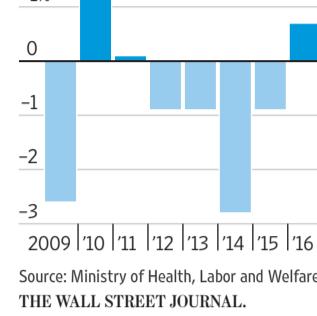
Another example, Tokyo Electron Ltd., which makes equipment used by chip makers, is building a new tower at its plant in northern Japan so it can store more components to speed up production. Murata Manufacturing Co. says its plants are running full tilt to make capacitors used in smartphones and cars.

A survey of 616 manufacturers by SMBC Nikko Securities found their operating profit in the January-March quarter rose nearly 20% com-

Worried Workers

Real wages in Japan—what paychecks are worth after inflation—have risen in only three of the past eight years.

Real wages, change from a year earlier



Source: Ministry of Health, Labor and Welfare THE WALL STREET JOURNAL.

pared with a year earlier, helping drive the Nikkei Stock Average near a 17-month high.

Mr. Abe took office in December 2012 vowing to reverse decades of stagnation with bold monetary easing and fiscal expansion. The effort hit a setback in 2014, when Mr. Abe went through with a tax increase approved under the previous government.

More recently, ultralow interest rates set by the Bank of Japan have finally begun to boost lending at home, while the lower yen has fueled a tourism boom that helps hotels and airlines. Economists say global demand for internet-linked devices and an upswing in China are driving Japanese exports.

Still, as Mr. Abe acknowledged, his revival plan has fallen short in a crucial area: wages. They are barely growing because companies are cautious about handing over their rising profits to workers.

Australian Tax Officer Is Probed

BY ROB TAYLOR

CANBERRA, Australia—A top Australian tax official who has helped lead global tax-evasion investigations is caught up in one of the country's biggest white-collar-crime cases after two of his adult children were arrested in an alleged US\$123 million scheme to defraud the government.

Taxation Office Deputy Commissioner Michael Cranston was ordered Wednesday to appear June 13 in a Sydney court, where prosecutors say they are considering charging him with abusing his position as a senior public official. He is helping to direct a Dutch tax investigation into Swiss banks and a related probe into an offshore tax-avoidance strategy known as the Panama Papers scandal.

Mr. Cranston and his lawyers couldn't be contacted. A senior investigator said that while Mr. Cranston wasn't involved in the alleged fraud, his son is accused of asking his father to access restricted tax-audit records. Mr. Cranston was suspended from his position on Wednesday, a tax-officer spokeswoman said.

The case is embarrassing for Australia's conservative government, which has been a leading international critic of complex tax-avoidance strategies used by multinational companies and has led global calls for a crackdown on overseas tax-haven arrangements.

Tax office Commissioner Chris Jordan and Mr. Cranston have been the leading voices of their efforts.

"We have zero tolerance for this type of conspiracy, this type of fraud, this type of abuse of public office," Australian Prime Minister Malcolm Turnbull said Thursday after a series of raids by the Australian Federal Police.

Mr. Cranston, 58 years old, was issued a court summons after his son and daughter, Adam and Lauren Cranston, and seven other people were arrested and accused of being involved in a syndicate to defraud the government, police said. Police said tax-office investigators had estimated the amount of tax obligations not paid to be about 165 million Australian dollars (US\$123 million).

Lawyers for Lauren and Adam Cranston couldn't be contacted.

NAFTA

U.S. Ready for Talks On Overhauling Pact

The Trump administration informed U.S. lawmakers that it intends to launch formal negotiations on overhauling the North American Free Trade Agreement, a gamble by President Donald Trump that he can win concessions from Canada and Mexico and push a deal through Congress.

Mr. Trump, who called the trade deal a "disaster" on the campaign trail, threatened to pull the U.S. out of Nafta as recently as last month and is signaling he will bring maximum negotiating leverage to the talks, potentially pitting Canada against Mexico in ways that could significantly alter the 23-year-old pact.

In a letter to congressional leaders, U.S. Trade Representative Robert Lighthizer said the administration would start talks in as soon as 90 days, in line with congressional rules on negotiating trade deals subject to expedited consideration by lawmakers.

Mr. Trump has vowed to put U.S. workers first and make major changes in Nafta. Still, Canada and Mexico have only limited room to make deep concessions given their own domestic political situations, as well as the risk that Washington's political divisions—and Mr. Trump's trade-related threats—could derail a deal.

"To say that there are a number of distractions for the

White House and the entire administration is an understatement, so that does create an anomaly in what would otherwise be a straightforward negotiation," said Peter MacKay, former Canadian foreign minister and partner at the Toronto office of law firm Baker McKenzie.

Mr. Lighthizer, confirmed by the Senate last week, said he hopes to wrap up negotiations by the end of the year, a key goal for officials worried Mexico's presidential election next year could weigh on the talks.

Mr. Trump was elected in part with a message of regaining American manufacturing jobs, and Mr. Lighthizer said

Thursday that manufacturing will be a key focus of the talks.

Many economists and trade experts say it will be hard to structure a trade deal that brings back labor-intensive manufacturing jobs, especially when wages are so much lower south of the U.S. border. Labor standards, included as an annex to the original Nafta deal as implemented in 1994, will be front and center in this year's talks, Mr. Lighthizer said.

Mr. Lighthizer's assertion that Nafta has been bad for American manufacturers will be hotly contested by the U.S. business community, which has argued that the pact has done a lot to

sustain some U.S. factories by creating more efficient continental supply chains that allowed North American firms to better compete globally.

—William Mauldin

MEXICO

Central Bank Raises Interest Rates

The Bank of Mexico lifted interest rates by a quarter percentage point in a further indication that it is worried about a rising inflation rate that hit an eight-year high last month.

The overnight interest-rate target now stands at 6.75%, the

highest since March 2009. The central bank has raised the rate six times since September.

Many economists were expecting the bank to stand pat on rates as the recent increases have already helped to stabilize the peso, while the protectionist rhetoric of U.S. President Donald Trump still looms over the country's growth outlook. Some fear higher borrowing costs could hamper steady economic growth so far this year.

But in recent weeks, consumer prices have risen more than expected, hitting an annual rate of 5.8% in April—the highest since May 2009 after a jump in gasoline prices early this year.

"The main challenge ahead for the bank's board is to avoid any secondary effects on prices, keeping inflation expectations anchored in the mid and long term," the bank said in its statement, referring to a broader impact that higher gasoline prices and the depreciation of the peso over the past year could have on prices.

The bank said it is closely watching the monetary stance relative to the U.S., where the Federal Reserve raised rates in March but left them unchanged early this month.

Since September, the Bank of Mexico has raised rates by 2.5 percentage points, widening the spread between local and U.S. yields in an effort to make the peso more attractive for investors and avoid a persistently weak currency from making imports more expensive.

—Juan Montes

BRAZIL

Continued from Page One

was monitoring markets to ensure proper functioning as investors rushed for dollars.

According to O Globo, the recordings were made by Joesley Batista, the chairman of JBS SA, one of the world's biggest meatpacking firms, as part of a plea deal with prosecutors related to the massive Car Wash investigation into graft. The Wall Street Journal couldn't independently verify the allegations made in the O Globo report or obtain a copy of the recording. A lawyer for Mr. Cunha declined to comment. Lawyers for JBS also declined to comment.

The embattled president immediately lost support in Congress. Shortly after the newspaper report, the opposition party Rede filed an official impeachment request in the lower house. Opposition

politicians including Sen. Lindbergh Farias and Sen. Vanessa Grazziotin have called for Mr. Temer's resignation or impeachment. The Podemos Party announced Thursday its 13 deputies were leaving the government's coalition in the lower house of Congress.

Within hours of the report's release, protests erupted in São Paulo and Brasília calling for Mr. Temer's departure.

"I have no doubt Temer's presidency is over. My main problem today is that I don't know who will be Brazil's president next week," said Pedro Paulo Silveira, chief economist at the Nova Futura brokerage in São Paulo.

"Some politicians continue to use their parties and their seats to commit crimes against the State and the society," Attorney General Rodrigo Janot said in documents filed to the Supreme Court, according to a statement re-

leased by his office on Thursday. It didn't say when the filing took place.

The new allegations stunned a country that has been repeatedly roiled for three years by a spectacular investigation exposing what is

predecessor, Dilma Rousseff. Roughly a third of Mr. Temer's cabinet are under formal investigation.

The allegations are the biggest blow to Mr. Temer since he took the presidency following the departure of Ms. Rousseff, who was voted out by Brazil's Congress on charges she doctored the country's budget to cover up a growing deficit. After her ouster in August, Mr. Temer, her vice president, was inaugurated.

Mr. Temer, who belongs to a different party than Ms. Rousseff, has set about trying to overhaul a stagnant economy, moving to slow a widening budget shortfall by impose public-spending caps and revamping the country's generous retirement laws. The government also hoped to undo some business regulations to promote investment again. Most of these measures, however, still await congressional approval.

"It's impossible to talk

widely seen as the world's biggest corruption scheme to date, centered on kickbacks worth billions at state-run oil giant Petrobras SA.

The probe, called Operation Car Wash, has led to the arrest of scores of the leading business figures and politicians, including Mr. Cunha, and helped lead to the impeachment of Mr. Temer's

about anything getting through Congress now," said Mr. Silveira, the economist. All the money that had entered Brazil in expectations of the economic initiatives passing will leave instead, he said.

UBS, which oversees \$2.2 trillion in assets for private investors in its wealth management businesses, is reviewing its Brazil strategy, said Alejo Czerwonko, the Swiss bank's emerging-market strategist for wealth management.

"We always saw Car Wash as short-term pain, long-term gain," he said. "We recognize [the latest report] is a serious situation, with serious accusations."

If Mr. Temer is ultimately impeached, Brazil's congress would elect an interim president to serve out the remainder of the presidential term until the scheduled presidential election in 2018. Congress would likely pick another reform-minded leader, analysts said.



PENSIONERS PROTEST: Greeks marched on Thursday to protest against cuts to their stipends.

INT'L NEWSPAPERS/REUTERS

U.S. NEWS

Budget Fight Slows GOP Tax Overhaul

Intrapharty battles over deficits, entitlements and military spending are delaying effort

By RICHARD RUBIN
AND KATE DAVIDSON

WASHINGTON—To advance a tax overhaul this year, congressional Republicans first must clear a tricky hurdle: They need to agree on a budget.

In many years, budget resolutions are superfluous or impossible because the House and Senate are controlled by different parties. In fact, in eight of the past 15 years, Congress didn't even complete one.

This year, that isn't an option if Republicans want to advance their fiscal agenda. Yet even though they control both houses, an array of challenges stand in their way, including intense intraparty fighting over priorities including deficit reduction, restraining entitlement costs and increasing military spending.

"It's going to be tough," said Mick Mulvaney, the White House budget director and a former House member. "It's tough every single year."

The budget-writing process starts in earnest next week

when President Donald Trump releases the details of his own budget plans, including economic projections and spending plans for entitlements and federal agencies.

House and Senate budget committees will follow with their own proposals, likely after Congress returns from its Memorial Day recess. Then the full House and Senate will have to vote and resolve any differences. Mr. Trump doesn't need to sign the resolution.

Congressional budget resolutions—like scaffolding for a building—serve as blueprints that lawmakers use to set spending levels for the coming fiscal year. Congress then uses the blueprint to write specific spending bills for agencies that go to the president for sign-off. In some past years, Congress has passed spending bills without the blueprint.

The resolution for fiscal 2018 is important because, according to the complex rules of budget writing, it opens the way for a process, called reconciliation, that allows certain tax and spending bills to pass the Senate on a simple majority vote.

Getting a budget resolution that the House and Senate both agree on is a critical step



House Speaker Paul Ryan and other Republican leaders are seeking to bring together the party's competing coalitions.

because Democrats are unlikely to support a Republican tax overhaul.

The challenge with this resolution: Republican Party fissures and competing coalitions among tax reducers, spending cutters, defense hawks and budget balancers leave GOP leaders with little room for error as they try to forge a budget plan for 2018.

"Am I confident?" said Rep. Mario Diaz-Balart (R., Fla.), a Budget Committee member. "I'm confident that it's a very difficult task. That I do know. And I'm confident that clearly both the chairwoman and the members of the committee

and I think the Republican leadership want to get it done, but I just know that this is going to be a very, very difficult task."

The House plan will balance by the end of the 10-year budget window, a GOP aide said. The House budget is likely to include, as it has before, cost-saving changes to Medicare that would turn it into a program with government subsidies to purchase private, fee-for-service insurance through an insurance exchange.

Republicans may also propose changes to other so-called mandatory programs. That category includes Medic-

aid, federal workers' retirement programs, student loans and food stamps.

The budget will also set the parameters of the tax plan, including the yardstick for measuring tax changes and the maximum size of any tax cut.

Speaker Paul Ryan (R., Wis.) and Rep. Kevin Brady (R., Texas), the chairman of the House Ways and Means Committee, want what is known as a revenue-neutral tax bill, after assuming the tax cuts can cause economic growth.

But other Republicans—including, at times, the Trump administration—want a tax cut that reduces revenue on net.

That could mean a temporary tax cut so the bill complies with reconciliation rules.

Rep. John Yarmuth (D., Ky.), the top Democrat on the House Budget panel, said Republicans will have trouble getting a House plan through the Senate.

The budget-writing process "forces into the open some of the fiscal choices that the Trump administration and congressional Republicans are thinking about making," said Jacob Leibensperger at the left-leaning Center on Budget and Policy Priorities.

—Nick Timiraos contributed to this article.

President's Business Contacts Requested

By KATE DAVIDSON

WASHINGTON—Treasury Secretary Steven Mnuchin said at a hearing on Capitol Hill that he would review a request by Senate Democrats to provide a complete list of all business contacts of President Donald Trump.

Sen. Sherrod Brown (D., Ohio), the top Democrat on the Senate Banking Committee, pressed Mr. Mnuchin on Thursday to commit to turning over details of the president's "financial entanglements," which he requested in a March 2 letter to the secretary, adding that Americans are troubled by those business connections.

"That's not an academic or political science exercise," he said. "It's about the national security of this country."

The hearing was Mr. Mnuchin's first time testifying on Capitol Hill since his confirmation hearing in January. But his appearance was largely overshadowed by growing political scandals at the White House that threaten to derail the GOP's legislative agenda, including plans for a sweeping rewrite of the U.S. tax code.

Mr. Brown also warned Mr. Mnuchin about the importance of administration officials telling the truth, and said members of the committee felt compelled this week to ask several candidates for high-level Treasury jobs whether they would put the law and Constitution above loyalty to the president. That was before reports surfaced that Mr. Trump asked then-FBI Director James Comey to back off an investigation into one of his top aides, Mr. Brown said.

"Honesty is critical," he said, adding, "You can't lead if we don't believe you."

Mr. Mnuchin also defended the administration's goal of achieving sustainable economic growth of 3% or higher as reachable "if we make historic reforms to both taxes and regulation."

He reiterated the Trump administration's goal to provide "meaningful relief" for middle-class Americans through an overhaul of the U.S. tax code, and said any plan "should be paid for" by economic growth.

—Andrew Ackerman and Ryan Tracy contributed to this article.

Chaos After Car Strikes Pedestrians

By ZOLAN KANNO-YOUNGS

An 18-year-old woman was killed and 22 others were injured when a car plowed through a crowded sidewalk in Times Square around midday Thursday, the New York Police Department said.

The driver, Richard Rojas, a 26-year-old U.S. citizen who served in the Navy, was apprehended by police and civilians after he crashed into a stanchion, NYPD Assistant Chief of Manhattan South William Aubrey said. NYPD Commissioner James O'Neill said police weren't treating the incident as an act of terrorism.

Mr. Rojas, who has two previous arrests for drunken driving, was driving a 2009 Honda Accord south on 7th Avenue when he made a quick U-turn at 42nd Street, Chief Aubrey said. Mr. Rojas mounted the westside sidewalk at 42nd and 7th Avenue and drove for three and a half blocks, striking the 23 people.

Between 42nd Street and 43rd Street, Mr. Rojas hit the 18-year-old woman, who was killed, Chief Aubrey said. Her sister, 13, was taken to a hospital with nonfatal injuries.

After striking the stanchion near 45th Street, an NYPD traffic agent and patrol officers took the man into custody, Chief Aubrey said. Mr. Rojas was questioned by investigators and was being tested for alcohol and drugs,



The driver was apprehended by police and civilians after crashing into a stanchion in Times Square.

the police chief said.

"We all feel deeply right now for those who were injured and for the families and in particular the family of the young woman who was lost," New York City Mayor Bill de Blasio said.

Daniel Nigro, commissioner of the New York City Fire Department, said four people suffered critical injuries "with open fractures and trauma"; three additional pedestrians had serious injuries; and 15 people suffered more minor injuries. They were all expected to live, Mr. Nigro said.

est, he said, "requires me to place this investigation under the authority of a person who exercises a degree of independence from the normal chain of command."

At Thursday's closed-door briefing with senators, Mr. Rosenstein told lawmakers he already knew Mr. Comey would be fired before he wrote a memo criticizing the former director's leadership at the FBI, according to Sen. Claire McCaskill (D., Mo.), who attended the briefing.

Mr. Rosenstein's memo about Mr. Comey was initially cited by the White House as the basis for Mr. Comey's dismissal. The president later said he had already decided to fire Mr. Comey.

When Mr. Rosenstein was asked further questions about why he wrote the memo justifying Mr. Comey's firing, he demurred, saying those questions would be explored by Mr. Mueller, according to Sen. Bill Cassidy (R., La.).

When Mr. Rosenstein named Mr. Mueller late Wednesday as special counsel to oversee the inquiry, he was met largely

with praise from lawmakers on both sides of the aisle.

After the briefing, Sen. Lindsey Graham (R., S.C.) said Congress's role investigating Russia's alleged election meddling would likely be limited because of Mr. Mueller's probe.

"Now Congress has pretty much been sidelined," he said. "If I were Mr. Mueller I'd want to guard jealously the witness pool."

Others disagreed. Sen. Marco Rubio (R., Fla.) said he believed that Mr. Mueller's in-

vestigation wouldn't interfere with the Senate investigation.

On Twitter on Thursday, Mr. Trump suggested that other politicians didn't face the same type of scrutiny.

"With all of the illegal acts that took place in the Clinton campaign & Obama Administration, there was never a special counsel [sic] appointed!" he wrote.

The president didn't identify the alleged illegal acts.

During former President Bill Clinton's time in office, Independent Counsel Kenneth Starr led a broad inquiry into alleged misconduct by the Democratic president, beginning with a probe into allegations of wrongdoing in the Whitewater real-estate deal and culminating in Mr. Clinton's impeachment in connection with his affair with White House intern Monica Lewinsky.

During the tenure of former President Barack Obama, also a Democrat, neither a special prosecutor nor an independent counsel was appointed to investigate the White House.

—Aruna Viswanatha contributed to this article.

TRUMP

Continued from Page One
tration official confirmed Thursday.

Asked if Mr. Lieberman was one of his top picks, Mr. Trump said, "He is."

White House officials have said they have been moving quickly to nominate Mr. Comey's successor. Mr. Trump interviewed several candidates this week. The new FBI director, though, won't be dealing with the Russia probe since that assignment has now been handed to Mr. Mueller.

Mr. Rosenstein's appointment of a special counsel, an unusual step, marks a significant new phase in the high-stakes investigation into Russia's role in last year's election, which has swept up the Trump administration and distracted lawmakers from their policy agenda.

Mr. Rosenstein said in a statement Wednesday that he named a special counsel due to the inquiry's "unique circumstances." The public inter-



Former FBI Director Robert Mueller, pictured in 2013.

U.S. WATCH

RACE

Dramatic Rise Seen in Intermarriage Rates

One in six American newlyweds married someone of a different race or ethnicity in 2015, a fivefold increase in the 50 years since the Supreme Court recognized a nationwide right to intermarriage, according to new data released Thursday by the Pew Research Center.

The most dramatic increases have been among African-Americans, though black men are much more likely than black women to intermarry. Asian and Hispanic newlyweds are by far the most likely to have intermarried, with nearly three in 10 marrying someone of a different race or ethnicity.

In 1967, when the Supreme Court handed down its landmark Loving v. Virginia decision, just 3% of newly married couples were intermarried. By 2015, that had climbed to 17%, according to a Pew analysis of census data.

"It's a striking number to me and it shows the future of the country," said Gretchen Livingston, the report's lead author.

—Laura Meckler

CONGRESS

Head of Oversight Panel to Step Down

Utah Rep. Jason Chaffetz, the Republican leading the House committee responsible for conducting oversight and investigations of the White House, is planning to step down from Congress at the end of June, according to Republican aides and lawmakers familiar with his plans.

Mr. Chaffetz, chairman of the House Committee on Oversight and Government Reform, announced in April that he wouldn't run for re-election and hinted he might step down early to take a job in the private sector. Mr. Chaffetz and his spokeswoman didn't return requests for comment.

His departure casts uncertainty into what is next for the committee's investigations. The committee has been looking into whether President Donald Trump may have asked former FBI Director James Comey to back off the investigation of former national security adviser Michael Flynn shortly after Mr. Flynn had resigned. The committee is also looking into whether Mr. Flynn may have violated the law by failing to obtain required permission from the U.S. Army and U.S. State Department before receiving money from entities associated with the Russian and Turkish governments.

—Natalie Andrews

IN DEPTH

DRUG

Continued from Page One
Inc., leveraged the emotional appeal of the parents' stories. Without that, the drug—eteplirsen—likely wouldn't have been approved, said stock analysts, investors and people close to the matter.

An FDA advisory committee voted 7-6 last year to oppose the drug's approval, a position later overruled. The Wall Street Journal found that a majority didn't know how Sarepta's consultant had guided the patients' families.

"More might have voted no if they were aware," said Dr. Bruce Ovbiagele, a committee member, when he learned the role the company consultant played in helping parents prepare for FDA hearings.

Relationships between companies and advocacy groups are important to know about, said Dr. G. Caleb Alexander, co-director of the Johns Hopkins Center for Drug Safety and Effectiveness, who served as chairman of the FDA's advisory committee. "The advisory committee received little information about how that played out in the development of eteplirsen."

Companies that need Washington have turned to new, often untraceable tools—including hidden involvement with grass-roots organizations—to lobby decision makers and help sway public opinion. Many of these emerging tactics fall outside the government's longstanding definition of lobbying and remain masked to both officials and the public, making it hard to know how companies are interacting with the people charged with running the country.

Eteplirsen's drug application coincided with a shift at the FDA to give a larger role to patient families and advocacy groups. The change helped propel the drug-campaign effort by Sarepta and parents.

"The FDA's regulatory decision-making on medical products is science-based and involves the careful evaluation of risks and benefits for the drug at issue and is informed by science, medicine, policy and judgment," an agency spokeswoman said.

This account of the drug's FDA application is based on interviews with parents, company officials, investors and current and former FDA officials.

When Ms. McNary first talked with Mr. Garabedian in 2012, his company was approaching the one-year mark in a clinical trial of eteplirsen.

DMD, a genetic disorder that targets boys, is usually diagnosed around kindergarten. It saps muscle strength and by adolescence leaves many of its victims in wheelchairs. Boys with DMD lack the protein dystrophin, which is critical to muscle function. In time, their hearts and respiratory systems stop working. Few survive past their 20s.

Researchers believed eteplirsen could help patients produce enough of the missing protein to slow DMD's progression.

"This drug works," Ms. McNary said, introducing herself to Mr. Garabedian at the DMD conference. Her youngest son, Max, 10 years old at the time, was one of a dozen boys enrolled in the eteplirsen drug trial at the Nationwide Children's Hospital in Columbus, Ohio. After four months on the drug, she said, Max could open a milk carton and needed a wheelchair less often.

Ms. McNary turned out to be the cheerleader Mr. Garabedian

needed. His company had just been warned by the Nasdaq Stock Market that its share listing might be dropped from the exchange for trading below \$1.

Mr. Garabedian told the Journal his company was having trouble raising money after it had spent \$30 million on eteplirsen in the 18 months since he had joined as CEO.

Before eteplirsen would be available to the 1,000 or more sick boys who might benefit in the U.S.—and before the company could charge patients more than \$300,000 a year for the treatment—the drug needed FDA approval.

Looking back, Catherine Collins, whose son has DMD, said, "Sarepta used the parents to push their regulatory agenda," she said. "We were willing participants, but they were trading on our desperation."

Edward Kaye, Sarepta's chief executive since 2015, said the company was "able to make a true partnership" with DMD patient groups, helping parents give the FDA firsthand observations of how the drug had worked for their sons.

Former FDA Commissioner Robert Califf, who stepped down in January, said the Sarepta case was "an example where things should have been done better....There should be disclosure of the source of documents and presentations, and who was involved."

Hopeful shortcut

Mr. Garabedian and Dr. Kaye, the company's chief medical officer at the time, revealed at the 2012 conference early data from the drug trial that suggested eteplirsen was working.

With the stock trading below \$1, Mr. Garabedian didn't have the luxury of waiting to spread encouraging news. Trial researchers were measuring levels of the protein dystrophin in the patients, all boys, and how far they could walk in six minutes.

Dr. Kaye said it appeared the drug helped lift dystrophin levels. Even better, 10 of the 12 boys in the trial walked, on average, more than 50 feet farther during the timed walk, he said; two boys became unable to walk.

Two weeks after the conference, the company made a 1-for-6 stock split, which raised its share price and allowed it to keep its Nasdaq listing. It also changed its name to Sarepta from AVI BioPharma Inc.

The company in a July 24 news release said the boys showed "significant clinical benefit" after 36 weeks of treatment. Shares jumped past \$8. Another positive news release at the 48-week mark pushed the stock close to \$45.

Even with the promising news, Mr. Garabedian's company had concerns about whether it could raise enough money to support third- and fourth-phase drug trials, which must show drugs work effectively and safely. Parents, meanwhile, were clamoring for a treatment.

One shortcut was accelerated approval—that's when the FDA gives permission to dispense a drug before providing a clinical benefit. It allows patients a quicker chance at treatment for maladies that have none, such as DMD. Sarepta's application would rely on trial data showing that eteplirsen would be "reasonably likely" to produce a clinical benefit, rather than proving it was effective.

That fall, Mr. Garabedian met Christine McSherry, a former nurse of Pembroke, Mass., whose son, Jett, now 21, had



two mothers for months on a parallel set of measurements that the women had gathered. He and an assistant helped them draft a 50-page FDA-friendly document, with bar charts, graphs and tables to show how the boys on eteplirsen fell less and spent less time in wheelchairs.

Mr. Sasinowski said he helped the parents make their report "as close to being acceptable by rigorous reviewers as possible."

In July 2015, Ms. McSherry and Ms. McNary made a two-hour closed-door presentation to FDA officials, including a video of boys who described how eteplirsen had increased their strength. They passed out copies of their report.

Mr. Sasinowski said in an interview he recalled telling FDA officials at the meeting he was working with both parents and the company.

Parents asked the FDA and the company if they could present their findings to the agency's advisory committee, which comprises outside experts. The FDA agreed, and the company gave them a portion of its allocated time at the April 25, 2016, committee hearing.

There was a conflict between the parents' stories of improvement and the FDA's interpretation of the trial. Trial data showed the performance of boys taking the drug had declined in the walk test, the FDA said.

The advisory committee voted 7-to-6 against accelerated approval, concluding the trial results didn't provide substantial evidence the drug was effective.

Dr. Ellis Unger, director of the Office of Drug Evaluation, said in a July 15, 2016, memo that the FDA review team had unanimously rejected approval of eteplirsen, agency records show.

On July 14, 2016, Dr. Woodcock, who seldom interceded in drug-approval decisions, overruled both the advisory committee and the FDA review team. In a memo, she said she believed eteplirsen was "reasonably likely to predict clinical benefit." She declined through a spokeswoman to comment further on her decision.

Dr. Unger appealed to an FDA committee that reviews such disputes. He wrote in his appeal that eteplirsen was a "scientifically elegant placebo," giving "false hope in exchange for hardship and risk."

He said it would appear to the public that "unprecedented lobbying efforts" had earned eteplirsen its accelerated approval.

The head of the FDA committee said she agreed with Dr. Unger's conclusion that the data didn't show the drug was "reasonably likely" to provide a clinical benefit, according to agency documents. The dispute was sent to Dr. Califf, the FDA commissioner at the time. He deferred to Dr. Woodcock's "judgment and authority," an agency memo said.

On Sept. 19, Ms. McSherry was helping Jett get ready for school when her cellphone buzzed. Her daughter, who was getting the same text messages, yelled from upstairs: "You did it!"

The FDA had approved eteplirsen. Ms. McSherry drove to Mr. Garabedian's house in Boston. "We had a big hug and tears," she said. Within days, company shares more than doubled to \$60.

Sarepta shares have dropped back to \$35. Some insurance companies refuse to cover the drug. A label on the medicine—renamed Exondys 51—says a clinical benefit of the drug "has not been established."



Above, Jennifer McNary and her sons Max, left, and Austin in 2015 in Pembroke, Mass. Left, doses of the drug eteplirsen to treat Duchenne muscular dystrophy.

Mr. Sasinowski, a former FDA lawyer, was hired by Sarepta to help get government approval for eteplirsen.

Ms. McNary had already proven herself an effective advocate, garnering several news stories in print and on TV about how eteplirsen was helping her son Max. Mr. Sasinowski gave her his card and said they should stay in touch.

He was at the hospital because the FDA had asked for a review of Sarepta's trial results. The FDA later said the data was "uninterpretable," "unreliable" and "misleading," according to FDA documents. The findings hadn't been made public. Sarepta said in an Oct. 27, 2014, news release the FDA had found "marked disparities" in the data. The stock price fell more than 30% from the previous day's closing.

Three more researchers who re-examined the trial data found that eteplirsen produced only a nominal increase in dystrophin in some patients, the FDA said, not the "significant" increase Sarepta had earlier indicated.

Mr. Sasinowski, Ms. McNary and Ms. McSherry were working on a new plan, to show how the boys were improving from the point of view of families and caregivers.

Mr. Sasinowski said he told Sarepta officials, "You are going to have to trust me, and they did."

Ms. McNary and Ms. McSherry told Mr. Sasinowski about their talks with Dr. Woodcock, that the FDA was interested in videos showing how the boys were doing, as well as any quantifiable information on the drug's effect. Dr. Woodcock had given Mr. Sasinowski a similar message in an earlier conversation, he said.

"You could sense the movement of the waters," said Mr. Sasinowski, a consultant, who helps clients navigate the FDA to get drugs approved. The agency, he said, was open to hearing the "patient experience." Videos and stories, he said, would be woven into "something that looked akin to a study report."

The company began three new trials involving 110 new patients. In June 2015, Sarepta filed its formal drug application, using data from its trials.

Mr. Sasinowski, meanwhile, had been working with the

stock soared as investors took note of social-media posts by parents. On Oct. 31, Ms. McNary's husband posted a video of Max walking in a Halloween parade. Shares jumped 10% the next day.

"A big reason investors got more interested in this than they would have in other situations was you had these mothers saying the drug was helping their son," said investment manager Brad Loncar, who bought company shares.

In February 2013, Ms. McSherry and Ms. McNary met with FDA officials and other patient advocates. A 2012 law encouraged the FDA to be flexible when considering applications for therapies to treat such life-threatening diseases as DMD. Ms. McNary brought a petition with more than 170,000 signatures asking the FDA to expedite approval.

The arena says it prohibits "any item deemed by management to be dangerous, inappropriate or disruptive."

He showed up at a recent game with a sign instead. "THEY WOULDN'T LET ME BRING THE TOASTER IN," it said.

Mr. Reyes had owned two Warriors toasters for years before anyone outside his immediate family was interested. The second one came from his cousin, Jizel Encarnacion, who drew his name in a holiday gift exchange. It was between the toaster and some underwear, she said. She chose the toaster.

The toaster is officially a ProToast elite toaster that retails for \$39.99 in the NBA's online store. This particular model has been discounted to \$19.99—but it is now sold out. A spokeswoman for the league said it was restocking Warriors toasters this summer with in-

ventory from another brand.

Mr. Reyes says his unsigned Warriors toaster isn't the most practical household item.

"It burns the logo on the bread," he said. "It doesn't really do a good job of toasting in general."

Ms. Reyes rarely uses it even when she makes toast.

"We have a real toaster," she said.

But it was too late to return by the time Mr. Reyes bothered looking at his receipt after the holidays. Not long afterward, he was about to leave for a signing with David Lee, a former Warriors star who now plays for the San Antonio Spurs, when he realized he didn't have any memorabilia to bring. So he brought his Warriors toaster.

Mr. Reyes says Mr. Lee reacted to the unlikely autograph request in a way he still remembers: "Is that a Warriors

toaster, bro?"

Mr. Thompson also had no idea Warriors toasters existed—which explains his confusion when he was asked to sign one. Because of what happened next, though, he believes as much as anyone in the power of the toaster.

"That guy," Mr. Thompson said of Mr. Reyes, "is responsible for 25 out of 26 wins."

Warriors president of basketball operations Bob Myers added: "We support Klay in all his endeavors."

Mr. Reyes's ultimate ambition is a toaster with autographs from every Warriors player. Some of them might find its intended purpose more useful. "I don't have a toaster in my house," said Golden State guard Ian Clark.

The lucky toaster is being kept in Mr. Reyes's bedroom—in its original box—while he looks for a worthier display

case. He breaks it out in case of emergencies. He fetched it when the Warriors were down by more than 20 points to the Spurs in March. The Warriors rallied to win. And he rubbed the toaster while watching on TV at home when the Warriors were down by more than 20 points to the Spurs this past Sunday. The Warriors rallied to win again.

"Shoot, let's keep it going, you know?" Mr. Thompson said.

Mr. Reyes has been swept away by the attention as the Warriors have kept it going, while his cousin is content knowing her present was a bigger success than she ever imagined. But she admits she's also slightly jealous.

"I've spent my life trying to go viral," said Ms. Encarnacion, a 21-year-old college student, "and all of a sudden this toaster I got him became famous."

TOASTER

Continued from Page One

nine games, Mr. Reyes was invited on 95.7 The Game, a sports-radio station in the Bay Area. He was treated like royalty. "This toaster has become quite important to all Warrior fans," said Joe Fortenbaugh, one of the show's co-hosts. "Are you protecting this thing? Do you need Secret Service?"

At the end of April, as the winning streak reached 19 games, Mr. Reyes risked a public appearance to attend the opening of a Warriors team store. He wanted Golden State broadcaster Jim Barnett's autograph on the toaster. But first he was approached by his own fans. They wanted selfies with his toaster.

"I've never experienced that before," said Mr. Reyes, a 23-

BOOKS

'Show the readers everything, tell them nothing.' —Ernest Hemingway

What Happened to Hemingway

A frank new life explores the flaws without explaining away the genius

Ernest Hemingway

By Mary V. Dearborn

Knopf, 738 pages, £27.26

BY BLAKE BAILEY

ABOUT A QUARTER of the way through "Ernest Hemingway: A Biography," the reader encounters this: "At one point en route to Madrid occurred the incident of the dead dog, familiar to all readers of Hemingway biographies." Though I've read three or four of them, and any number of memoirs, I had no recollection of the dead dog in question. The next sentence was like a lifeline hint on "Who Wants to Be a Millionaire?": "[Robert] McAlmon told the story in *Being Geniuses Together*." A little sheepishly I confess to having read that book, too—and not all that long ago—but I was still stumped. Suddenly I felt out of my depth, like the only guy at a Trekkie convention who can't remember the number of Lurry's space station in the "Trouble With Tribbles" episode.

So one interest of yet another Hemingway biography is to serve as a kind of parlor game: How much esoterica can a really hard-core fan remember offhand? Also, arguably, new biographies are needed every few years to keep up with the cottage industry.

Aside from earlier door-stoppers by Carlos Baker, Jeffrey Meyers, Kenneth S. Lynn, James R. Mellow and, of course, the five-volume opus by Michael S. Reynolds—to name a few—there's an ever-proliferating genre of books by or about people in Hemingway's orbit: his siblings, wives, sons, friends, flunkies et al. There's even a book devoted to his cats, and in her notes Mary V. Dearborn gives a shout-out to Carl Eby's "Hemingway's Fetishism": "the definitive account of his hair fetish."

So we have Ms. Dearborn to thank for (among other things) sifting the pith of this vast shelf and bringing us up to date on whatever else is provided by newly discovered KGB and FBI files, medical records and a cache of papers Hemingway left in Cuba when he fled the country in 1960.

His family, we know, was a source of lifelong strife. Between his redoubtable mother, Grace, and her doctor husband, Clarence ("Ed"), it's hard to say who was the bigger prig, at least where their older son's work is concerned. When Ernest

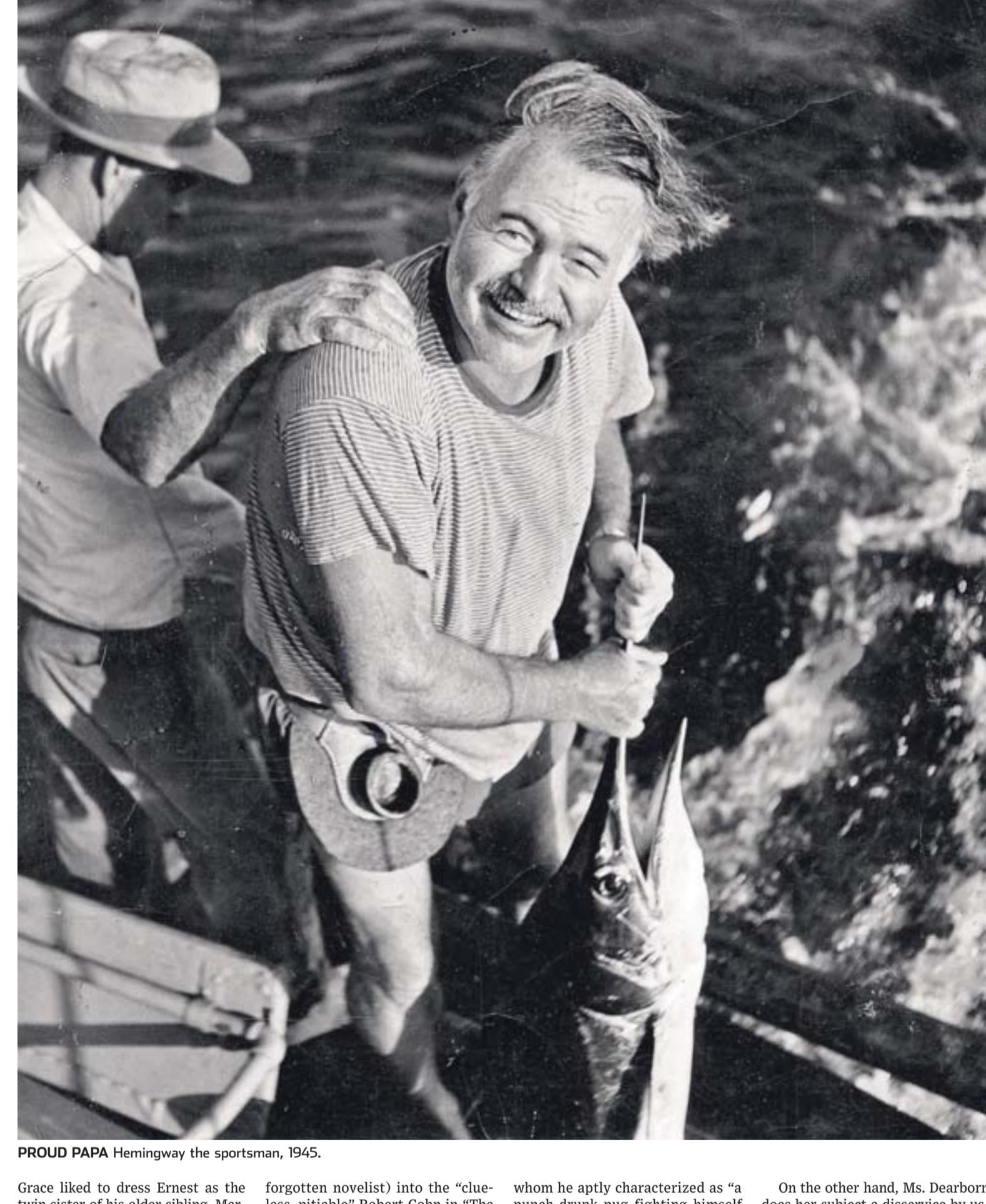
published his first, groundbreaking collection of short stories, "In Our Time" (1925), Ed bleakly advised him to abjure the "brutal" and work a more "joyous, uplifting, and optimistic and spiritual" vein: "Remember God holds us each responsible to do our best." This to a man who was already well on his way to becoming the most influential prose stylist in American literature, whose subsequent novel, "The Sun Also Rises" (1926), dazzled readers on both sides of the Atlantic and filled his mother, as she put it, "with a sick loathing."

His parents seemed to like him even less as a human being. "Put on the armor of God and shun Evil companions," Ed admonished him when he divorced his first wife, Hadley, whereas Grace threw a curious curvaceous: "Most marriages ought to [end]," she wrote, confessing to "very modern and heretical views" on the subject.

As it happened, her views had evolved more as a matter of self-interest than solidarity with the wayward Ernest, whose college money (he bitterly averred) had been blown on a cottage for Grace and the family au pair, Ruth Arnold, 19 years her junior; when her husband balked, Grace accused him of "petty jealousy with his wife's loyal girlfriend."

A few years later, in 1928, the pious, long-suffering doctor shot himself, whereupon his widow sent Ernest the suicide weapon as a keepsake and, perhaps, a subtle warning.

"Gigi, we come from a strange tribe, you and I," said Hemingway when he caught his 12-year-old son trying on a pair of his mother's nylons. Gigi—the nickname for Gregory (later Gloria)—came by his gender dysphoria honestly, a theme that's been given more and more emphasis in the later biographies. Both Kenneth Lynn and Ms. Dearborn make much of the fact that



Proud Papa Hemingway the sportsman, 1945.

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Grace liked to dress Ernest as the twin sister of his older sibling, Marcelline: "He was quite fearful before Christmas that Santa Claus would know he was a boy," Grace noted in her son's baby book.

Some might say that this was the least of Ernest's worries, given his mother's other vagaries, and hardly unconventional for the times, but it's still fun to consider in light of his über-macho image.

As far back as 1933, Max Eastman famously accused Hemingway of "wearing false hair on the chest,"

53 years before the posthumous publication of "The Garden of Eden," Hemingway's novel about a writer named David who takes his wife's name, Catherine, in bed, while she becomes Peter—the same nom d'amour, as it happened, that Hemingway's fourth wife, Mary, used.

"She loves me to be her girls," Ernest scribbled in his wife's diary, "which I love to be." At one point she had to dissuade her husband, tactfully as ever, from wearing earrings.

Readers of Hemingway biographies may not remember that dead dog en route to Madrid, but it's hard to forget the misery that Hemingway inflicted on Mary/Pete, who held on for dear life and later got her own back by publishing, against her late husband's wishes, unfinished (and mortifying) work such as "The Garden of Eden." As Hemingway's previous wife, Martha Gellhorn, pointed out: "A man must be a very great genius to make up for being such a loathsome human being." This is true, and it's always worthwhile to explore (on ever accumulating evidence) what makes a genius tick, even if tabulating his flaws can get to be a slog in Hemingway's case.

Ms. Dearborn doesn't shrink from the task. Once again we see how Hemingway built his career on the bodies of betrayed friends: He turned Harold Loeb (an otherwise

forgotten novelist) into the "clueless, pitiable" Robert Cohn in "The Sun Also Rises," an anti-Semitic portrait ranking with Sammy Glick and Shylock; he repaid Sherwood Anderson's generosity by writing a mean-spirited parody of the man's novel "Dark Laughter," then submitting it to Anderson's own publisher. Ms. Dearborn rightly observes that Hemingway's posthumous memoir, "A Moveable Feast" (1964), was conceived with "a very complicated agenda and numerous scores to settle."

It's hard to say, when reading the book, which bothered Hemingway more, cruelty or kindness: Wyndham Lewis once wrote a vicious review of his work and hence is likened to "toe-jam"; Ford Madox Ford sang his praises again and again and hence is depicted as a lumbering, self-important bore whose mouth-breathing fouls the air. And so on.

The greatest kindness earned the most ingenious revenge: Among other good turns, F. Scott Fitzgerald improved—"salvaged" is not too strong a word—"The Sun Also Rises" by persuading its author to cut the first 16 pages, marred by "elephantine facetiousness" and general amateurishness. Hemingway, in turn, rarely missed a chance to malign his old friend, culminating in the demolition of "A Moveable Feast." As Ms. Dearborn begins one chapter: "It was probably inevitable that Hemingway would talk one day about the size of Scott Fitzgerald's penis."

Ms. Dearborn's book isn't especially disparaging relative to other biographies—to her credit, she seems content to marshal the evidence pro and con, and there is a superabundance of both: If you stuck around him long enough, Hemingway would all but surely louse you up, but in the meantime he was often the best company in the world.

By 1936, Fitzgerald had few illusions about his fellow novelist—

whom he aptly characterized as "a punch-drunk pug fighting himself in the movies"—but remained so devoted withal that he could hardly bear to see the man hurt in any way. Indeed, almost anyone who'd known the younger Hemingway ("strong, full of laughter," observed the hapless Sherwood Anderson) was likely in later years to give him the benefit of the doubt, even or especially his first wife, Hadley, who had more reason than most to feel bitter.

In his memoirs, Hemingway returned critical kindness with ingenious cruelty.

The later wives were less charitable. Martha Gellhorn remained a tireless detractor throughout her long life, and she serves Ms. Dearborn well when a withering *aperçu* is due: "He has the excessive need to be loved by everyone," Gellhorn noted in one instance, "though in fact he didn't give a fart for them."

What makes this book seem a little relentless, at times, is its insistent focus on the flawed human being rather than his achievement. Sometimes, to be sure, it's enough to let simple plot summary serve as critique.

Take Hemingway's worst novel, "Across the River and Into the Trees" (1950), in which the hero, Cantwell, and his much-younger lover, Renata, "talk through several meals at the Gritti," as Ms. Dearborn summarizes, "Hemingway describing in great detail Cantwell's friendship with the headwaiter. Cantwell talks at length to Renata (who periodically reassures him that yes, she is still listening) about his war experiences"—etc. That's pretty much how I remember it, too.

On the other hand, Ms. Dearborn does her subject a disservice by using blurb-words and little else to convey the excellence of his best work, as in "lean, evocative, vivid," which might as well describe a moldy piece of Canadian bacon.

As for her use of cliché—well, she's not as bad as some, but it's all the more jarring given her lucidity elsewhere. I flinched when I read that certain of Hemingway's stories "give the impression of having been phoned in, as it were," and wondered whether the author was pulling my leg when she went beyond "as it were" to mitigate or explain some hackneyed phrase: "He seemed to need to bite the hand that fed him—or, more precisely, to hurt anyone who had helped him in any way."

But, I repeat, Ms. Dearborn does a good job of synthesizing an enormous amount of material, old and new, and I feel more or less caught up with the state of Hemingway studies circa 2017. That said, I'm bound to admit that I don't see what all the new medical records and Cuban papers add, essentially, to a sad and often-told tale. As a factor in Hemingway's decline, the manifold effects of the hypertension drug reserpine, say, seem a little irrelevant next to a lifetime of alcoholism and head injuries and bipolar illness and hard work and bad behavior.

What remains is the mystery of his genius—and, yes, a sweetness that Hemingway never quite lost amid all his noisy fame. Visiting the great man very near the end, the critic Leslie Fiedler found a hollow wreck who could hardly string two sentences together; yet Fiedler was most arrested by the man's parting smile, "bared in all the ceremonious innocence of a boy's grin. He was suddenly, beautifully, twelve years old."

Mr. Bailey, the author of "Cheever: A Life" and "A Tragic Honesty: The Life and Work of Richard Yates," is writing a biography of Philip Roth.

BOOKS

'How did it get so late so soon?' —Dr. Seuss

The Clock Between Our Ears

Your Brain Is A Time Machine

By Dean Buonomano

Norton, 293 pages, £20

BY CAROL TAVRIS

ARE YOU WASTING time right now, or enjoying free time? Having a good time today or, as usual, feeling you don't have enough time? Time—the concept, the word, the worry—is woven through our lives. Dean Buonomano, a professor of neurobiology and psychology at UCLA, starts his beautifully written, eloquently reasoned book "Your Brain Is a Time Machine: The Neuroscience and Physics of Time" by asking the reader what the five words on this list have in common: time, person, year, way and day.

Mr. Buonomano observes that most of us will strike out on two counts. First, by not knowing that these are the five most commonly used nouns in English, surpassing love, sex and dinner. Second, by not knowing that time is at the very top of the list.

"Few questions are as perplexing and profound as those that relate to time," he says, and their answers have been sought by philosophers, physicists, neuroscientists, psychologists and, of course, science fiction writers. He quotes Saint Augustine's perfect summary of the problem: "What then is time? If no one asks me, I know what it is. If I wish to explain it to him who asks, I do not know." Mr. Buonomano sets out boldly to accomplish what Saint Augustine did not dare—to explain time in its infinite varieties.

We humans are surrounded by ever-fancier clocks, but the clocks inside our brains are far more intricate and dazzling. In the first half of the book, "Brain Time," readers will learn about the internal clocks that regulate our circadian rhythms—sleep-wake cycles, hunger, body temperature, alertness—even in the absence of external cues. One chapter, on "The Sixth Sense," examines the mysteries of time compression and expansion (and how drugs, legal and otherwise, affect them) and even veers briefly into why timing is so crucial to telling a good joke. (The



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brain likes surprises. Sometimes.) The second part of the book, "The Physical and Mental Nature of Time," takes us into the nitty-gritty mysteries, including consciousness, our astonishing capacity to link our pasts to our futures.

Time is a concept, he argues, that is even more complicated than space. Space may come in three measurable dimensions and time in only one (that is, the moment we are in right now), but it is harder for the human brain to understand time than space, and he shows the reader why.

"Time is a road without any bifurcations, intersections, exits, or turnarounds," he says, which may be why "there was relatively little evolutionary pressure for animals to map, represent, and understand time with the same fluency as space." Animals can remember past experiences in a basic way (don't go back to that dangerous place) and anticipate the fu-

ture (lunch!), but they cannot comprehend past, present and future in the ways that humans can.

As all scientific fields have matured, Mr. Buonomano explains, they reveal a "progressive embrace of time" at their core—and now the newest sciences, neuroscience and psychology, are doing the same. The study of time isn't a single problem but a "set of interconnected problems relating to how the brain tells time, generates complex temporal patterns, consciously perceives the passage of time, recollects the past, and thinks about the future."

Of all the times (ahem) that I have looked at phrenology charts, I never noticed, as Mr. Buonomano did, that "time" is one of the areas that phrenologists considered important; it's right above the eyes, between "tune" and "locality" and, charmingly, right below "mirthfulness." (Clearly the early phrenolo-

gists realized what later psychologists ignored: that time has a sense of humor.) This brain section was thought, among other functions, to remember dates, keep time in dancing and induce punctuality. I can just hear the reaction of couples who quarrel over such matters: "If only it did."

Although Mr. Buonomano, being a neuroscientist, emphasizes his own field's contributions, his curiosity and knowledge range far afield. For example, he introduces two philosophic theories of time. One is presentism, which holds that only the present is real—we can no more travel back in time than we could travel to a place that doesn't exist.

The second is eternalism, which holds that past and future are equally real, making time a dimension that is similar to space. In practice, he says, "neuroscientists are implicitly presentists. They view the past, present, and

future as fundamentally distinct, as the brain makes decisions in the present, based on memories of the past, to enhance our well-being in the future. But despite its intuitive appeal, presentism is the underdog theory in physics and philosophy."

The underdog! Who knew? With lucidity and flair—not to mention an appealing avoidance of the reductionism and exaggeration to which many pop-neuroscientists are prone—Mr. Buonomano takes us off and running on an edifying scientific journey.

Neuroscientists view past, present and future as fundamentally distinct. Physicists, however, don't.

Answers are only as good as the questions we ask, and Mr. Buonomano's questions are engaging. Why does time appear to slow down when we are in life-threatening situations or boring meetings? Why is objective clock time often so different from our inner, subjective sense of time? Why didn't novelists begin to write about true time travel until the end of the 19th century?

It took Einstein's theory of relativity in 1905 to shatter forever our intuitions about time, he explains, which is why throughout the 20th century physicists could study time travel without being laughed at by their colleagues. Physicists haven't yet shown that it is possible, but they haven't shown that it isn't, either.

For Mr. Buonomano, our brains are the best time machines we will ever own. They can do the most amazing things: remember the past; tell time; allow us to travel back and forth in time. "It will not be possible to understand the human mind," he observes, "without describing how the brain tells, represents, and conceptualizes time."

His book takes us far along the trail of discoveries that are moving us to that ultimate destination. Will we get there? Foreseeing the future, I predict yes. Time will tell.

Ms. Tavris is co-author, with Elliot Aronson, of "Mistakes Were Made (But Not by ME.)"

A Billion People in a Hurry

Superfast Primetime Ultimate Nation

By Adam Roberts

Profile, 312 pages, £16.99

BY MAXWELL CARTER

THE BEST FOREIGN correspondents engage their subjects in memorable and unexpected ways. This is particularly the case in Asia, which hasn't lacked for lazy sketched-from-the-armchair caricature. Peter Fleming's "News From Tartary" (1936) remains irresistible, if less than informative, sprinkled with such lines as "to read a propagandist, a man with vested intellectual interests, is as dull as dining with a vegetarian." Graham Greene's stint in Indochina for the Times of London resulted in "The Quiet American" (1955), among the 20th century's keenest and most remarkable novels. More recently, Edward Luce's often surprising, never dull "In Spite of the Gods" (2006) captured India's peculiar modernity. Adam Roberts, the Economist's South Asia bureau chief from 2010 to 2015, is the latest to give his experiences lengthier treatment, with "Superfast Primetime Ultimate Nation: The Relentless Invention of Modern India."

Unfortunately, "Superfast" reads less like Fleming, Greene or Luce than an overlong Economist article. The manic allure of Mr. Roberts's title is diminished, somewhat, by its gimmicky, school-of-Thomas-Friedman rationale: "To flourish in the twenty-first century," Mr. Roberts writes, "India needs its leaders to get four broad things right—the four broad themes and the sections of this book: Superfast, Primetime, Ultimate, and Nation." The preface, too, in which an eccentric Delhi fortuneteller—with help from his partner—predicts that India will become "Number One," feels needlessly contrived: "What is keeping his prophesy from coming true?" Yet Mr. Roberts's question is

an important one. In 2015, India's GDP growth rate overtook China's, and by 2022 its population will be greater. How will India evolve?

Mr. Roberts's opening section ("Superfast") briefly traces Indian economic history. Readers are introduced to the Nehru-Gandhi dynasty's state-led policies; the balance-of-payment crisis that propelled liberalization forward in 1991; and the Gujarat model of development championed by Prime Minister Narendra Modi (to adherents, infrastructure investment and red-tape slashing; to critics, an

In 2015 India's GDP growth overtook China's. By 2022 its population will be greater. But its rise has been much more haphazard.

overrated and unequal system). Mr. Roberts surveys the arguments of the celebrated economists Amartya Sen (who has emphasized the urgency of improving India's human capital) and Jagdish Bhagwati (who holds that growth makes "redistribution feasible, not the other way round"). He also explores the private sector's role and ambitions, especially in tech. His prescriptions are unlikely to offend: "In short, India needs to be more future-oriented. For example, it can do a lot more with new technology."

In "Primetime," Mr. Roberts does the same for politics, examining the Congress Party's receding influence (ascribed to the Gandhi family's insipid fourth-generation scion, Rahul, and its out-of-step liberal, secular platform); the vibrant election process; and, relatedly, India's rampant corruption. (The last affords Mr. Roberts's queerest analogy: "In the last years of Manmohan Singh's government, examples of awful graft in India popped up faster than cham-

pagne corks at a dodgy politician's dinner party.") Though there is nothing new here, Mr. Roberts mines colorful details, not least the symbols used by fringe parties in the 2014 election (toothbrush, nail clipper, cauliflower). The takeaways are similarly unobjectionable: "If politicians (and crony-capitalists) understand

over, Mr. Roberts highlights military tensions—namely, China's "string of pearls" encirclement of India—with little reference to economic conflict. China will challenge India's traditional advantage in global outsourcing just as Mr. Modi's "Make in India" push puts pressure on China's dominant manufacturing sector.



ON THE GO A delivery man for Flipkart Online Services in Bengaluru, India.

that outright corruption will be punished more severely than before, and if voters demand better outcomes for all (not just for favored voter blocks)... perhaps it will make sense to talk of Indian democracy as entering its Primetime."

"Ultimate" considers India's relationships with Pakistan and China. This is Mr. Roberts's weakest segment, filled with throwaway phrases ("Secessions, geopolitical divorces, are never happy events") and stripped of nuance ("The man most responsible for Partition was Pakistan's founding leader, Muhammad Ali Jinnah"). Mr. Roberts makes much of the Pakistani army's authoritarian record but wholly neglects the first-ever peaceful, term-limited handover by one Chief of Army Staff—the most powerful post in the country—to another this past November. More-

Mr. Roberts recovers his footing in "Nation," which reviews the horrors of partition; "Hindutva" (the chauvinist concept of "Hinduness" popularized in the 1920s); and, best of all, Mr. Modi's ascent. Mr. Modi's swagger (he has boasted that replicating his managerial accomplishments "requires a 56-inch chest"), secretiveness (he hid an aborted teenage marriage for much of his career) and cynicism (his handling, as chief minister, of the brutal 2002 riots in Gujarat remains widely condemned) are thoughtfully weighed against his undeniable magnetism, wit and drive.

The period during which Mr. Roberts reported across India was uncommonly eventful. Alas, he might have done more with his material than this hasty download, its usefulness to the layman soon to be over-

taken by India's relentless course. (At times, Mr. Roberts misjudges even this audience, calling investor pledges of \$450 billion to Gujarat "as likely to come as snowfall in the Rann of Kutch.") Some of his claims are already outdated. Of Mr. Modi he alleges that "no politician, anywhere, has been a more avid user of social

media," apparently unaware of Donald Trump. There are inaccuracies—Pune, population 3.1 million, is identified as "a town in Maharashtra"—and consistently banal conclusions: "Only when girls and women were better fed... would fewer underweight babies be born"; "Only if more women are paid for the work they do... will their clout rise."

Mr. Roberts muses, finally, on where India will be on its centenary in 2047. According to his fortune-teller, winning the FIFA World Cup is in the cards. (India has, to date, qualified for the tournament only once—in 1950, when its three group-stage opponents withdrew.) Primetime indeed.

Mr. Carter is the head of the Impressionist and modern art department at Christie's in New York.

BOOKS

'A poet's work . . . to name the unnameable, to point at frauds, to take sides, start arguments, shape the world and stop it from going to sleep.' —Salman Rushdie

A Youth in Revolt

City Gate, Open Up

By Bei Dao

Carcanet, 302 pages, £12.99

BY WENQUANG HUANG

IN THE LATE 1970S, a young Chinese construction worker who often skipped work to write poetry and novels secretly collaborated with a friend on a literary magazine called Today. They wanted to provide a forum for young, self-educated writers breaking away from socialist literary traditions. Even though political censorship was receding after Mao Zedong's death in 1976, underground publishing was still risky. To avoid punishment, the young editor adopted a pen name reflecting his northern upbringing and solitary temperament: Bei Dao, or "Northern Island."

"We bound the issues at my place, piles and piles of mimeographed pages rising from the floor past the bed," Bei Dao writes in "City Gate, Open Up," his lyrical memoir of his youth in Beijing. "Our threshold turned busier than a marketplace. . . . While greeting guests, I imagined that the neighborhood committee and local police must be working overtime, too."

Perhaps out of political consideration or mere modesty, the memoir doesn't mention that the magazine would spawn a literary movement in China—the Menglong ("Misty Poetry"), named for its ambiguous, impressionistic imagery. For Chinese like me who attended college in the 1980s, the author's name instantly evokes freedom of literary self-expression.

In 18 essays, crafted with poetic precision and enriched by Jeffrey Yang's assiduous translation, Bei Dao depicts a cast of memorable characters with humor and insight: a tenacious family nanny always on the lookout for revolutionary opportunities; a talented schoolmate who sneaked across the border to Burma to join guerrilla forces; and the author's father, a former government-propaganda official and a moody authoritarian at home. Bei Dao devotes a long chapter to the universal theme of a troubled father-son relationship.

Bei Dao was born in 1949. "As Chairman Mao declared the birth of the People's Republic of China from the rostrum in Tiananmen Square, I was lying in my cradle no more than a thousand yards away," he once said. "My fate seems to have been intertwined with that of China ever since."

When he was in elementary school, Mao launched the Great Leap



NEW DIRECTIONS

NO MAN IS AN ISLAND Bei Dao gave young writers an outlet to break free of China's socialist literary traditions.

Forward, a crude and irrational industrialization campaign that resulted in a three-year famine that killed some 30 million people.

"Hunger gradually devoured our lives," he recalls. Schools reduced hours and urged students to "move less, recline more, go straight to sleep after dinner." His touching and harrowing account of raising a brood of rabbits, which his father then killed to feed his family, offers a child's view of the famine.

When Mao's Cultural Revolution began in the mid-1960s, Bei Dao was 17. Students at his school beat and paraded teachers, and one of the teachers killed herself by cutting her throat. Bei Dao recounts how he and his friends publicly humiliated a neighbor whom they suspected of being a spy by shaving off some of the old man's hair and imprisoning him in a basement.

In 1969, when he and his classmates were sent to the countryside, Bei Dao worked at a construction site. Losing faith in the Cultural Revolution, he and his friends turned to banned Western philosophy and literature. Once back in Beijing, they would sneak into closed libraries to steal books to read.

Weary of conformity, university students were searching for new

ideas and forms of expression. Travelers to Beijing would smuggle out copies of Today to secretly duplicate and distribute. Within a short time, Today reached almost every province in China, garnering a cult following.

The authorities shut down Today in 1980 after nine issues. The Chinese literary establishment accused

men Square in 1989. Some chanted lines from his famous "The Answer" to demonstrate their defiance: "Debasement is the password of the base / Nobility the epitaph of the noble. . . . Let me tell you, world, / I—do—not—believe! / If a thousand challengers lie beneath your feet / Count me as number one thousand and one."

bemoaning the loss of his Beijing, Bei Dao by no means attempts to romanticize his past. In fact, he emphasizes that the city's destruction began long before.

If the imagery in Bei Dao's poems is misty, his essays are clear and intimate, like the black-and-white snapshots scattered through the text. While the descriptive opulence of his prose evokes Beijing's sights, sounds and smells, it can be overwhelming at times: In a chapter devoted to the city's light, he writes, "The lightbulbs were ordinarily bare, uncovered, a dim, yellow softness; a shade made a mysterious halo, projecting a single spotlight upward, and washed out the numerous subtleties of darkness."

"*City Gate, Open Up*" made me want to retrieve my old college journal filled with the poet's quotable stanzas. When I called my family back in China, however, I found out that it had been tossed out long ago. "There's no room for old stuff," a family member said indifferently. That now seems to be the national slogan. It only makes Bei Dao's book more poignant.

Mr. Huang, a translator and writer, is the author of "The Little Red Guard: A Family Memoir."

Sent to work on a building site during the Cultural Revolution, the poet found his vocation through reading banned literature.

its contributors of "succumbing to decadent Western ideas" and criticized their writings as obscure and nonsensical. Not surprisingly, the denigration fueled the magazine's popularity.

Having grown up reading adulterous lyrics about Mao and socialism, I found Bei Dao's poems, with their personal subject matter and imagery, refreshing. Bei Dao has always warned against interpreting his works politically, but the unmistakable messages of rebellion in his verses resonated with my college peers when we massed in Tianan-

men Square in 1989. Some chanted lines from his famous "The Answer" to demonstrate their defiance: "Debasement is the password of the base / Nobility the epitaph of the noble. . . . Let me tell you, world, / I—do—not—believe! / If a thousand challengers lie beneath your feet / Count me as number one thousand and one."

Thirteen years later, when his father fell seriously ill, Bei Dao was allowed to visit Beijing. Upon arriving, he found that his city, in its frenzied rush to modernize, had changed beyond recognition. "I was a foreigner in my own hometown," he laments.

The sentiment awakened his memories, compelling him to rebuild in writing the city he knew. While

The World Just off the Kitchen

The Maids

By Junichiro Tanizaki

New Directions, 176 pages, £17.88

BY CHANDRAHAS CHOUDHURY

NOVELS, LIKE LIFE, tend not to take much notice of maids. In most novels domestics serve only to open and close doors, make meals or assist with the toilette of those who have attained true selfhood. At best, they might pass a message between lovers or stumble upon some conspiracy. They are points in the plot—agents, not actors.

What a pleasure, then, to come across a story in which maids occupy center stage from beginning to end and are as clever and capricious as any bourgeois heroine. To many followers of Japanese fiction, the present writer included, Junichiro Tanizaki (1886-1965) is the greatest Japanese novelist of the 20th century, and "The Makioka Sisters" (1949)—his book about the familial and marital dilemmas of four sisters of an upper-class family, in which maids stand by in the shadows—the greatest Japanese novel.

But while at work on that book, Tanizaki was also engrossed in translating a foundational work of Japanese literature, a book written by a woman on the far side of the millennium, "The Tale of Genji," a richly detailed story about the life of a sybaritic prince and his lovers in the imperial court of the Heian dynasty, was written by a lady-in-waiting, Murasaki Shikibu, at the turn of the 11th century. Some scholars call it the world's first novel.

The book's storyline—Genji's roving eye means he does not limit his attentions to women of blue blood alone—requires many detailed portraits of accomplished women in service, women much like Murasaki. And while it would be a stretch to call them maids, their example seems to have given Tanizaki—the rare male novelist more comfortable writing about women than men—the idea of re-presenting the bourgeois world of "The Makioka Sisters" from the point of view of the kitchen rather than the salon.

A return to the scene of "The Makioka Sisters"—this time viewed through the eyes of the servants.

Published in 1963 and set in what was then the recent past, "The Maids" is Tanizaki's final novel. It is also—as Michael P. Cronin's translation, the first into English, shows—one of his best. Loosely organized but written with Tanizaki's usual narrative brio and sly intimacy, "The Maids" is an homage to the work of the humble in making a house a home.

In this case, the household is that of the elderly novelist Chikura Raikichi and his wife, Sanko. This prosperous couple own and rent a number of homes in the Osaka-Kobe region, and deploy a retinue of maids across them like pawns on a chessboard, judging them by their housekeeping, cooking, account-keeping and general tractability, but also by

their liveliness, conversational skills and aesthetic sensibility.

Without exception, the maids all come from the same region, Kansai, in the west of Japan. They speak a dialect worlds removed from "the

and memory. To understand these women as individuals, the narrator seems to be saying, we need to make the journey—the reverse of the one they themselves have made—to the place where they come from.

"Raikichi," we

are told, "liked to have a lot of maids around—he said it made the house bright and lively."

But Tanizaki's life-long focus on feminine allure and male erotic obsession, from early novels such as "Naomi" to the late masterpiece "Diary of a Mad Old Man," is here reprised in a subdued, autumnal key. Raikichi is clearly the aging sensualist, drinking in the freshness and innocence of youth to keep up his interest in the world.

But when sexual scandal finally erupts, there is no male hand in

it. Two maids who have left Raikichi's for another household, Sayo and Setsu, are discovered by their new mistress in the throes of passion. It is society that is shocked by this, not the narrator, who in a heartrending detail gives us the two girls in their room, "seated in careful composure" and with their bags packed, waiting to receive notice.

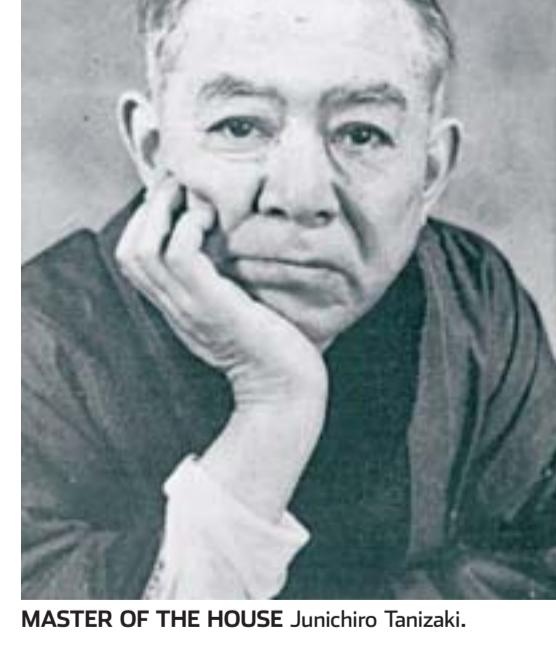
Other maids, such as the beautiful Gin, make eyes at the tradesmen

who visit the house and make use of the family telephone to advance their amours. And some girls just fall in love with themselves. When the maid Koma is taken to a department store with a closed-circuit television setup, she is thrilled to see herself on TV, "and she [rides] the escalator again and again, watching herself." That Koma is not alone in her abundant self-regard becomes apparent when—in an allusion that works on many levels—we meet the maid Yuri, a great reader who owns "a complete set of Tanizaki's adaptation of 'The Tale of Genji.'"

Tanizaki's focus on the pleasure and drama of everyday life is so all-encompassing that when the eruptions of history intrude—in the form of the second Sino-Japanese war and World War II—they ring, as desired, like pistol-shots at a party. As men are drafted into wartime service, many maids are sunned from potential husbands; others rush back home to help their aging parents.

But time has many gears. Even without these cataclysms, we come to see—Tanizaki is an insistently elegiac writer—that the world is always in flux. By the end of the story, we are in the 1960s; domestics now stay in service no longer than a year or two, and the very word "maids" has become archaic, replaced by "helpers." Tanizaki's great success is to make us see how it is not only the masters who mourn the passing of such a world, but also the old maids.

Mr. Choudhury is the author of the novel "Arzee the Dwarf" (2009). His second novel, "Clouds," will be published next year.



MASTER OF THE HOUSE Junichiro Tanizaki.

ALAMY

OPINION

REVIEW & OUTLOOK

Release the Comey Tapes

The leak Tuesday of James Comey's notes of a February conversation with Donald Trump is a classic of the former FBI director's operating method that puts the Trump Presidency in peril and raises serious ethical questions about Mr. Comey's behavior. Let's step back from the immediate furor and examine the legal and political merits.

According to Mr. Comey's memo to himself, Mr. Trump asked Mr. Comey in a one-on-one Oval Office meeting to "let this go," referring to any investigation of former National Security Adviser Michael Flynn. "I hope you can see your way clear to letting this go, to letting Flynn go," says the memo, parts of which were read to the New York Times by a Comey associate. "He is a good guy."

The White House issued a statement denying Mr. Comey's account of the meeting, adding that "the president has never asked Mr. Comey or anyone else to end any investigation, including any investigation involving General Flynn." Mr. Trump's many enemies are nonetheless calling this obstruction of justice, and perhaps grounds for impeachment.

* * *

The first question is how this squares with Acting FBI Director Andrew McCabe's testimony last week that there has been no attempt to interfere with the FBI's Russia probe. The Times reports that Mr. Comey spread word among his colleagues of his Trump conversation, and Mr. McCabe is a Comey loyalist. Perhaps a Flynn criminal probe is separate from the Russia-Trump investigation, but it isn't clear what Mr. Trump knew in February.

The more important issue is why Mr. Comey failed to inform senior Justice officials and resign immediately after the conversation. If he really thought Mr. Trump was attempting to obstruct justice, the director knows he had a legal obligation to report it immediately. He certainly had a moral duty to resign and go public with his reasons.

Yet the Times reports that Mr. Comey merely wrote the notes to himself and informed a few others. One explanation is that perhaps Mr. Comey didn't view Mr. Trump's comments as amounting to obstruction.

Intent is crucial to proving obstruction, and without listening to the conversation it's impossible to know the context and tenor of Mr. Trump's "let it go" comment. Mr. Trump might be guilty of obstruction if he thought Mr. Flynn knew something damaging about Mr. Trump, but not if he was making a general remark to give the guy a break.

Why didn't the former FBI director resign in February?

Another possibility is that Mr. Comey viewed the notes as a form of political insurance that could be useful in a future controversy. By not resigning but quietly spreading word among colleagues, Mr. Comey was laying down evidence that he could use to protect his job or retaliate if Mr. Trump did fire him.

The leak of Mr. Comey's notes suggests that he or his allies are now calling on that insurance. Such behavior fits Mr. Comey's habit over the years of putting his personal political standing above other priorities. And it echoes uncomfortably of the way J. Edgar Hoover used information he collected to protect himself against presidential accountability.

All of this will now be investigated by Congress, and Mr. Comey has been invited to testify. Jason Chaffetz, chairman of the House Oversight Committee, rightly wants to examine all of Mr. Comey's notes about his February conversation, and any subpoena should be comprehensive. Leaks can often be selective but questions that touch on presidential obstruction need the full record.

The White House should also be forthcoming with any records of the meeting, including audio tapes. Mr. Trump hinted that recordings might exist when he tweeted Friday that "James Comey better hope that there are no 'tapes' of our conversations before he starts leaking to the press!"

The White House has since refused to say if Mr. Trump has taped visitors to the Oval Office, but that evasion won't wash. If tapes exist, the White House should release them immediately. The President has nothing to fear if the White House denial is accurate. If the tapes don't exist, Mr. Trump's trolling will look even dumber than usual.

* * *

Mr. Trump was foolish even to discuss the Russia probe with Mr. Comey. Perhaps this was due to Mr. Trump's naivete rather than an attempt to block an investigation, but even a rookie should know to seek legal guidance before blundering into matters so fraught with political risk. After Mr. Comey's performance in 2016, Mr. Trump should also have known he needed to name a new FBI director in January, as some of us advised. History might have been different.

The tragedy is that all of this has put the larger Trump reform agenda in jeopardy. Stocks took a beating Wednesday as investors assessed the possibility that Mr. Trump has sabotaged his own challenge to the Washington status quo. If Mr. Comey is out for revenge for his belated dismissal, Mr. Trump's best defense is to get the facts out as quickly as possible.

The Special Counsel Mistake

Democrats and their media allies finally got their man. After weeks of political pressure, Deputy Attorney General Rod Rosenstein blinked late Wednesday and announced that he has named a special counsel to investigate Russian attempts to influence the 2016 presidential election. These expeditions rarely end well for anyone, and Democrats are hoping this one will bedevil the Trump Administration for the next four years.

"My decision is not a finding that crimes have been committed or that any prosecution is warranted," said Mr. Rosenstein, which is nice but irrelevant. With Attorney General Jeff Sessions recused from the Russia probe, Mr. Rosenstein appointed former FBI director Robert Mueller III, who will now have unlimited time and resources to investigate more or less anything and anyone he wants.

While the decision will provide some short-term political relief, not least for Mr. Rosenstein, it also opens up years of political risk to the Trump Administration with no guarantee that the public will end up with any better understanding of what really happened.

Rosenstein bends to political pressure, and here we go again.

The problem with special counsels, as we've learned time and again, is that they are by definition all but politically unaccountable. While technically Mr. Rosenstein could fire Mr. Mueller if he goes too far, the manner of his appointment and the subject he's investigating make him de facto untouchable even if he becomes an abusive Javert

like Patrick Fitzgerald during the George W. Bush Administration.

What the country really needs is a full accounting of how the Russians tried to influence the election and whether any Americans assisted them. That is fundamentally a counterintelligence investigation, but Mr. Mueller will be under pressure to bring criminal indictments of some kind to justify his existence. He'll also no doubt bring on young attorneys who will savor the opportunity to make their reputation on such a high-profile investigation.

Mr. Mueller has experience in counterintelligence and at 72 years old has nothing to prove. But he is also a long-time Washington player close to the FBI whose director was recently fired, and he is highly attuned to the political winds. As they say in Washington, lawyer up.

Britain's Manifesto Destiny

Britain's main political parties released their official platforms this week ahead of the June 8 parliamentary election. Pardon beleaguered voters for wondering why their leaders bothered pulling them out to the polls.

The biggest disappointment comes from the Tories, who have an enormous lead in the polls. In her better moments, Prime Minister Theresa May is tackling some vexing entitlement problems. She pledges to end the "triple lock" on pensions, which guaranteed that state old-age benefits increase each year by the highest of consumer-price inflation, wage inflation or 2.5%. This is a huge drain on the fisc, a political burden that the previous Tory government of David Cameron saddled Mrs. May with undoing.

Mrs. May's plan to means-test government benefits for in-home care for the elderly is another broadly good idea. If the Tories could explain this better, younger voters might notice that their taxes would no longer be diverted to support the aged who can afford their own care. Mrs. May will need youth support for this plan since it will sink like a stone among older voters worried about having to sacrifice home equity to fund their old-age needs.

The problem is everything else. Mrs. May is ditching Mr. Cameron's promise not to increase

personal-income tax rates, national insurance taxes or the consumption tax. She also promises to boost the cost to employers of hiring foreign workers, in another attempt to meet the Tories' dubious pledge to reduce net immigration to less than 100,000 per year.

Missing from anyone contesting this election is the bold thinking Britain needs to thrive after it leaves the European Union. Mrs. May's reforms are important but don't shrink the state or liberalize the economy enough to transform Britain into an Anglo-Saxon tiger.

Labour and the Liberal-Democrats are worse, with various tax-hike pledges, industrial renationalizations and other notions out of the 1930s. At least the Liberal-Democrats are honest enough to admit that it's not worth leaving the EU if this is the best Westminster can do: They promise a second Brexit referendum in the hope that this time voters will choose to Remain.

Policy debates will shift rapidly during Brexit negotiations, so Britain will have more reform openings. But the wasted election opportunity would be to emerge with a huge Tory majority but a mandate for doing little. Our advice to Mrs. May: Spend the coming weeks aggressively persuading voters on her entitlement reforms as a political down payment on bigger ideas to come.

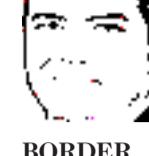
The Tories may win a huge majority with a mandate for little.

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An Iranian Voter's Guide: Don't Vote



BORDER LANDS
By Sohrab Ahmari

A few months ago, I heard a wise diplomat say that the "Iranian political spectrum is much wider than the reformist or hard-line clergy." His subtle rebuke to the gullible Western media comes to mind now as Iran prepares to stage another Potemkin presidential election on Friday, when voters get to choose between slightly different flavors of hard-line Islam.

If he were still alive, Ayatollah Khomeini would have delighted in his regime's ability to disorient foreign observers. By allowing for a few toothless popular branches that would be checked by numerous unelected bodies, Khomeini created an illusion of quasidemocratic legitimacy in what is otherwise a theocratic dictatorship.

This is how we ended up with today's relentless horse-race coverage of Iranian elections. Foreign reporters pore over opinion polls (in a country where a Facebook post can get you sentenced to death); crisscross Iran to interview voters (who tend to notice the accompanying regime minders); and write earnest think pieces (as if the subject is a mayoral race in the Midwest, not a carefully managed exercise in one of the world's least-free societies).

There is only one way to put an end to this charade: Iranian voters should boycott the ballot box as an act of mass, nonviolent civil disobedience. So far they've played along. Each time they go to the polls, Iranians re-stage the Khomeinist illusion. It's why the regime tends to soften its rhetoric and dial back repression around election time. We know you detest us, the mullahs say, but come to the polls anyway. Things will really improve this time around.

The process refreshes the regime's political vigor. Healthy turnout allows regime ideologues to claim that the Iranian people have renewed their *bai'at*—the pledge of national loyalty to the regime and the supreme leader.

Each time they vote, Iranians only deepen their disenfranchisement. The citizen who "votes" in the Islamic Republic is no different from the greengrocer in Communist Czechoslovakia described by Václav Havel in his essay "The Power of the Powerless."

The grocer displays the "Workers of the World Unite!" sign in his shop,

Havel wrote, not because he believes in the content but as a way to declare "his loyalty . . . in the only way the regime is capable of hearing; that is, by accepting the prescribed rit-

ual." Just so with Iranians and the polls. So why play along? Why not, instead, "live within the truth," as Havel taught, and boycott the ballot box?

I can already hear the objections rising from Iran. Allow me to address some of these:

Yes, the unelected Guardian Council disqualified 99% of candidates, but at least we get some choice. Many repressive regimes don't even grant that.

That only means the Islamic Republic is more mendacious than the average dictatorship.

Shouldn't we try to effect change from the inside? Listen to Hassan Rouhani's re-election pitch—he's talking about freedom.

The people humiliate themselves when they participate in the mullahs' sham elections.

You've tried for four decades. Before Mr. Rouhani, there was Mohammad Khatami and before him Akbar Hashemi Rafsanjani. Things are as bad as ever for women, religious and ethnic minorities, dissidents, and the average Iranian. As for the freedom pitch, Mr. Rouhani made it last time, too, but the leaders of the pro-democracy Green Movement are still under house arrest.

But the Green leaders have urged us to go the polls.

Mir Hossein Mousavi and Mehdi Karroubi are regime men. At the height of the 2009 uprising, when three million Iranians were on the streets and could have toppled the supreme leader, the Green leaders pulled them back. They didn't want to go down with the regime they'd helped build.

Doesn't the 2009 election show that we do have real choices? Otherwise, why would the regime feel compelled to commit electoral fraud and suppress the uprising that followed?

The 2009 election was the exception that proved the rule. It showed that if an election poses an unexpected systemic risk, the mullahs will short-circuit the process to get what they want. At any rate, the regime will never again risk charismatic reformists on the ballot. Mr. Rouhani, this year's supposed reform champion, cheered the 2009 crackdown.

So what do you propose we do—start another uprising? Didn't you witness how merciless the mullahs can be when their power is threatened?

No uprisings, but preserve your integrity and self-respect. Don't vote.

LETTERS TO THE EDITOR

Is Ryan's Plan BATs and VATs in the Belfry?

In his May 15 op-ed "On Tax Reform, Paul Ryan Knows Better," Lawrence Kotlikoff praises the value-added tax and points out that "every developed country has a VAT," which he sees as a wealth tax and a means of bringing more revenue to the federal government. Why would America want to follow the model of those European "developed countries" with their moribund economies, high levels of debt and

with many of them close to fiscal collapse?

While it is true that the VAT raises huge amounts of revenue for the government, our focus needs to be on reducing government spending, not finding a new way to extort money from the private sector to send to Washington. The imposition of the VAT has led to vastly increased tax burdens and increased government spending in European countries.

The worst feature of the VAT is why politicians love it. The VAT rate is easy and painless to increase. Because it is a hidden tax buried within the price of goods, consumers don't realize it is the government that is driving up costs as prices increase.

ELLEN SAUERBREY

Baldwin, Md.

Mr. Kotlikoff egregiously mislabels Speaker Paul Ryan's 20% border-adjusted tax (BAT) as nothing more than a value-added tax. In a sense this is all academic because it is plain that business pushback from retailers and other importers (like oil refiners) makes the BAT politically impossible.

But we ought to be honest with the terms we use. The BAT is not a VAT because no VAT in the world excuses domestic sales from the tax, as the Ryan BAT does. As to the supposed new wage subsidy, that's from the effect of allowing a deduction for wages paid, which our income tax does quite nicely today. Since the BAT does excuse domestic sales while taxing all imports, in effect it is a tariff—a plain violation of settled World Trade Organization rules.

W.D. THIES

New York

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OPINION

Trump Goes to Saudi Arabia

By Karen Elliott House

President Trump will receive an effusive welcome here from his royal hosts determined to underscore that once again Saudi Arabia and the U.S. are close allies. Barack Obama favored Iran, but that's over. King Salman, 81, is gathering 50 Islamic leaders to meet Mr. Trump. This unprecedented assembly is intended to show not only that Saudi Arabia is the leader of the Islamic world but that Muslim leaders support the U.S. against Islamic State terrorists.

Given the badly frayed relations between the U.S. and Riyadh, the president is guaranteed a win.

While the elderly monarch is host, the indisputable power behind the throne is his young son, Deputy Crown Prince Mohammad bin Salman, 31. He is orchestrating a two-day summit spectacular that will star Donald Trump and the new face of Saudi Arabia—a country now enjoying once-forbidden entertainment and a much larger role for women, who may be allowed to drive as early as this summer. Conservatives seethe but can't block change.

The young prince and the president have much in common. Both are outsiders, brash, unorthodox and new to politics. Each faces strong opposition at home. Both seek to spur economic growth by reducing the role of gov-

ernment. And each is fighting orthodoxy: MBS, as the prince is known, wants to curb the role of religion and tradition, which inhibit modernization, while Mr. Trump battles leftist orthodoxy and political correctness. Both are smart marketers.

Mr. Trump's presence is an opportunity for the prince to show off his modernization effort. An extravaganza featuring something for everyone—the Harlem Globetrotters taking on a Saudi basketball team, car races, country singer Toby Keith—is intended to convince Americans there is a new, open Saudi Arabia and Saudis that mixing cultures and sexes isn't evil.

How can the son of a king be an outsider? In a culture that reveres age, especially among the royal family's thousands of princes, the appointment last year of a young man who isn't a senior prince, nor even his father's eldest son, came as a shock. Like Mr. Trump, Mohammed bin Salman faces a "resistance" in the form of determined opponents among his royal relatives. Social media has created a "virtual opposition" by enabling disgruntled citizens to express their views.

So both the prince and the president seek success to bolster their leadership, easier to achieve in diplomacy than domestic affairs. Given the badly frayed state of U.S.-Saudi relations, Mr. Trump is guaranteed a win, at least with Saudis, because he isn't Barack Obama. The president has further pleased Riyadh by making this his first stop on his first foreign trip. No president has ever put Saudi Arabia first so visibly.

But the Saudis want concrete support once Air Force One lifts off for Israel, Rome and then a NATO sum-



BLOOMBERG NEWS

Prince Mohammad bin Salman visits the White House on March 14.

mit in Brussels. Both countries see Iran as a threat, but the U.S. president demands more burden-sharing from allies. So the prince, who also is defense minister, is said to be ready to invite the U.S. military back to Saudi bases vacated in 2003 in the face of opposition to foreign troops in the land of the two holy mosques. Riyadh is fighting a costly war against Iran-backed Houthi rebels in Yemen, and the prince wants more U.S. support.

If the leaders agreed to return the U.S. military here, it would mark a significant new commitment to Saudi Arabia's defense—and surely be seen by Iran as a provocation. It would be a clear triumph for both leaders—and a repudiation of Mr. Obama's exhortation that Saudi Arabia "share the neighborhood" with Iran.

The U.S. wants to curb Iranian expansion but may be cautious about new entanglements as Saudi-Iranian

tensions are rising. Prince Mohammad recently slammed the door on any dialogue with Iran, insisting that Tehran seeks domination of the Muslim world. "We know we are a major target," he said. "We will not wait until the battle is in Saudi Arabia, but we will work so the battle is there." Iran immediately warned that if Riyadh persisted with "such stupidity," nothing will be "left in Saudi Arabia except Mecca and Medina."

Beyond bases and Islamic nation support in the fight against Islamic State terrorists, King Salman seeks to tie the House of Saud to the Trump family. The king has just named another of his sons, Khalid, 29, a former fighter pilot, as ambassador to the U.S. Sending his son to Washington is a very personal gesture to a president with family working in the White House.

Prince Mohammad faces much tougher domestic challenges than

President Trump does. The prince has to transform an economy and society long addicted to oil revenues, which have collapsed, and persuade coddled Saudis they must work. Mr. Trump is trying to raise U.S. GDP growth to 3% from 1%; Saudi Arabia has no growth. Mr. Trump seeks to spur U.S. energy production, while the prince is suppressing Saudi production to stabilize prices, in part weakened by growth in U.S. oil production. The U.S. got good news that unemployment officially is 4.4%, but among the 70% of Saudis under 30 the true figure is triple that.

Mr. Trump, for all the angry opposition at home, is more secure than the deputy crown prince. Should his father die, a new king may remove Mohammad bin Salman. Some Saudis believe King Salman will promote MBS to crown prince and thus next in line to be king—but he hasn't yet done so.

Regardless of these uncertainties, Mohammed bin Salman is confidently pushing ahead with ambitious plans to transform Saudi Arabia. Like Mr. Trump, the prince needs some clear wins over the next several years—an end to the costly Yemen war; successful privatization of Aramco, the national oil company, and other government companies set for public sale. He must persuade skeptical citizens that his plans will in coming years provide Saudis a prosperous life without dependence on oil.

Ms. House, a former publisher of The Wall Street Journal, is the author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future" (Knopf, 2012).

The Economic Headwinds Obama Set in Motion

By Phil Gramm
And Thomas R. Saving

Behind every significant postwar recovery has been the same driving force: a sustained rise in private investment and new home building, which increased borrowing and drove up interest rates. In most cases the economy had sufficient momentum to overcome those rising interest rates.

But the unparalleled borrowing and monetary stimulus under President Obama may have changed the equation. Now rising interest rates in a full-blown recovery would require the U.S. Treasury Department and the Federal Reserve to compete for available credit with the private sector at unprecedented levels.

The Obama debt surge was largely hidden by ultralow interest rates and the Fed's purchases of government securities. So massive were the Fed purchases of Treasury debt and mortgage-backed securities that the central bank effectively funded 55% of the Treasury debt issued during Mr. Obama's presidency, as compared with less than 10% of the debt issued during World War II. Although the publicly held national debt doubled as a share of gross domestic product, the cost of servicing it dropped to 1.3% of GDP in 2016 from 1.7% in 2008.

During the Obama recovery, private investment averaged only 88% of

the postwar norm, and housing starts remained at recessionary levels. Both would surge if a robust economic recovery were to ignite now, intensifying competition for credit. Real interest rates would begin to rise as they did in other postwar recoveries.

The effect on federal borrowing would be staggering. If interest costs simply returned to their postwar norms, debt-servicing costs would rise by \$4.4 trillion over the next decade. If those costs were simply borrowed, it would increase debt-servicing costs by another \$1.3 trillion. By 2027, federal interest costs as a share of GDP would more than triple to 4.9%, exceeding \$1.4 trillion annually—roughly equal to that year's projected Medicare spending.

During previous postwar recoveries, annual gross private domestic investment averaged 17.5% of GDP, and yearly Treasury borrowing went up on average by only 1.6% of GDP. But now if interest rates returned to their historic norms, debt-servicing costs in the fifth year of a recovery would cause Treasury borrowing to spiral to 6.6% of GDP. In other words, federal borrowing would represent more than four times the competition for available credit than it did in previous postwar recoveries.

In addition to these headwinds, a full-blown recovery and a return of normal interest rates would force the Fed to sell assets, increasing further the competition for available credit.

Recall that the Fed's bloated balance sheet is the mirror image of bank reserves, which have swollen as a result of the central bank's various monetary easing programs. The Fed's purchases of \$3.4 trillion in Treasury bonds and mortgage-backed securities have pushed up bank reserves to \$13.07 for every dollar they are required to hold. These massive excess

A booming recovery would force the U.S. Treasury and Fed to compete with the private sector for credit.

reserves have not expanded bank lending or the money supply because the Fed now pays interest on them—sterilizing excess reserves by in essence converting them into interest-bearing Fed securities.

Once a powerful recovery is under way, demand for loans will rise, increasing interest rates and giving banks an incentive to expand lending. To stop the money supply from exploding, the Fed will have to reduce its balance sheet to soak up the excess liquidity in the banking system. Whether the Fed sells securities, lets the securities it holds mature, pays higher interest rates on excess reserves to stop banks from lending, or borrows against the

value of its balance sheet, it will end up competing directly with the private sector for credit.

Even if the Fed had five years to unwind excess reserves, it would still have to dump \$590 billion of Treasury bonds and mortgage-backed securities into the markets each year. The combined effect of these asset sales and new Treasury borrowing would generate a massive headwind for the recovery, driving up interest rates faster and higher than has been the postwar norm.

In the six decades before 2007, the Treasury borrowed on average an extra 1.6% of GDP a year. The Fed offset part of that by buying some 0.3% worth of federal debt a year, reducing net new public demand for credit to 1.3% of GDP.

But by the fifth year of a full-blown recovery with normal interest rates, the Treasury would have to borrow some 6.6% of GDP. At the same time the Fed would shift from being a buyer to a seller of financial assets, absorbing another 2.6% of GDP of available credit. That totals 9.2% of GDP in new borrowing, seven times the postwar average.

This would crowd out private investment at a level never before remotely approached in a postwar-era recovery.

Igniting and sustaining a strong recovery will require not only overcoming the post-Obama stagnation but also overpowering these extraor-

dinary headwinds. As long as the economy has little pulse, the fever of rising interest rates will not be felt. But in a full-blown recovery the extraordinary nature of the challenge will become all too clear.

President Trump's tax-cut proposal is a medicine that should be taken at full strength to trigger strong, sustained private investment. The lifting of regulatory burdens—including the repeal of Dodd-Frank—should be pursued relentlessly through executive action, agency rule-making and legislation. Spending limits and entitlement reforms will be critical to sustaining the recovery once it has begun. With Medicaid metastasizing and Medicare and Social Security veering toward insolvency in the next two decades, comprehensive entitlement reform cannot be delayed.

Failing to ignite a strong recovery in the private sector, or to reduce dramatically the growth of government during the ensuing recovery, will risk making the current Washington-induced stagnation a permanent part of American life.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Saving is a professor of economics and the director of the Private Enterprise Research Center at Texas A&M University. Michael Solon contributed to this article.

It's Time to Let Trump Be Trump

working in what little exists so far of the Trump government.

One more parallel universe deserves mention: the Trump vote, which decided the 2016 election. Oh, them.

The Trump vote sits out in the country watching the Washington spectacle of all things Comey, all things Russian, rumors of White House firings, and the president's tweetstorms.

Polls suggest most Trump voters aren't much moved by these events. After surviving the 2016 election, the Trump voter remains fixed on achieving the Trump agenda—the economy,

health care, taxes, education, America's global standing, financial reform, immigration, infrastructure, trade. They are willing to put up with a lot, because they know that President Donald J. Trump is the only vessel they've got.

Trump voters, however, should not underestimate the dangers of the current Washington circus. It isn't a sideshow. It could pull down him and them.

If Republicans running in 23 House districts carried by Hillary Clinton, or districts barely carried by Mr. Trump, distance themselves from the White-House mayhem, vote margins for the Trump legislative agenda will be at risk. Wednesday's down stock market was a canary in that mineshaft.

If Democrats win back the House in 2018, they will commence impeachment proceedings against Mr. Trump and his presidency will lose its ability to function for half its term.

Something's gotta give in Washington. It's not going to be Donald Trump.

The rumors of a White House shake-up include the suggestion that Mr. Trump may fire Sean Spicer, Reince Priebus, communications director Mike Dubke, counsel Don McGahn and consigliere Steve Bannon. What difference would that make?

No conceivable chief of staff would sign on now without a commitment from the president of full control over White House operations and messaging. Donald Trump won't cede that. He believes what he is doing is fine, as he's said in multiple inter-

views. So let's consider something completely different.

There is a reality at the center of this matter that has to be faced: Donald Trump doesn't like intermediaries. He abhors anything that gets between him and the public. The problem is not Sean Spicer's performance as press secretary. The problem is positioning anything between Donald Trump's mind and the outside world.

The president should cut the middlemen and be his own messenger in chief.

When Mr. Trump says he is moving too fast and doing too much for any of his staff to keep up, we should take him at his word. He wants direct access. So, create a system that gives him exactly that.

The answer is to cut out the middlemen. Let Trump be Trump.

Donald Trump should serve as his own press secretary and maybe his own chief of staff. I would even propose that the Trump presidency go live to the world, with a camera crew recording the president and his moment-to-moment thoughts in real time every day. President Trump as messenger in chief.

A month ago, this proposal would have been read as satire. But it is now close to the manifest reality of the Trump White House.

If Mr. Trump says or tweets something that causes a stir, such as pulling out of Nafta, let him talk to reporters

on his terms to explain what he meant. If he changes his mind in minutes, hours or days, he can turn to the real-time camera and do it. But he takes responsibility for the Trump message.

Mr. Trump managing the message flow himself won't eliminate all the static, but it would remove the press spending days pounding intermediaries like Sean Spicer to produce answers the president hasn't shared with his people or isn't ready to share. If the Trump presidency is going to produce static on a scale of 1 to 100, why not live with his 50 rather than the current 90?

Think of the Trump presidency as a Wikipedia entry, a project of constant updating, correction and revision. Once people get used to Donald Trump as a wiki, with him as the main editor, things might calm down. For Congress and the legislative agenda, midcourse corrections would become the daily routine, rather than media melodramas. The goal is relative stability.

There are all sorts of objections to a real-time Trump. It won't solve White House disorganization, but nothing is workable in this unique context. The old normal isn't happening and never will.

Discontinuity defines the Trump personality, and this won't change. But if it's all passing through him in real time, then corrections of facts, policy or intent can come earlier and reduce the current period of radioactive fallout.

Let Trump be Trump, for as long as it lasts.

Write henninger@wsj.com.



WONDER LAND
By Daniel Henninger

After the past two weeks, one must ask: How many parallel universes can the U.S. political system endure?

Let us enumerate the celestial bodies traveling along independent orbits just now: Donald Trump, Sean Spicer, the Belt-

way press chorus, the White House's Borgia factions, 2018's at-risk congressional Republicans, the Schumer Democrats, the mosquito clouds of social media, and the various people

working in what little exists so far of the Trump government.

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LIFE & ARTS

TELEVISION

The Uphill Battle Facing 'Twin Peaks'

The series influenced decades of television, but as it returns, will a new audience respond with the same passion?

BY JOHN JURGENSEN

ONE OF THE TOUCHSTONES of modern television will be put to the test Sunday with the revival of "Twin Peaks," 26 years after it went off the air. The show, considered a precursor to novelistic television like "The Sopranos" and "Lost," helped embolden a generation of writers, directors and producers to push beyond TV norms.

But the show has less of a grip on younger viewers who didn't experience it in context—as a blast of noir weirdness on broadcast television in 1990.

Ian Karmel made three separate attempts to get into it with three former girlfriends who were devotees of the show. The 32-year-old stand-up comedian and staff writer on "The Late Late Show with James Corden" struggled to grasp what was happening in the plot and got distracted by references he recognized from "The Simpsons." As a native of Portland, Ore., he didn't see the show's Pacific Northwest setting as exotic. "There's nothing particularly supernatural about tall trees and fog to me."

"The whole time I was pretending to understand and enjoy it while thinking, 'When is this going to hook me?' It never did."

The mixed legacy of "Twin Peaks" magnifies the challenge faced by all producers of revivals and sequels: how to serve hardcore fans with a fresh story that can also grab new and less-invested viewers. The prolonged gestation of the "Twin Peaks" project (set to air on Showtime) and the secrecy surrounding it has anticipation running especially high, even as some fans try to temper their expectations.

A murder mystery/soap opera/paranormal horror comedy set in the fictional Washington logging town of Twin Peaks, the series was created by filmmaker David Lynch and writer Mark Frost. Its spooky style and the riddle of who killed



Kyle MacLachlan in an alternate reality in 'Twin Peaks,' above. David Lynch, far right, gives direction to Jake Wardle, left, and James Marshall, center.

Laura Palmer, the teen whose body is discovered in the opening minutes, made the series an instant hit on ABC. It was also a fleeting one. The show's escalating strangeness eventually turned off viewers who had tuned in for a whodunit. Overcrowded with characters and surreal tangents, the show staggered through a second season before the network canceled it.

Still, this show chockablock with symbols—a little man speaking in alien cadence, a lady carrying a log like a pet—went on to become an emblem for the industry.

Showtime has leaned on the original show's legacy to market its return—a third season featuring 18 episodes overseen by Messrs. Frost and Lynch. The net-

work released several videos featuring respected producers, including Damon Lindelof ("Lost," "The Leftovers"), testifying to the influence of the original series.

There are many reasons why TV lovers might cherish the memory of "Twin Peaks" more than they remember it chapter and verse. A big one: The series flared up and flamed out before there was an internet, much less instant recaps and live-tweeting.

In contrast to the comic books and novelizations that now expand other entertainment franchises, there was no official spinoff material in later years (following the feature film "Twin Peaks: Fire Walk With Me," a dark 1992 prequel) to drip-feed the fan base.



One exception, a book published by Mr. Frost in 2016, "The Secret History of Twin Peaks," expanded on characters and connected some plot dots. Even collectibles were scant, owing in part to the original show's brief lifespan. Showtime has filled the void, selling accessories ranging from a "Welcome to Twin Peaks" throw blanket to a viewing-party kit that includes a "selfie prop set."

No doubt there's nostalgia for the original show's moody, creepy coolness—and quirks such as the zealous devotion of FBI agent Dale Cooper (Kyle MacLachlan) to coffee and pie. But "Twin Peaks" anticipation is being fueled more by curiosity about how the unpredictable Mr. Lynch will revisit such formative material.

The buzz saw of hype has been building since the fall of 2014, when Showtime announced the show's return. Halting contract negotiations and a temporary departure from the project by Mr. Lynch gave people plenty of time to revisit the original series.

Pro: There are only two seasons and the feature film to consume to achieve immersion.

Con: That's still a 30-hour commitment to a narrative that is arguably uneven, especially in the second season.

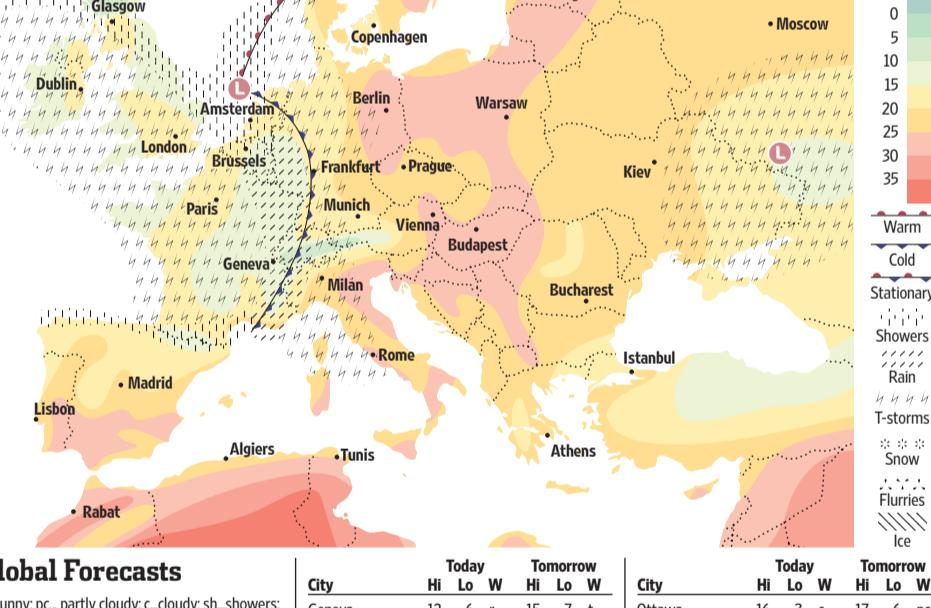
It's a rich but "perplexing" piece of work, says steadfast fan John Thorne, a 53-year-old stay-at-home dad in Dallas.

"There's lots to complain about in its storytelling." And that assessment comes from a loyalist who for 13 years published a magazine covering the "Twin Peaks" world. "Wrapped In Plastic," named for one of the first lines uttered in the show, spanned 75 issues. Mr.

Thorne recently launched a new magazine, "The Blue Rose," to cover the revival.

"A little stressful," is how he describes his hopes and fears about the new "Twin Peaks." He's especially concerned with how rapidly viewers will dissect every episode as it airs. "I don't want to rush through it," he says. "Maybe it will require years of going back and forth and picking through it."

Weather

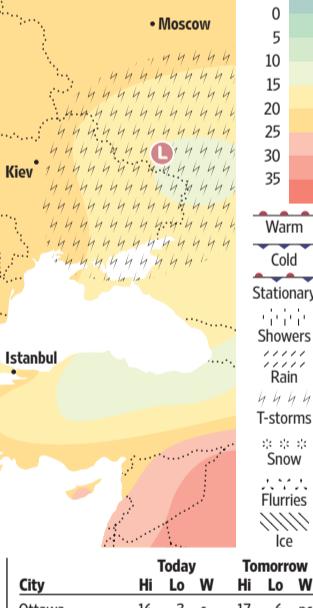


Global Forecasts

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

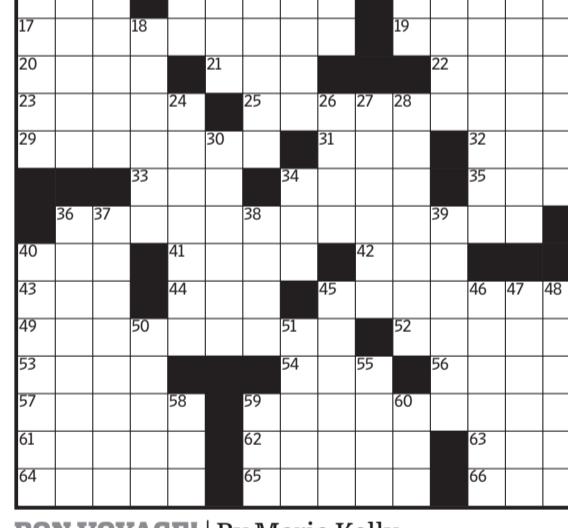
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	16	9	c	18	9	sh
Anchorage	13	6	pc	14	6	pc
Athens	24	14	s	25	16	s
Atlanta	32	20	pc	32	21	pc
Bahrain	44	28	s	38	20	s
Baltimore	32	16	t	22	12	pc
Bangkok	33	27	t	33	26	t
Beijing	38	19	pc	35	18	s
Berlin	27	14	t	16	11	c
Bogota	21	11	pc	20	11	c
Boise	21	8	s	23	9	s
Boston	28	10	pc	17	9	s
Brussels	16	7	c	18	9	s
Buenos Aires	18	9	r	14	8	r
Cairo	30	19	s	29	18	s
Calgary	18	6	sh	17	6	c
Caracas	32	27	pc	32	27	pc
Charlotte	31	20	pc	31	19	pc
Chicago	14	8	c	23	13	t
Dallas	30	20	t	26	18	t
Denver	5	-2	sn	13	1	pc
Detroit	18	8	pc	20	15	pc
Dubai	39	29	s	38	29	s
Dublin	15	7	t	15	7	t
Edinburgh	15	7	c	14	8	sh
Frankfurt	17	8	t	19	8	t

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	16	3	c	17	6	pc
Paris	16	8	t	18	9	t
Philadelphia	32	14	pc	22	11	s
Phoenix	31	19	s	35	22	s
Pittsburgh	24	12	pc	26	17	pc
Port-au-Prince	33	23	sh	35	22	pc
Portland, Ore.	24	11	s	21	10	c
Rio de Janeiro	24	20	r	26	21	r
Riyadh	41	30	s	42	29	s
Rome	25	14	t	22	13	pc
Salt Lake City	17	7	sh	21	12	s
San Diego	23	16	pc	24	17	pc
San Francisco	24	12	s	25	12	s
San Juan	32	25	pc	31	26	sh
Santiago	12	1	p	17	4	s
Santo Domingo	31	24	sh	31	23	pc
São Paulo	20	16	r	23	17	sh
Seattle	21	11	s	19	11	pc
Seoul	25	13	s	26	13	pc
Shanghai	27	20	pc	27	19	s
Singapore	31	27	c	31	27	pc
Stockholm	25	9	t	20	7	t
Sydney	22	18	sh	21	15	sh
Taipei	29	23	pc	29	24	pc
Tehran	33	21	s	34	22	c
Tel Aviv	28	19	s	24	18	sh
Tokyo	24	18	s	26	20	s
Toronto	17	6	s	15	9	c
Vancouver	17	9	pc	17	10	pc
Washington, D.C.	33	16	t	22	15	pc
Zurich	16	6	r	15	6	t

The WSJ Daily Crossword | Edited by Mike Shenk



BON VOYAGE! | By Marie Kelly

The answer to this week's contest crossword is a vacation destination.

Across

- 1 Perp pursuer
- 4 Hoping to avert a strike?
- 9 Not forbidden
- 14 Rose in the rock world
- 15 Donald's second
- 16 Legend in the auto business
- 17 *Smart
- 19 Like some bulls
- 20 Twelve points
- 21 Remain unused
- 22 Single

Down

- 1 1970 Masters winner Billy
- 2 Belt material
- 3 Even-tempered
- 4 Fender attachment
- 5 Song that begins "Day is done"
- 6 Salon offering
- 7 O'Connor's successor
- 8 Salon offering
- 9 Once around
- 10 Words a bluffer may dread
- 11 Personal preference
- 12 Mashhad masses
- 13 Gifts
- 18 Informed
- 24 Try

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, May 21. A solver selected at random will win a WSJ mug. Last week's winner: Diana Zimmerman, Great Neck, NY. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

61	Butch Cassidy, for one
62	Cornflower cousin
63	Movie title character voiced by Seth MacFarlane
64	Country included in Trump's travel ban
65	Simple type of question
66	Speakers' stumbles
67	Down
1	1970 Masters winner Billy
2	Belt material
3	Even-tempered
4	Fender attachment
5	Org. responsible for much checked luggage
6	Facebook posting
67	Fly
68	More promising
69	Market analysts' finds
70	Hearty laugh
71	Like the start of Psalms
72	Frank description
73	Salsa verde ingredient
74	

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Euro vs. Dollar 1.1131 ▼ 0.25%

FTSE 100 7436.42 ▼ 0.89%

Gold 1251.70 ▼ 0.46%

WTI crude 49.35 ▲ 0.57%

German Bund yield 0.347%

10-Year Treasury yield 2.233%

The Fight to Host a Bank Overseer

Paris, Frankfurt vie to be regulator's home after London exit, but both may be rejected

BY JULIA-AMBRA VERLAINE
AND PATRICIA KOWSMANN

LONDON—France is shooting down the possibility of relocating Europe's top financial regulator to Frankfurt from London after Brexit, an early sign of infighting over the spoils of Britain's departure from the European Union.

Frankfurt had emerged as the favored location among EU officials for when the European Banking Authority moves from the U.K. after Brexit. But the agency has been caught in a Franco-German power struggle



based in London. The hottest prize is the European Medicines Agency, which attracts thousands of experts a year for its meetings and employs almost 900 staff. France is seeking the European Banking Authority as it tries to fashion Paris as the bloc's next financial center.

While the EBA is much smaller, its presence in Frankfurt would consolidate the city's status as a financial hub. Earlier this month, Germany's financial watchdog said a double-digit number of banks have indicated that they will move some of their staff to Frankfurt following Brexit.

Because of the French objections, talks among the Continent's capitals to move the banking regulator have taken a new turn, and now both Paris

and Frankfurt are likely to be out of the picture because of the political controversy that comes with choosing either, according to officials familiar with the discussions.

The French opposition to Frankfurt as the EBA's location emerged under President François Hollande. But European officials don't expect the country's new president, Emmanuel Macron, to shift ground on the question, though they haven't received any indication one way or another.

This all leaves the EBA and its more than 150 staff in uncertainty as to where the agency will move. Brussels and Vienna have been informally favored by officials as the next best options.

The fight is an example of Please see FIGHT page B2

over which country will benefit most from the departure of some financial-services businesses from London because

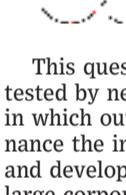
the U.K. is leaving the EU.

Countries from Portugal to Denmark are fighting to host the two EU institutions now

STREETWISE

By James Mackintosh

Short-Term Outlook Is Driving New R&D Model



What's the point of a company if it outsources the development of its own future?

This question is being tested by new arrangements in which outside investors finance the internal research and development inside large corporations.

The deals provide finance for specific projects—such as expensive late-stage drug trials or the development of a new jet engine—with the backers typically rewarded with a share of future sales but the possibility of losing the investment.

The first major R&D financing outside the pharmaceutical sector is due to mature later this year,

according to one person close to the project. It is likely to hand 15% to 20% annualized returns to the backers of

General Electric Co.'s GE9X jet engine, far more than GE's own cost of capital.

The engine will power the new Boeing Co. 777X and has already reached the testing stage.

"It's an innovative use of capital to fund scientific innovation," says Ken Manget, global head of relationship investing at Ontario Teachers' Pension Plan.

He wouldn't give details of the financing, but Ontario Teachers' put up about \$50 million, according to a person familiar with the matter, and state-owned Development

Bank of Japan added another \$100 million for the second stage of development of the engine.

The deal should prompt public shareholders of GE—and the drug companies using even more outside finance for research—to take an existential accounting:

Why hold stock in the developer of the first U.S. jet engine if you don't want it to spend your cash researching jet engines? The same goes for pharmaceutical firms:

Why buy shares if you don't want them to spend on developing new drugs?

"In some ways, it's not necessarily very logical," Ontario Teachers' Chief Investment Officer Bjarne Graven Larsen said. "A lot of public companies find it hard to explain to investors that they want to use their free cash flow for R&D or capital spending. But they still want to do it, so there's one way they can do it is to take outside capital."

Put another way, shareholders are too focused on quarterly results, and that pushes companies to manage

Please see STREET page B2



ALESSIA PIERDOMENICO/BLOOMBERG NEWS

Italy put its flag carrier up for sale this week after months of fruitless talks with unions and shareholders including Etihad Airways.

It Could Be Arrivederci for Alitalia

BY ROBERT WALL

It could finally be arrivederci for Alitalia SpA, the Italian flag carrier that shuttles the pope around the world.

Italy's government put the airline up for sale this week, seeking expressions of interest from bidders before a June 5 deadline. That followed months of fruitless talks with labor unions and the carrier's shareholders, including its biggest, Abu Dhabi-based Etihad Airways.

A one-time symbol of the country's postwar *la dolce vita*, Alitalia has racked up years of losses amid competition from a swarm of budget airlines in Europe.

Three years ago, Etihad poured in cash to refresh the carrier, retraining cabin crew and replacing fading interiors with Italian-designed leather seats.

But that hasn't been enough. Alitalia has lost billions of dollars over decades, amassing more than \$3 billion

in debt. The airline, which hasn't yet published results, signaled it may have had an operational loss exceeding \$600 million last year.

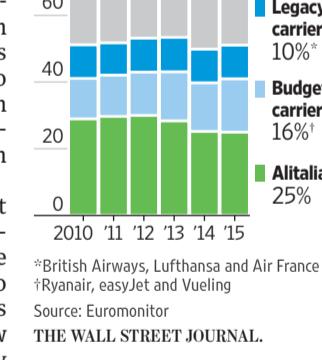
Italy, Alitalia's home market, demonstrates the airline's losing battle to woo customers. In 2010, the carrier commanded 29% of Italy's domestic market, according to Euromonitor. In 2015, the last year data is available, that had dropped to 25%, in a commercial-aviation market in which rivals typically fight hard for every 10th of a percentage point.

The three biggest budget carriers flying in Italy, meanwhile, boosted their share from just over 12% in 2010 to 16% five years later. Ireland's Ryanair Holdings PLC is now the biggest airline in Italy by passenger numbers.

Earlier this month, Alitalia filed for what is essentially bankruptcy-court protection from creditors, for the second time in a decade. The airline declared insolvency after em-

Losing Altitude

Alitalia has steadily lost share in its home market Italy.



*British Airways, Lufthansa and Air France

†Ryanair, easyJet and Vueling

Source: Euromonitor

THE WALL STREET JOURNAL.

ployees rejected a restructuring plan put forward by its major shareholders.

Etihad owns 49% of the airline and refused to put more cash into Alitalia without significant concessions from

workers. A consortium of Italian investors owns the rest.

After failing to broker a compromise, the Italian government said it would run an auction for the airline. Alitalia said it expects Rome to name bankers to advise on the sale in coming days.

Analysts and aviation executives say the government will struggle to find a buyer. Many of Europe's biggest airlines have ruled out making a bid. Non-European buyers are limited to minority stakes.

That makes liquidation, a breakup or a major restructuring real possibilities. The government has indicated it is willing to put another €600 million (\$670 million) into the airline to keep it flying through the busy summer travel season, as it seeks a buyer.

It has ruled out nationalizing the carrier, but Alitalia's 12,500 jobs may make a full-fledged wind-down too high a political price.

Please see CARRIER page B2

'Telework' Booster IBM Reels In Its Staff

BY JOHN SIMONS

International Business Machines Corp. is giving thousands of its remote workers in the U.S. a choice this week: Abandon your home workspaces and relocate to a regional office—or leave the company.

The 105-year-old technology giant is quietly dismantling its popular decades-old remote work program to bring employees back into offices, a move it says will improve collaboration and accelerate the pace of work.

The changes come as IBM copes with 20 consecutive quarters of falling revenue and rising shareholder ire over Chief Executive Ginni Rometty's pay package.

The company won't say how many of its 380,000 employees are affected by the policy



IBM asked Penny Schlyer and others to work at company offices.

boosters of remote work, both for itself and its customers. IBM markets software and services for what it calls "the anytime, anywhere workforce," and its researchers have published numerous studies on the merits of remote work.

In the past, IBM has boasted that more than 40% of employees worked outside traditional company offices, and a May 4 post on the company's Smarter Workforce blog stated that "telework works."

Big Blue's leaders want employees to work differently now, said Laurie Friedman, a company spokeswoman. The company has rebuilt design and digital marketing teams to quickly respond to real-time data and customer feedback, collaborations that happen more easily when teams work shoulder to shoulder, Ms.

Please see IBM page B4

Selloff Is Wake-Up Call on Stocks

BY JON SINDREU
AND CHRISTOPHER WHITTALL

Stocks have behaved so much like bonds lately that some investors have been treating them the same. But Wednesday's selloff in U.S. equities was a timely reminder that the tide can turn quickly.

After a sustained period of calm in markets, the question is whether volatility is making the kind of meaningful comeback that could spur a wave of selling from certain types of investors and exacerbate a downturn in markets.

For much of 2017, stocks have defied traditional views that they are a riskier bet than bonds. Shares in the S&P 500 index recently fell to levels of volatility that put them almost on a par with ultra-safe 10-year Treasurys. That has been a green light for the large number of investors that measure risk by looking at volatility to plow money into equities, helping push stock benchmarks toward record highs.

That changed Wednesday on concerns over political turmoil in Washington. Major U.S. stock markets tumbled and a widely followed measure of stock volatility jumped nearly 50%. Shares in Europe and Asia continued to decline Thursday, though U.S. stocks stabilized.

If the selloff continues, there is concern the same investors who bought stocks because volatility was low could quickly sell if it rises—and that shares could once again act like shares.

That strategy "works fine as long as volatility stays low," said Robert Schoen, chief investment officer of global asset allocation at Putnam Investments. "If volatility spikes...all of a sudden you're caught offside with a lot more risk than you intended."

Money managers are grappling with these issues after a decade of unprecedented central-bank stimulus, in which the traditional rationales for choosing between stocks and bonds have often been turned upside down.

Bonds were once seen as steady assets bought for their income, while stocks were the more exciting investment, which could rally but were more prone to swings. But in the past few years, many investors have bought bonds to profit from surging prices, as interest rates touched fresh lows.

Those gains could soon turn to speedy declines if monetary policy suddenly changes. Meanwhile, investors have started seeing stocks as a stable, income-producing investment in an improving global economy.

On average over the past six months, the difference between the realized volatility of the S&P 500 and that of 10-year Treasury futures is the narrowest since 2004. But on Wednesday, it started widening again: Volatility was 9% for stocks and 4% for bonds, compared with Tuesday's 6% and 4%, respectively.

Please see STOCKS page B2

INSIDE



THE AMERICAS' OTHER RISKS TO OIL PRICE

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FIGHT

Continued from the prior page how, as Brexit negotiations unfold, competition is likely to intensify among the 27 other EU capitals.

European nations are looking to lure businesses and authorities that have to leave the U.K. While some acquisitions are symbolic and matters for national prestige, there are economic benefits. Hosting a regulator means more money for a city's restaurants and an increase in hotel reservations as bankers, lobbyists and officials fly in for monthly board meetings.

There have been no formal EU proposals over where the EBA and European Medicines Agency ought to be located.

Talks are taking place among the 27 non-U.K. EU members and will likely be decided at a summit of European leaders after a series of behind-the-scenes discussions.

Germany hasn't given up on the prospect of moving the EBA to Frankfurt. Officials say the European Central Bank would also support moving the bank regulator to the same city as its own eurozone bank supervisor, known as the Single Supervisory Mechanism, which is located in Frankfurt.

The situation creates difficulties for Andrea Enria, chairman of the EBA, who will have to deal with relocating staff and making new hires. Moreover, any lease for the agency's new headquarters needs to be approved by the European Parliament and the member states, a process that can take

up to a year, officials say.

The EBA would have to be out of its Canary Wharf offices by March 30, 2019.

Europe's executive arm, the European Commission, has no say in where the EBA will move, despite planning to put forward proposals before year-end that will retool the bloc's supervisory architecture. The commission is considering merging the banking regulator with the EU's insurance regulator, currently located in Frankfurt—which made the German city a logical fit to host the EBA.

Germany hasn't given up on moving the EBA to Frankfurt.

Brexit spurred the commission to revisit whether the EU's supervisory architecture needed to be tweaked. Born out of the financial crisis, the EU's supervisory system consists of three agencies to oversee insurers, banks and markets.

Because of national sensitivities, the bloc's three regulators were split between Paris, London and Frankfurt. Now Brexit has thrown the balance of power back into question.

Some officials say handing the EBA to Paris would go against the principle of fairly distributing authorities around the bloc. France already hosts the European Securities Markets Authority in Paris and the European Parliament in Strasbourg.

PUNE METROPOLITAN REGION DEVELOPMENT AUTHORITY, PUNE Corrigendum No. 3 to E-Tender Notice No. 17 for FY 2016-17

The PMRDA has published tender notice for Request for Qualification (RFQ) for short listing of Bidders for Hinjawadi - Shivajinagar Pune Metro Rail Project with tender ID - 2017_PMRDA_196091_1 on mahatenders.gov.in dated 02/03/2017.

Now the date of submission of RFQ is extended up to 25/05/2017 up to 17.30 Hrs. All other details are available on www.mahatenders.gov.in

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BUSINESS & FINANCE

Real Estate Fuels Fight for Fairfax

By MIKE CHERNEY

SYDNEY—The bidding war between two U.S. private-equity firms for Australian newspaper company **Fairfax Media** Ltd. isn't over the newspapers.

Hellman & Friedman LLC made an offer valuing the publisher at between 2.8 billion and 2.9 billion Australian dollars (US\$2.1 billion and US\$2.2 billion), Fairfax said Thursday, following a bid of just under A\$2.8 billion from a consortium led by **TPG Group**. Fairfax's papers include some of Australia's biggest, among them the Sydney Morning Herald. But what the bidders are really after, investors and analysts say, is Domain, its online real-estate-classifieds business that has benefited from the country's property boom.

"The prize has always been Domain," said Bruce Smith, principal and portfolio manager at Alphinity Investment Management in Sydney. "The newspaper side of it is increasingly a cost center, rather than a profit center." Domain's revenue for the period of Dec. 26 to April 23 was up 10% from a year earlier, while revenue at Fairfax's main newspaper division was down 11%. Journalists recently went on strike to protest staff cuts. The newspaper business has



Fairfax Media's online real-estate classifieds business is the biggest draw for two parties bidding to buy the Australian publisher.

been suffering for years as readers and advertisers move online. In the U.S., **New York Times** Co. took a bath on the Boston Globe, selling it for \$70 million in 2013 after having paid \$1.1 billion in 1993. That same year Amazon.com Inc. Chief Executive Jeff Bezos bought the Washington Post for \$250 million as losses at the paper piled up.

Now may be a good time to bid for Domain. Fairfax earlier said it was looking into spinning off the business, which could make it more expensive.

Analysts say Fairfax's share price is weighed down by its newspapers, which also include the Age and the Australian Financial Review. Real-estate listings have been relatively weak recently, but that could soon change. There are concerns that Australia's housing boom has peaked, and listings volume could increase if a cooling market drives real-estate investors to cash in by selling their properties.

Hellman & Friedman offered between A\$1.225 and A\$1.25 a share. TPG, which had kicked

off the bidding earlier this month with a proposal that envisioned spinning off Domain and the larger newspapers, on Sunday offered a revised bid of A\$1.20 a share for the entire company, Fairfax said.

Fairfax said Thursday that it would grant both bidders access to its books for the due-diligence process. It also said there is no certainty it would accept either bid. But the news still sent Fairfax shares up nearly 7% to A\$1.24.

"We welcome the Fairfax board's decision to provide the consortium with access to due diligence," a TPG representative said in a statement Thursday. The firm had no further comment.

Hellman & Friedman in 2013 bought a majority stake in online-classifieds company Scout24 AG, which in 2015 listed on the Frankfurt stock exchange. Brian Powers, Hellman's chairman emeritus and a senior adviser, served as chairman of Fairfax until 2002 and is leading Hellman's bid for the publisher, a person familiar with the bid said.

News Corp has a majority stake in REA Group Ltd., which runs realestate.com.au, Domain's main competitor. News Corp also owns the publisher of The Wall Street Journal.

STREET

Continued from the prior page their accounts by giving away future returns. There is a more benign interpretation, though, and not surprisingly it is the one the companies taking the money prefer.

"It's very much about how you share risk and how you manage your portfolio [of drug research]," says Jérôme Contamine, chief financial officer of French drugmaker **Sanofi SA**. "The whole game is to do more with the same amount of money."

This is the approach taken by Hollywood filmmakers, and it has something going for it. Some investors want certain types of risk—marketing and manufacturing engines or movies—but not the much higher risks of developing them, even if such work brings higher rewards.

Academics know shareholders fail fully to price in the future value of R&D, with stocks of companies that spend a high proportion of their market capitalization on research tending to outperform. But shareholders continue to focus on quarterly earnings, which are reduced by R&D spending.

"If you're developing a new drug, you have 10 years of expenses where you're producing nothing," said Jim McCaughan, chief executive of Principal Global Investors,

part of Des Moines, Iowa-based Principal Financial Group.



A Leap 1A aircraft engine at a GE plant. The firm is using outside financing to develop another engine.

"The market regards that as an inefficiency and marks you down heavily."

It's difficult to distinguish between worthwhile R&D and flights of fancy. Sometimes, investors buy into the dream. But more often, investors worry that the money might be wasted.

Takahiro Kato, head of corporate and structured finance at the Development Bank of Japan's European arm, said that before putting money into GE's jet project the bank talked to airline customers, to Japanese tech-

nology companies that supply GE and to Boeing.

"R&D investment needs a long time, but the investors in the listed market, they can't wait," Mr. Kato said. "They need returns every year, so we bridge the times."

One of the biggest privately financed R&D projects was Sanofi's recently launched Soliqua diabetes drug. **Royalty Pharma**, a fund specializing in drug royalty income, put up about \$300 million for the final stage of development starting in 2014, in return for a

single-digit percentage of future sales.

Pablo Legoretto, CEO of Royalty Pharma, says he plans another \$2 billion to \$3 billion of late-stage financing for four to six new drugs. Mr. Legoretto aims for a return on investment in the high teens, so that successful developments cover the costs of failures.

Making it easier to spend money on R&D is surely good for society at large. But the fact that such deals exist at all shows the real economic impact of short-termism among shareholders.

STOCKS

Continued from the prior page

Some investors, including Warren Buffett, have long questioned whether volatility is a good measure of how much risk holders of assets really face.

But there are funds that use volatility as the key measure of risk. That includes more U.S. insurance companies and investors like so-called risk-parity funds that decide how much to allocate between different asset classes based on their volatility. For these investors, lower volatility is a buy signal and, in some cases, a prompt to increase leverage.

"As asset prices go higher, volatility goes lower, causing you to buy more assets in a risk-parity framework," said Scott Hixon, head of research at Invesco Ltd. "That's going to translate into more overall leverage in a portfolio."

By this month, risk-parity funds had increased their equity allocations to 40%, the

highest level since records started in 1999, according to Morgan Stanley.

Many investors point out that the rally in stocks and decline in volatility in recent months are merely the welcome effects of greater optimism about economic growth and corporate earnings. Invesco's risk-parity portfolio is 42% exposed to equities, compared with an average of around 35% in recent years, but that isn't merely because volatility has been low, said Mr. Hixon.

"Equity is a good place to be," he said, citing economic fundamentals and current valuations.

Some analysts also wonder whether there is enough money in volatility-targeting strategies to truly sway markets if they start a nose dive. According to estimates by Bank of America Merrill Lynch, they would need to manage around \$1 trillion in assets to account for 20% of weekly trading volumes in equity index futures markets under a scenario of severe market stress, but their actual size

process could draw interest from some airlines eager to take over specific rights, he said, but that may be the extent of the interest.

The company may still have one attractive asset: its name.

Synonymous with the glamorous jet set of the 1960s, Ali-

talia flew movie stars like Rock Hudson and Ingrid Bergman when they came to film in Rome.

At its peak, it was Europe's No. 3 carrier by passengers flown. Its green-and-red livery has been the backdrop to papal arrivals around the world.

forcing feedback loop: As long as the market doesn't go down you keep accumulating new positions," said Nikol Koulajian, chief investment officer at Quest Partners LLC, a New York-based investment firm that offers clients protection against market crashes.

Mr. Koulajian is standing ready to quickly buy insurance against volatility if there are any signs of a fall in stocks.

"We are standing

BUSINESS NEWS

Ex-Head of Fox News Dies

Roger Ailes won over right-leaning viewers with a pugnacious approach to coverage

By JOE FLINT

Roger Ailes, who combined political savvy with television showmanship to build the Fox News Channel into a conservative media juggernaut, becoming one of American media's most controversial figures along the way, died Thursday.

He was 77 years old.

OBITUARY
ROGER AILES
1940-2017

Mr. Ailes, a hemophiliac who had been in failing health, was hospitalized in recent days after complications from a fall, a person familiar with the situation said.

"I am profoundly sad and heartbroken to report that my husband, Roger Ailes, passed away this morning surrounded by his beautiful family," Mr. Ailes's wife Elizabeth said in a statement Thursday. The statement didn't disclose the cause of death.

Mr. Ailes pioneered a style of cable news with opinionated, right-leaning prime-time programming delivered by pugnacious hosts. It was an approach that delighted conservatives and proved extremely successful financially, even as it often triggered a negative response from liberal audiences. He had an instinct for making TV entertaining and knew how to pick and coach talent that others in the industry might overlook and develop those personalities into household names.

Through a career in politics dating back to the 1960s—advising the campaigns of Richard Nixon, Ronald Reagan, George H.W. Bush and, later, Donald Trump—and his leadership of Fox News, Mr. Ailes helped shape the modern conservative movement. Carrying favor with the network's huge audience became a must for



Roger Ailes left Fox News last year in the face of a sexual-harassment suit by a former anchor.

Republican politicians with national aspirations, and Fox News helped fuel some of the right's most active and influential elements, including the Tea Party.

But he will also be remembered for the sexual-harassment scandal that brought his fabled career at the network to an abrupt end last summer and threw Fox News into a period of turmoil.

He exited in July 2016, after a former network anchor sued him, alleging sexual harassment, and parent company **21st Century Fox** Inc. investigated his conduct.

Mr. Ailes denied wrongdoing.

21st Century Fox and Wall Street Journal-owner News Corp share common ownership.

Known for his bluntness and disdain for the so-called liberal media elites, Mr. Ailes was the perfect choice to execute media mogul Rupert Murdoch's vision of launching a news channel that would serve as a thorn in the side of CNN and the evening newscasts of ABC, CBS and NBC.

"Roger and I shared a big idea which he executed in a way no one else could have," Mr. Murdoch said in a statement Thursday. "He will be remembered by the many people on both sides of the camera that he discovered, nurtured and promoted."

Mr. Ailes once said that his first qualification to run a news operation was "I didn't go to Columbia Journalism School."

When Fox News made its debut in October of 1996, few were optimistic about its chances of success. CNN had a 16-year head start, and NBC and the deep-pocketed Microsoft Corp. were launching MSNBC.

But Fox News's mix of news and opinionated talk targeting conservatives struck a chord with Americans who felt their views weren't being represented sufficiently in the rest of the media. The Fox News slogan "We report, you decide" and "Fair and Balanced" were mocked by rivals but became mantras for the net-

work's talent and audience.

It took Fox News less than six years to surpass CNN in the ratings, but as far as Mr. Ailes was concerned, his news channel would always be the underdog.

Mr. Ailes's straddling of the line between politics and journalism made him a target of media watchdogs, who accused Fox News of being a megaphone for the Republican Party and coarsening the national discourse. Mr. Ailes dismissed such criticisms.

Roger Eugene Ailes was born May 15, 1940, in Warren, Ohio, a blue-collar town in the northeastern part of the state. His father Robert was a factory worker who, at times, was physically abusive to his son. "He used an electric cord, a belt, whatever was handy," Mr. Ailes said in a biography. After graduating from Ohio University, Mr. Ailes went to work on "The Mike Douglas Show," then became involved in political campaigning. He returned to television full-time in the early 1990s.

quarter, including sales from Jet.com Inc. and other recent e-commerce acquisitions. Most of the sales increase came from Walmart.com, said a spokesman. Wal-Mart bought Jet.com in September for \$3.3 billion and has since bought up smaller e-commerce sites such as ModCloth, Moosejaw and ShoeBuy.

Chief Executive Doug McMillon said the purchases help add to Wal-Mart's assortment of online products, but the company won't "buy our way to success."

In the latest period, Wal-Mart earned \$3.04 billion, or \$1 a share, compared with \$3.08 billion, or 98 cents a share, a year earlier, marking the first quarterly earnings-per-share increase in more than two years. Revenue increased 1.4% to \$117.54 billion.

Wal-Mart said operating, selling, general and administrative expenses rose 2.2% during the quarter, mainly due to e-commerce and technology investments.

"The first quarter was a solid quarter for Wal-Mart on multiple fronts as margins held steady despite the myriad ongoing investments in people, technology and price," said Moody's analyst Charlie O'Shea.



Wal-Mart is drawing more shoppers to its stores and online.

phy is move the freight as fast as you can as far as you can and touch it as few times as you possibly can."

The results are already evident, he said, with trains moving faster, dwelling in terminals for shorter periods and leaving and arriving on time more frequently.

Still, Mr. Harrison's health looms over the company, especially ahead of a June 5 shareholder vote on paying \$84 million to make up for compensation that Mr. Harrison forfeited when he left Canadian Pacific Railway Ltd. to pursue the top job at CSX.

Mr. Lonegro told investors that Mr. Harrison's health isn't an issue. "He is fully engaged in the business," he said. "He is deeply and intimately involved."

GM Stops Selling Vehicles in India

By MIKE COLIAS

General Motors Co. said it would stop selling vehicles in India, the latest retrenching by the U.S. auto maker as it redirects investment into future technology and bolsters its presence in more lucrative markets where it has a leadership position.

Once the world's biggest car company in terms of sales, GM has been retreating from several major and unprofitable markets under Chief Executive Mary Barra. In doing so, it has withdrawn from a race with Toyota Motor Co., Volkswagen AG and the Renault-Nissan alliance for the industry's coveted sales crown.

While GM will continue making products in India to sell in other countries, its decision to pull out of the market in the world's second-most populous country reflects a wider recalibration of where it should be placing bets. It has centered most of its emerging-markets investment on China and Brazil.

India's car market is fragmented, and auto makers that succeed there typically offer models with little more than the basics. While selling cars in a market with millions of new buyers annually increases scale, turning a profit is difficult there, and other auto makers have expressed frustration. In March, Ford Motor Co. finance chief Bob Shanks said the crowded market and weak pricing make India "very difficult" and Ford's approach "needs to change."

GM is also pulling out entirely from South Africa, with plans to sell its relatively small manufacturing operation there to Isuzu Motors Ltd. The departures follow GM's decision to pull out of Russia in 2015 and the pending sale of its European division, Opel AG, to Peugeot.

"In the most important markets where we have the strongest franchise, we're in it to win it," GM President Dan Ammann said in an interview. Although GM is notching record profits on strong sales in the U.S. and China, Mr. Ammann said the company still operates "in a world of finite resources."

Toyota, Ford, Honda Motor

Co. and the Renault SA-Nissan Motor Co. venture all have sizable sales operations in India, but all trail local companies in volume. Maruti Suzuki, owned by Japan's Suzuki Motor Corp., holds a dominant 40% market share.

In addition to China and the U.S., the world's two biggest markets, GM is focused on South America, Mr. Ammann said. At the same time, the auto maker is investing about \$600 million a year on self-driving car engineering, car-sharing ventures and development aimed at helping the 109-year-old auto maker compete with Silicon Valley tech giants looking to edge in on the car business.

"If we're going to allocate resources to develop leading capability there, what are the things we're going to stop doing in order to support that?" Mr. Ammann said.

GM has been working to shore up losses in many countries included in its international operations division. Profits from China put that unit in the black, but the rest of those markets, including India, South Africa, the Middle East and several Asian countries, lost a combined \$838 million in 2016.

GM expects to book a charge of about \$500 million during the current quarter to cover the moves in India and South Africa. It anticipates future savings of \$100 million a year as a result of the strategy.

GM entered the Indian market a century ago, selling Chevrolets there in 1918 and opening a factory near Bombay, now Mumbai, in 1928. It left the country along with other foreign auto makers in 1958 and returned in 1995.

GM is a small player, however, selling about 29,000 vehicles in India last year, representing market share of less than 1%. The auto maker will continue to tap India's relatively low cost base to assemble cars for export. It operates an assembly plant in Maharashtra, where production volumes tripled to about 53,000 vehicles in 2016. It will continue to operate a design and engineering center in Bangalore.

—Christine Rogers contributed to this article.

Subcontinental Shift

Vehicle sales by major auto manufacturers in India

COMPANY	MARKET SHARE	VEHICLES SOLD (through April)	CHANGE FROM 2016
Toyota	2.7%	33,238	+83%
Volkswagen	1.7%	21,982	+23.5%
Ford	2.6%	32,651	+22.7%
Honda	5.1%	63,271	+9%
Nissan-Renault	4.9%	60,401	+8.6%
Hyundai	14.5%	173,859	+7.1%
GM	0.5%	5,818	-42%

Source: WardsAuto.com

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BUSINESS WATCH

SHARP

Company Takes Part In SoftBank Fund

Sharp Corp. said Thursday it would participate in a strategic investment vehicle created by Japan's **SoftBank Group** Corp.

Osaka-based Sharp, which is majority owned by Taiwan-based **Foxconn Technology** Group, said it committed to investing as much as \$1 billion in the SoftBank Vision Fund over five years.

The vision fund is expected to become the world's largest investment body for technological expertise.

—Takashi Mochizuki

BOMBARDIER

U.S. Probe Launched Into Pricing of Jets

U.S. trade officials on Thursday launched an official probe into whether Canada's **Bombardier** Inc. sold passenger jets to the U.S. at unfair prices backed by illegal subsidies, opening a new front in tensions between the two nations.

The Commerce Department investigation followed a complaint in April from **Boeing** Co. alleging Bombardier was "dumping" its new CSeries jet with customers including **Delta Air Lines** Inc. in an effort to win market share, harming the U.S. company and domestic workers.

The Commerce Department

announced its investigation during a hearing about the charges at the International Trade Commission.

Bombardier has called for the case to be dismissed and said its planes don't compete directly with the Boeing aircraft. Canada has denied it provided Bombardier with illegal subsidies.

The department said its probe will run parallel with the commission's investigation, which is due to report by June 12.

—Doug Cameron

TAKATA

Auto Makers Settle Air-Bag Claims

Several auto makers agreed to pay more than \$550 million to resolve claims stemming from rupture-prone **Takata** Corp. air bags.

Toyota Motor Corp., Subaru Corp., Mazda Motor Corp. and BMW AG reached a collective \$553 million settlement with current and former owners and lessees of 15.8 million vehicles to address lagging repairs and financial losses associated with the air bags, which risk exploding and spraying shrapnel, according to court documents filed Thursday in a Miami federal court.

The air bags have been linked to 11 deaths and some 180 injuries in the U.S. alone. Thursday's settlement doesn't cover personal-injury cases.

—Mike Spector



By PAUL ZIOBRO

An undisclosed medical condition hasn't slowed CSX Corp. Chief Executive Hunter Harrison from modernizing and disrupting longstanding practices at the railway, the company's chief financial officer said Thursday.

Mr. Harrison's health has been a point of concern among shareholders since the 72-year-old with a history of medical problems joined with an activist investor to take the helm of CSX in March.

Chief Financial Officer Frank Lonegro dismissed concerns over Mr. Harrison's use of a portable oxygen machine, saying that Mr. Harrison is working tirelessly and pushing managers to make significant changes in just 10 weeks at the

helm. "I've gotten a dose of leadership when he had supplemental oxygen. I've gotten a dose of leadership when he hasn't had supplemental oxygen," Mr. Lonegro said at an industry conference. "They were equally blunt and equally as effective."

One of the most visible changes is the closure of hump yards that sort long freight trains, a costly and time-consuming process where trains roll down a hill to be built at their next destination. CSX has already closed five of 12 humps, and Mr. Lonegro said that CSX could be left with between two and four such facilities, long seen as essential to running a railroad. "Hunter has totally debunked that in our minds," Mr. Lonegro said. "Hunter's philosophies

phy is move the freight as fast as you can as far as you can and touch it as few times as you possibly can."

The results are already evident, he said, with trains moving faster, dwelling in terminals for shorter periods and leaving and arriving on time more frequently.

Still, Mr. Harrison's health looms over the company, especially ahead of a June 5 shareholder vote on paying \$84 million to make up for compensation that Mr. Harrison forfeited when he left Canadian Pacific Railway Ltd. to pursue the top job at CSX.

Mr. Lonegro told investors that Mr. Harrison's health isn't an issue. "He is fully engaged in the business," he said. "He is deeply and intimately involved."

TECHNOLOGY

WSJ.com/Tech

FCC to Chip Away At Net Neutrality

By JOHN D. MCKINNON

WASHINGTON—The Federal Communications Commission on Thursday approved a plan to begin rolling back Obama-era net neutrality rules, reopening a battle over internet regulation that has raged for much of the last decade.

The agency's Republican commissioners pushed through the measure, 2-1, overriding opposition from the panel's lone Democrat. The

Agency passes measure by 2-1 vote, will spend the coming months preparing new rules.

commission will spend the coming months receiving public comment and preparing new rules.

FCC Chairman Ajit Pai said the rewrite would undo the current rules' overreach, and help spur investment in broadband, which internet providers argue has suffered.

"We will not rely on hyperbolic statements about the end of the internet as we know it, and 140-character argle-bargle, but rather on the data," Mr. Pai said.

Internet firms, activists and many Democrats say the changes could harm online competition and endanger the open internet, by giving internet providers—typically cable and wireless firms—to much power over the online ecosystem. They also dispute the idea that broadband investment has fallen.

That point was emphasized during the meeting by the

commission's lone Democrat, Mignon Clyburn, who said the proposal "contains a hollow theory of trickle-down internet economics."

The net neutrality rules were aimed at compelling internet providers to treat all internet traffic the same. But the industry fears the current rules open the door to rate regulation and other restrictions.

Underlying the dispute over what the FCC rules should say is a struggle over which federal law should apply to internet providers—utility-style regulation from the 1930s or 'light-touch' regulation that was designed in the 1990s to foster the early internet's growth. Some experts say neither is a good fit now. The FCC has passed net neutrality regimes under both approaches over the last decade.

Some internet providers have said they would like Congress to write new laws for the internet.

Sen. John Thune (R., S.D.), the chairman of the Senate Commerce Committee, praised the FCC's action on net neutrality on Thursday, but urged lawmakers to start working on compromise legislation.

"We should not...view the FCC's action today as a final outcome," Mr. Thune said. "While I commend Chairman Ajit Pai and Commissioner Mike O'Reilly for taking this necessary step, I fully recognize that today's action alone does not create ideal certainty for the internet. There is more work yet to do."

He added that "we need a statute offering clear and enduring rules that balance innovation and investment throughout the entire internet ecosystem."

Facebook Embraces Esports

In deal with ESL, social media company expects to broadcast matches and more

By SARAH E. NEEDLEMAN AND DEEPA SEETHARAMAN

Facebook Inc. is paying professional videogame teams and others in the esports industry to post videos on the social network, part of a shift in strategy to deliver more polished programming to the company's nearly two billion monthly users.

Earlier this year, Facebook signed contracts with five teams to publish live and on-demand video of players practicing or competing at esports. In addition, Facebook on Thursday announced a deal with ESL, a global organizer of esports contests, to broadcast matches, player interviews and more.

Under the deals, esports partners must produce a minimum number of hours of video for the social network, and in most cases the partners are allowed to simultaneously publish to rival platforms such as Amazon.com Inc.'s Twitch.

Financial terms weren't disclosed.

Facebook's interest in beefing up TV-like programming from science, lifestyle and other genres comes as many publishers are seeing lackluster viewership for their live videos on the platform. Facebook is also grappling with how to censor violent moments and other dark content streamed live to the site.

People scrolling through Facebook's news feed are more likely to watch polished videos with audio turned on, making them potentially lucrative vehicles for ads, analysts say. Such content will



Esports team Echo Fox signed a deal with Facebook, which is beefing up its TV-like programming.

increasingly appear in news feeds over off-the-cuff live videos from users, as Facebook wants to be seen as a hub for long-form video.

In retiming its video strategy, Facebook revised some of its live-streaming contracts with publishers to emphasize on-demand video, according to people familiar with the matter. Recode earlier reported on Facebook revising its video contracts.

Facebook also is investing in more gaming and traditional sports content. Esports marries both, and fits Facebook's strategy to focus on lower-profile sports that still have dedicated followings.

The genre has a built-in fan base of millions who watch

videos mainly on Twitch and Alphabet Inc.'s YouTube. In 2016, people watched 9.6 billion hours of live-streamed esports and other videogame content on those platforms, according to SuperData Research.

The industry tracker projects that number to climb to 11.4 billion hours this year.

Team Dignitas, an esports squad majority owned by the National Basketball Association's Philadelphia 76ers, joined Facebook's paid content program last month after an exclusive contract it had with Twitch ended.

Echo Fox, an esports team co-founded nearly two years ago by former basketball star Rick Fox, also recently signed

a deal with Facebook, which gave the team advice on how to reach viewers and generate ad revenue.

Amy Carrera, a 40-year-old marketing professional in Kingman, Ariz., tunes in to Twitch because she can easily find her favorite games played live. Facebook might be more attractive to her, she said, if it had a dedicated section for game streams.

Facebook is hoping more esports videos will help it develop such an ecosystem. The company plans to apply what it learns from its initial esports partners to develop new features for game broadcasters, said Leo Olebe, Facebook's director of global games partnerships.

Alibaba Rides Consumer Spending Wave

By LIZA LIN
AND AUSTEN HUFFORD

For a look at the strength of China's consumer economy, look no further than the latest quarterly results from e-commerce company **Alibaba Group Holding Ltd.**

The company said Thursday that its fiscal fourth-quarter revenue jumped 60% from a year earlier to 38.6 billion yuan, or \$5.6 billion. Revenue from its core commerce unit rose 47% to \$4.59 billion.

Its net income for the period, which ended March 31, was 10.65 billion yuan, nearly double the year-earlier tally.

Driving the revenue growth are rising wages that allow Chinese consumers to spend more on discretionary goods, Alibaba Vice Chairman Joe Tsai told analysts in a call.

"The potential leveraging up of the Chinese consumer, especially among the younger Chinese population, will provide a powerful driver of consumption many years into the future," Mr. Tsai said.

China's National Bureau of Statistics said online retail



Quarterly revenue rose 60% at the Chinese e-commerce company.

sales of physical goods rose 26% in China in the first four months of the year.

Analysts from J.P. Morgan said in a report that rising online purchases reflect the trend of Chinese consumers upgrading their household goods and appliances as their discretionary spending power increases.

Alibaba, which runs China's most popular online shopping websites, Taobao and Tmall, also said Thursday that the company's board approved a \$6 billion share buyback over

the next two years to prevent share dilution.

Alibaba's American depositary receipts were up 1%, to \$121.92, in Thursday afternoon trading.

Alibaba's revenue for the latest quarter beat the \$5.3 billion forecast by analysts surveyed by S&P Global Market Intelligence, while earnings per share narrowly missed estimates at 4.35 yuan.

Revenue at Alibaba's digital media and entertainment division more than tripled to \$571 million as the firm consoli-

dated sales from its online video acquisition of Youku Tudou. Even so, the digital media unit posted a loss of 1.7 billion yuan in the fourth quarter.

Executives said competition in China's online video sector remained intense with many players competing for licensed content.

Alibaba has plans to invest more than 50 billion yuan over the next three years in media content and infrastructure. It said it is looking to work with talent to develop proprietary content.

In retailing, Alibaba said it is focused on expanding its operations overseas, and would invest in artificial intelligence to develop technologies that would boost consumer spending on its existing platforms.

Alicloud, its cloud-computing arm, doubled its revenue in the quarter to \$314 million as it added more paying users.

In response to a question, Mr. Tsai said Alibaba wasn't looking to create a self-driving vehicle, which has become a major initiative of fellow Chinese internet company Baidu Inc.

EU Fines Company For Misleading It

By NATALIA DROZDIAK

BRUSSELS—Facebook Inc. was fined €110 million (\$122.7 million) by the European Union's antitrust regulator for providing incorrect information or misleading authorities over the acquisition of messaging unit WhatsApp, a warning shot to other companies registering deals for review.

The EU said Facebook inaccurately claimed during the merger review in 2014 that it couldn't routinely match Facebook and WhatsApp user accounts, something the company started doing two years later when it began combining user data across the services.

"Today's decision sends a clear signal to companies that they must comply with all aspects of EU merger rules, including the obligation to provide correct information," said EU antitrust chief Margrethe Vestager on Thursday.

"We've acted in good faith since our very first interactions with the commission and we've sought to provide accu-

rate information at every turn," a Facebook spokesman said, adding that the errors made in the 2014 filings weren't intentional.

Facebook doesn't intend to appeal the decision, according to a representative for the company.

The fine is manageable for Facebook, which brought in \$27.6 billion in revenue last year. But it is the latest of many legal and regulatory setbacks for the social-media company in Europe. On Tuesday, France's privacy watchdog fined Facebook €150,000, alleging the company isn't transparent enough with users about how it collects their data.

European regulators have also been scrutinizing Facebook and WhatsApp on concerns the messaging service's terms break privacy rules by letting WhatsApp share user information, including phone numbers, with its parent. Regulators in Germany and elsewhere have ordered the company to halt the data sharing.

ply for one of more than 5,000 open jobs in the U.S.

Working from the master bedroom in her Ogden Dunes, Ind., home, Penny Schlyer helped market IBM mobile software and services for companies reliant on workers who aren't bound to a desk, such as retail employees, financial advisers or doctors.

Her seven years telecommuting with IBM could have been plucked from one of her marketing campaigns: She has logged work hours from the sidelines of her sons' sporting events and used Sametime to communicate with her colleagues. She was dismayed when IBM requested the 48-year-old mother of three move to the company's New York City office. "The irony is definitely not lost there," she said.

Though IBM offered to pay for the move and make a small cost-of-living adjustment to her salary, Ms. Schlyer declined. "I could never afford to live in New York City, and probably not anywhere close."

She has found a new job leading product marketing for SA Ignite, a Chicago-based software company, but her office won't change; she is still in the master bedroom.

IB

Continued from page B1
Friedman said, adding that the "vast majority" of IBM's telecommuters have chosen to join their teams in person.

Workers in affected IBM divisions have been given 30 days to decide whether to move to company-maintained office space that can be hundreds of miles away from their homes. For example, marketing employees were invited to move to offices in Atlanta, Austin, Boston, Raleigh, New York or San Francisco, or leave the company. Some were given the option to move to Chicago. Those unwilling to move were also given 90 days to seek another role within IBM.

The changes have stunned longtime IBM employees like marketing manager Ron Favali. The 15-year company veteran has spent the past 12 years working from an office in his home outside Tampa, Fla., and considered himself a remote-work success story.

His team uses IBM's Sametime instant-messaging voice and video chat software to stay connected and on task,



REUTERS

despite being scattered in three states. Working remotely came with career trade-offs, he said. "I was never going to be named vice president of marketing for anything, but I'm OK with that." He has declined IBM's offer to return to a company workspace, and will leave the company next month to start a marketing firm out of his home.

Companies began offering generous remote-work policies because they expected large savings in office and real-estate costs, said Jennifer Glass,

a University of Texas professor who studies telecommuting and advises companies on remote-work strategies. Those savings haven't materialized, Ms. Glass said, so workers are being called back to the office.

Relocating offices or asking employees to move can sometimes be read as layoffs in disguise, since a certain percentage of workers won't be able to relocate. IBM says its co-location plan isn't a cost-saving measure. Ms. Friedman noted that the employees who can't join an in-person team can ap-

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Record No. 2017 168 COS

THE HIGH COURT

COMMERCIAL

IN THE MATTER OF
INNOCOLL HOLDINGS PUBLIC LIMITED COMPANY

AND IN THE MATTER OF
SECTIONS 450(3) AND 450(5) OF THE COMPANIES ACT 2014

AND IN THE MATTER OF
THE COMPANIES ACT 2014

NOTICE is hereby given that an Order dated 10 May 2017 made in the above proceedings, the High Court has directed the summoning of a meeting of the holders of Innocoll Shares (as defined in a proposed Scheme of Arrangement between Innocoll Holdings Public Limited Company (the "Company") and the Scheme Shareholders (the "Scheme")) for the purpose of their considering, and voting on, a resolution proposing that the Scheme in its original form or with or subject to any modification(s), addition(s) or condition(s) approved or imposed by the High Court be agreed to (the "Scheme Meeting").

The High Court has directed that in relation to the notification and holding of the Scheme Meeting the Scheme Meeting be summoned for 28 June 2017 at 2:00 p.m. (Irish time) at 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland.

The entitlement to attend and vote at the Scheme Meeting or at any adjournment thereof shall be determined by reference to the register of members of the Company as at 11:59 p.m. (New York Time) on 1 May 2017.

In addition to the approval to be sought at the Scheme Meeting, a separate Extraordinary General Meeting of the Company (the "EGM") convened at the same location on 28 June 2017 at 2:00 p.m. (Irish time) (or, if later, as soon thereafter as the Scheme Meeting shall have been concluded).

The High Court has directed that, subject to the approval of the resolution proposed at the Scheme Meeting and the resolutions to be proposed at the EGM, the Company may apply to the High Court on 30 June 2017 for directions in respect of the holding of the application to sanction the Scheme and related capitalisation, which will be returned for hearing on 21 July 2017.

WILLIAM FRY
Solicitors for the Company

2 Grand Canal Square

Dublin 2

Ireland

19 May 2017

THE WALL STREET JOURNAL

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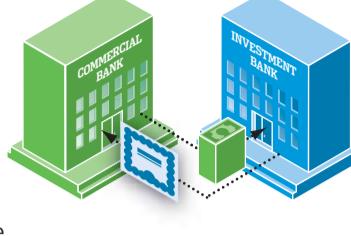
FINANCE & MARKETS

What Does '21st Century Glass-Steagall' mean?

Several proposals could revive parts of the 1933 Glass-Steagall Act.

Where things stand now

Since the repeal of key Glass-Steagall provisions in 1999, Wall Street firms can own both traditional banks and businesses such as securities dealers or investment banks, with some limits on transactions between them.



Tweaking present conditions

The smallest change to how banks operate would involve more restrictions on intracompany connections, effectively tightening the valve between the sides of the firm.

Ring-Fencing

A sharper division advocated by Federal Deposit Insurance Corp. Vice Chairman Thomas Hoenig and others would mostly separate or 'ring-fence' two sides of the same firm's operations.

Returning to Glass-Steagall

The biggest change would reinstate the 1933 version of the law. This would require completely severing banking from other businesses. It is backed by Sen. Elizabeth Warren (D, Mass.).

THE WALL STREET JOURNAL.

Breakup of Big Lenders Isn't on Trump's Agenda

BY RYAN TRACY

WASHINGTON—The Trump administration took the idea of breaking up big banks off the table Thursday, with Treasury Secretary Steven Mnuchin telling a congressional panel that isn't what officials have in mind in reviewing the line between commercial- and investment-banking activities.

"We do not support a separation of banks from investment banks," Mr. Mnuchin said before the Senate Banking Committee. He said doing so would create problems for the "financial markets, on the economy, and liquidity."

The statement was a strong indication the Trump administration's review of U.S. banking regulations will be less onerous than Wall Street's worst fears. Officials say their priority is overhauling regulations with the aim of boosting lending and economic growth.

President Donald Trump's economic team has said it is considering a modern version of the 1933 Glass-Steagall Act—a partially repealed law

Inc., and Bank of America Corp. would have to split under Ms. Warren's proposal. For other Wall Street titans, the impact might be less severe.

Goldman Sachs Group Inc. Chief Executive Lloyd Blankfein said on May 9 that although he doesn't believe reinstating Glass-Steagall makes sense today, "our adaptation to that would be relatively easy," because the firm's bank is "very minor" compared with its other businesses.

Ms. Warren on Thursday said it was "just bizarre" that the Trump administration could claim to support Glass-Steagall without supporting bank breakups.

More details about how the Trump administration wants to tailor rules should come in June, when the Treasury Department is scheduled to report to Mr. Trump about a broad review of financial regulations.

Acting Comptroller of the Currency Keith Noreika—the only bank regulator the Trump administration has installed so far—is skeptical of returning to Glass-Steagall. In an interview last week, he said banks are safer if they rely on several different businesses for revenue.

Mr. Noreika also said Glass-Steagall would have limited the government's options during the 2008 financial crisis. J.P. Morgan couldn't have purchased the teetering Bear Stearns investment bank, Bank of America couldn't have bought struggling Merrill Lynch, and Goldman Sachs and Morgan Stanley couldn't have converted to bank holding companies to stabilize them selves.

Analysts say there is another path: The Trump administration could use existing regulatory authority to restrict interactions between subsidiaries of large financial firms, while at the same time cutting back regulations that apply to each type of business.

Under one proposal from Federal Deposit Insurance Corp. Vice Chairman Thomas Hoenig, big firms' banking and securities businesses would have to fund themselves mostly separately, and with a higher share of investor equity than they do today.

Some firms might not be able to meet that strict capital requirement without shrinking.

Mr. Noreika said it still makes sense to restrict banks to protect taxpayers. For example, he said policy makers could consider a "super" version of section 23 of the Federal Reserve Act, which restricts banks' transactions with nonbank affiliates.

Those who support a revival of Glass-Steagall argue that combining securities and banking activities allows financial firms to become too large and politically powerful, which in turn allows them to take excessive risks, exploit clients and rely on taxpayer bailouts if they get in trouble.

Behemoths such as J.P. Morgan Chase & Co., Citigroup

More details on how the administration wants to tailor rules could arrive in June.

THE WALL STREET JOURNAL.

that would force the largest U.S. banks to break themselves apart if it were still in effect. The issue has created confusion and angst among bankers and analysts every time an official mentions the topic.

One reason for the tension: Sen. Elizabeth Warren (D, Mass.), a member of the banking committee, has introduced a bill she also calls the "21st Century Glass-Steagall Act."

Her bill, which has yet to receive support from any other committee members, mandates that a financial company can't own a traditional bank—one that takes deposits, makes loans, and processes payments—alongside other business, such as underwriting and marketing stocks and bonds. The 1933 version of Glass-Steagall included similar prohibitions before it was partly repealed in 1999.

Those who support a revival of Glass-Steagall argue that combining securities and banking activities allows financial firms to become too large and politically powerful, which in turn allows them to take excessive risks, exploit clients and rely on taxpayer bailouts if they get in trouble.

Behemoths such as J.P. Morgan Chase & Co., Citigroup

Quirk for Bank Income Test

BY RACHEL LOUISE ENSIGN
AND ANNAMARIA ANDRIOTIS

To any casual observer, the area just south of Trump Tower in Midtown Manhattan is obviously wealthy: The blocks are crowded with skyscrapers, and stores include Versace and Ferrari.

In the eyes of federal-bank regulators, though, that sliver of New York City is a poor neighborhood where median incomes are relatively low.

The anomaly has yielded a hidden benefit for banks such as **J.P. Morgan Chase & Co.** and **Wells Fargo & Co.** that have crowded branches into the area. Having robust branch representation in supposedly low-income areas gives them a better score on a key regulatory test that can help determine how fast they expand.

It is all part of the Community Reinvestment Act, a roughly four-decade-old federal law designed to stop lending discrimination in low-income neighborhoods. In recent years, lawmakers and regulators have clashed over the legislation's efficacy. CRA proponents count it as a bulwark for those struggling to keep up in a financial system that has grown more unequal. Critics say the law's implementation encouraged banks to make bad loans that contributed to the financial crisis.

Neighborhoods like the one in Midtown Manhattan could add a new dimension to the debate, even though branch analysis is only one part of regulators' broader CRA evaluations. Its quirky treatment under the CRA is due to the fact that regulators who enforce the act rely on older, sometimes unreliable, Census Bureau data to determine an area's income level.

New York isn't an isolated example. Six of the 10 most popular poor areas for banks to have branches, including the Manhattan tract, are slated to lose that classification when more recent census data go into effect this year, according to regulators and data from ComplianceTech, a fair-lending software firm. But bank regulators have been using the older data because they stick to a preset schedule of switching every five years.

In one of these census tracts, a "low income" area in downtown San Francisco, one of the most expensive cities in the country, 53 branches pack into an area that census data indicate has only 1,783 residents. That is 52 more branches than the average poor district in the U.S. has, despite the fact the San Francisco tract has far fewer residents than average.

About 30 miles away in Menlo Park, Calif., a First Republic Bank branch on Face-

book Inc.'s corporate campus is classified as lower income because the surrounding areas have lower incomes than the median of the broader area. But the only people with access to the branch are employees and guests of Facebook, which paid an average of \$189,000 in stock-based compensation last year for each employee globally. Facebook and First Republic declined to comment.

In Washington, guests of high-end hotels in the blocks near the White House and elite lobbying firms have 19 branches to choose from, including three Bank of America Corp. locations. All of the branches give the banks credit for serving a lower-income community.

Then there is Manhattan's census tract 102, the bustling Midtown blocks with the most lower-income bank branches per capita in the U.S., according to a Wall Street Journal analysis of data from ComplianceTech's LendingPatterns.com. Due to a paucity of residential buildings in the area, the district has only 230 residents, or about 10 for each of the 22 bank branches that call the tract home, according to the census data used by

banking regulators.

Banks have good reasons besides the CRA to be in such areas. They tend to include commercial districts that are densely populated with office workers who might want to visit a bank on a break. Tract 102 also has many tourists. But the areas often have few residential buildings, one reason that can explain the lower-income designation.

"Banks can conform to the letter of the law, but not meet the purpose of CRA," says John Vogel, an adjunct professor at Dartmouth's Tuck School of Business.

The CRA was signed by President Jimmy Carter in 1977 to stop "redlining," a practice where banks wouldn't lend money in poorer or minority neighborhoods. Bank regulators during the Clinton administration added a uniform test as a way to measure compliance more objectively.

The hope was that by encouraging banks to do business in lower-income areas, people living there would be able to get affordable loans.

The vast majority of banks examined—about 97%—got a passing grade on the test be-

tween 2006 and 2015, according to a report by the Congressional Research Service.

The penalties for falling short can be costly. In addition to the reputation hit, a low rating generally prevents banks from pursuing mergers, which can be a big disadvantage for small and midsize lenders, while bigger lenders can face restrictions on mergers or other expansion.

The part of the CRA test looking at branch location examines census tracts, which typically have a few thousand people apiece. Each tract is typically sorted into one of four groups, based on the tract's median family income in relation to the broader metropolitan area's. Tracts in the two poorer groups are called low or moderate income, nicknamed "LMI." Banks get better marks on the test for loans or branches that involve the two lower-income groupings.

This year, bank regulators are starting to base their income designations on 2015 census data. The refreshed data will mean six of the 10 lower-income tracts with the most bank branches will no longer merit those designations.

For Richer or Poorer

Banks have built up branches in areas regulators have deemed lower income but that aren't by other measures.

New York

Bank branches per census tract

■ 1 ■ 2 ■ 3-5 ■ More than 5

□ No branches



Washington

Bank branches per census tract

■ 1 ■ 2 ■ 3-5 ■ More than 5

□ No branches



TRACT 102 Income*, regulators' estimate: \$45,019

Income*, census estimate: \$111,667

Population: 230 Bank branches: 22

TRACT 101 Income*, regulators' estimate: \$63,980

Income*, census estimate: \$138,750

Population: 2,621 Bank branches: 19

TRACT 117 Income*, regulators' estimate: \$25,055

Income*, census estimate: \$42,426

Population: 1,783 Bank branches: 53

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*Median-family income

Sources: 2016 LendingPatterns.com analysis, WSJ research (maps, branch count); Federal Financial Institutions Examination Council, Census Bureau (income estimates, population)

Paytm Gets SoftBank Investment

BY NEWLEY PURNELL

NEW DELHI—Rapidly expanding Indian mobile-payments startup **Paytm** said it has raised \$1.4 billion from Japan's **SoftBank Group Corp.**, giving it added firepower to expand its services in the South Asian market.

Noida, India-based Paytm makes a popular smartphone app that can be used to pay for goods and services spanning auto-rickshaw rides to groceries. The company has said its user base jumped 45% to 218 million, following the government's move in November to crack down on corruption and tax evasion by nullifying its largest-denominated notes.

"We are at an inflection point with Paytm," Chief Executive Vijay Shekhar Sharma said.

The company said Thursday that the new funds could help it add hundreds of millions of new users and introduce new financial-services products.

Paytm didn't disclose the valuation at which the investment was made or provide details on the size of SoftBank's stake in Paytm's parent company, **One97 Communications Ltd.**

The Wall Street Journal last month reported that a deal was imminent.

ISLAMIC FINANCE

Oman Hires Banks For Sale of Sukuk

Oman has hired banks to help sell a potential Islamic bond, the latest in a series of debt raisings from the Persian Gulf.

The planned transaction would be a seven-year, dollar-denominated benchmark sukuk with the potential to include a 12-year tranche subject to market conditions, the banks arranging the offering said.

If Oman goes ahead, it will follow Saudi Arabia, which last month raised \$9 billion through its debut international Islamic bond.

Oman already has raised \$5 billion through a conventional bond this year.

Persian Gulf states have been issuing debt at the fastest clip ever since last year to cope with a fall in oil revenues that has caused budget deficits across the region.

—Emese Bartha,
Nicolas Parasie

IPOS

Brunei Lender Plans Malaysian Offering

The state-owned Bank Islam Brunei Darussalam is tapping banks for a potential initial public offering in Malaysia.

If the deal goes through, the lender would be the first foreign bank to list in that country, people familiar with the plans said Thursday.

The bank could raise up to \$400 million, the people said.

Bank Islam is the largest financial institution in Brunei Darussalam and is involved in banking activities ranging from retail banking to institutional banking to corporate and trade financing.

—P.R. Venkat,
Yantoultra Ngui

CREDIT SUISSE

Sale of New Stock Wins Approval

Credit Suisse Group AG shareholders overwhelmingly ap-

proved a plan to sell four billion francs (\$4.1 billion) of new shares to raise capital, allowing the banking giant to keep full control of its profitable Swiss unit.

Credit Suisse announced the capital increase on April 26, shelving plans to partially float its Swiss banking unit through an initial public offering.

—Brian Blackstone

PENSIONS

Canada's Biggest Fund Has 12% Return

Canada's biggest pension fund reported a net asset return of 11.8% for its fiscal 2017, largely as a result of double-digit gains in equity investments, especially in foreign markets.

The annual return is the second largest since the Canada Pension Plan Investment Board was founded in 1997. The result marks a big improvement from the 3.4% net return reported for fiscal 2016.

—Jacquie McNish

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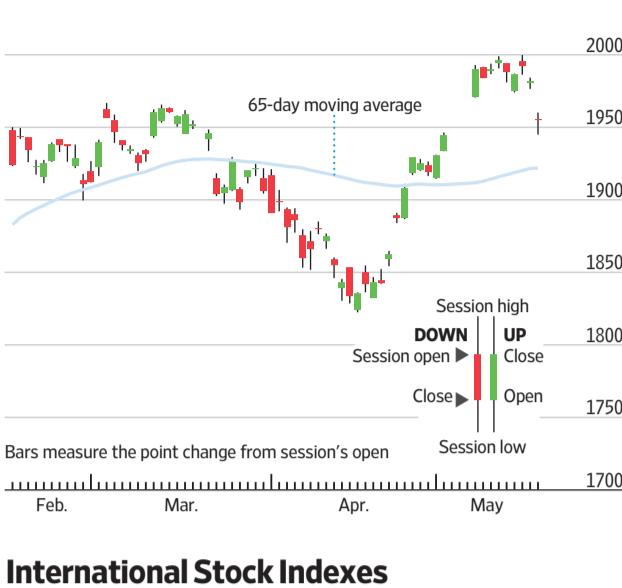
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MARKETS DIGEST

Nikkei 225 Index

19553.86 ▼ 261.02, or 1.32%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Feb. Mar. Apr. May

STOXX 600 Index

389.19 ▼ 1.95, or 0.50%

High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

S&P 500 Index

2365.72 ▲ 8.69, or 0.37%

High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

International Stock Indexes

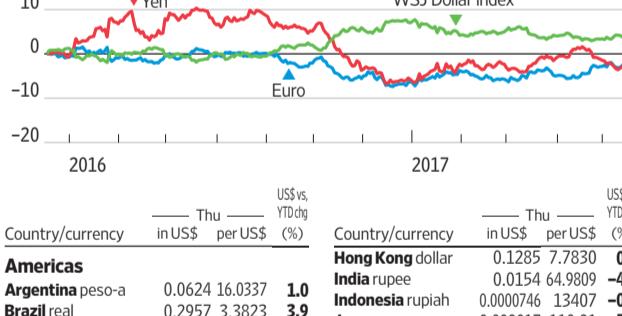
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2719.90	-18.43	-0.67	2193.75	● 2769.38	7.6		
	MSCI EAFE	1864.61	-19.66	-1.04	1471.88	● 1956.39	8.6		
	MSCI EM USD	985.79	-22.84	-2.26	691.21	● 1044.05	24.1		
Americas	DJ Americas	567.43	0.31	 0.05	480.90	● 578.17	5.0		
Brazil	Sao Paulo Bovespa	61575.39	-5964.87	-8.83	48066.67	● 69487.58	2.2		
Canada	S&P/TSX Comp	15296.36	22.68	 0.15	13609.58	● 15943.09	0.1		
Mexico	IPC All-Share	48321.50	-426.45	-0.87	43902.25	● 50154.33	5.9		
Chile	Santiago IPSA	3643.98	-63.85	-1.72	2998.64	● 3786.05	13.1		
U.S.	DJIA	20663.02	56.09	 0.27	17063.08	● 21169.11	4.6		
	Nasdaq Composite	6055.13	43.89	 0.73	4574.25	● 6170.16	12.5		
	S&P 500	2365.72	8.69	 0.37	1991.68	● 2405.77	5.7		
	CBOE Volatility	14.38	-1.21	-7.76	9.56	● 26.72	2.4		
EMEA	Stoxx Europe 600	389.19	-1.95	-0.50	308.75	● 396.45	7.7		
	Stoxx Europe 50	3220.80	-24.26	-0.75	2626.52	● 3279.71	7.0		
Austria	ATX	3092.26	-26.92	-0.86	1981.93	● 3166.46	18.1		
Belgium	Bel-20	3906.04	-48.07	-1.22	3127.94	● 4055.96	8.3		
France	CAC 40	5289.73	-28.16	-0.53	3955.98	● 5442.10	8.8		
Germany	DAX	12590.06	-41.55	-0.33	9214.10	● 12841.66	9.7		
Greece	ATG	782.83	-6.25	-0.79	517.10	● 800.08	21.6		
Hungary	BUX	34528.85	382.36	 1.12	25126.36	● 34656.12	7.9		
Israel	Tel Aviv	1412.19	-7.54	-0.53	1372.23	● 1490.23	-4.0		
Italy	FTSE MIB	21299.26	15.54	 0.07	15017.42	● 21828.77	10.7		
Netherlands	AEX	524.52	-4.54	-0.86	409.23	● 537.84	8.6		
Poland	WIG	59901.12	-231.96	-0.39	42812.99	● 62666.49	15.7		
Russia	RTS Index	1076.80	-27.50	-2.49	873.58	● 1196.99	-6.6		
Spain	IBEX 35	10684.90	-101.20	-0.94	7579.80	● 11184.40	14.3		
Sweden	SX All Share	577.62	-6.09	-1.04	443.66	● 593.34	8.1		
Switzerland	Swiss Market	8938.37	-63.23	-0.70	7475.54	● 9136.95	8.7		
South Africa	Johannesburg All Share	54197.12	195.18	 0.36	48935.90	● 54704.22	7.0		
Turkey	BIST 100	95147.34	-577.61	-0.60	70426.16	● 96629.15	21.8		
U.K.	FTSE 100	7436.42	-67.05	-0.89	5788.74	● 7533.70	4.1		
Asia-Pacific	DC Asia-Pacific TSM	1581.53	-17.35	-1.09	1308.52	● 1601.35	11.2		
Australia	S&P/ASX 200	5738.30	-47.70	-0.82	5103.30	● 5956.50	1.3		
China	Shanghai Composite	3090.14	-14.30	-0.46	2806.91	● 3288.97	-0.4		
Hong Kong	Hang Seng	25136.52	-157.11	-0.62	19694.33	● 25371.59	14.3		
India	S&P BSE Sensex	30434.79	-223.98	-0.73	25230.36	● 30658.77	14.3		
Japan	Nikkei Stock Avg	19553.86	-261.02	-1.32	14952.02	● 19961.55	2.3		
Singapore	Straits Times	3221.66	-2.44	-0.08	2729.85	● 3271.11	11.8		
South Korea	Kospi	2286.82	-6.26	-0.27	1925.24	● 2296.37	12.8		
Taiwan	Weighted	9969.45	-44.22	-0.44	8095.98	● 10036.82	7.7		

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. Yen, Euro, etc.

Country/currency in US\$ per US\$ (%)

London close on May 18

Country/currency	Thu	US\$ vs. YTD chg (%)
Hong Kong dollar	0.1285	7.7830
India rupee	0.0154	64.9809
Indonesia rupiah	0.0000746	13407
Japan yen	0.009017	110.91
Kazakhstan tenge	0.003182	314.28
Macau pataca	0.1252	7.9884
Malaysia ringgit-c	0.2307	4.3343
New Zealand dollar	0.6916	14.459
Pakistan rupee	0.0095	104.800
Philippines peso	0.0200	49.990
Singapore dollar	0.7184	1.3920
South Korea won	0.0008845	1130.61
Sri Lanka rupee	0.0065492	152.69
Taiwan dollar	0.03301	30.295
Thailand baht	0.02894	34.550

Country/currency in US\$ per US\$ (%)

Country/currency

FINANCE & MARKETS

Global Markets Muted on U.S. Turmoil

BY SAUMYA VAISHAMPAYAN
AND GREGOR STUART HUNTER

Asian markets sold off Thursday in response to Wednesday's sharp falls on Wall Street, but losses were less severe than those in the U.S., a trend that market participants say is likely to continue.

Developments in the U.S., the world's largest economy, matter for global markets. However, investors said the latest reports about President Donald Trump's political difficulties confirmed what many investors have already started to price in: His administration will have trouble pushing through its economic-stimulus agenda.

In Asia, solid economic data from China and Japan, alongside strong corporate earnings such as those from Chinese tech giant **Tencent Holdings** Ltd. on Wednesday, should cushion the region from a more-severe selloff, fund managers said. Signs of a thawing in economic tensions between the U.S. and Asian countries following last week's U.S.-China trade plan also offer comfort.

"I haven't suddenly thought,

"I better buy different stocks," said Mark Tinker, head of Framlington Equities Asia at AXA Investment Managers. "No new investible theme has come out of this," he said.

To be sure, a sustained rout in U.S. stocks could cause further selling worldwide. Turmoil in Chinese stocks at the start of 2016 sparked a prolonged, global rise in what is called risk-off sentiment, where investors shift money out of stocks and into safer assets, such as gold and the yen.

On Thursday morning, the largest drop came in Japan, where the export-heavy Nikkei 225 declined 1.3%. In Hong Kong, the Hang Seng Index slipped 0.3%. Korea's benchmark Kospi index lost 0.2%, and the Shanghai Composite slipped 0.5%.

Those losses had mostly deepened at the close but were milder compared with the S&P 500, which sank 1.8% on Wednesday, its biggest drop since September. A partial recovery was under way Thursday afternoon.

Some investors may be using political headlines in the U.S. as an excuse to take profits following strong global gains in stocks this year, said



Tencent Holdings' headquarters building in Shenzhen, China.

Arthur Kwong, head of Asia-Pacific equities for BNP Paribas Investment Partners in Hong Kong. Korea's Kospi has rallied nearly 13% so far this year, while Indian stocks have hit records and Germany's DAX has gained 10%.

Valuations may prove another cushion for shares outside the U.S. A survey of fund managers conducted by Bank of America Merrill Lynch in May found that a net 44% of respondents believed emerging-market stocks were undervalued, while a net 20% con-

sidered European shares undervalued. A net 82% of investors considered U.S. stocks the most overvalued in the world.

The political news from the U.S. is "very much noise," said Khiem Do, head of Asian multiasset investments at Baring Asset Management, adding that he was taking advantage of temporary market drops to increase already overweight positions in European and Asian equities.

"We think this is more of a correction rather than any-

thing which is more negative, in terms of whether this is an indicator of a bear market," he said.

One area where investors are reassessing their outlooks is in currency markets.

"We're rethinking our strategy...given what has happened recently," said Ben Sy, head of fixed income, currencies and commodities at J.P. Morgan Private Bank in Hong Kong. In particular, he is reconsidering bets on dollar strength given the U.S. political situation, in addition to better growth in places like Europe.

The political drama in Washington isn't likely to change the broader global economic recovery or meaningfully alter prospects for the Federal Reserve's raising interest rates at its next policy meeting in June, said Ashley Perrott, head of pan-Asia fixed income at UBS Asset Management.

"Is what's happening in Washington now going to derail things on a global basis?" he said. "I don't think Trump himself has been a catalyst for why European growth has been stronger. That reflation story has been about more than the U.S.-centric Trump

trades."

Part of the muted reaction stems from the fact that investors outside the U.S. were already preparing for volatility caused by Mr. Trump's presidency.

"We've had more and more calls for one new scenario: Trump impeachment," said Olivier d'Assier, managing director for Asia-Pacific at Axioma, a New York-based firm that sells risk-management tools to the financial-services industry, including running stress tests on different geopolitical scenarios.

"Some people want to model that because the way it's going, it could happen," Mr. d'Assier said in an interview last month.

Investors and traders in China are adopting a wait-and-see approach to the unfolding political chaos in the U.S., while citing financial deleveraging at home as a larger near-term risk.

China's "market always tends to [perform] based on its own logic since it's still a largely isolated one," said Shen Zhengyang, an analyst at Southeast Securities.

—Yifan Xie contributed to this article.

The Dow and Dollar Bounce Back

BY AKANE OTANI
AND RIVA GOLD

U.S. stocks rose broadly Thursday, bouncing back from their worst session of the year.

All 11 sectors of the S&P 500 were higher in late trading, led by financial

THURSDAY'S MARKETS and technology stocks, which were among the biggest decliners in Wednesday's selloff.

The Dow Jones Industrial Average added more than 150 points intraday before paring gains before the close. The blue-chip index ended up

56.09 points, or 0.3%, at 20,663.02. The S&P 500 added 0.4%, and the Nasdaq Composite rose 0.7%.

In Europe, the Stoxx Europe 600 fell 0.5% to 389.19 amid declines in the shares of banks, miners and auto companies.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, added 0.5% after logging its worst session since March.

Several traders said they couldn't point to any specific news behind the moves, which intensified in afternoon trade. Some said buyers were likely stepping in to take advantage

of Wednesday's selloff, which sent the Dow industrials on its steepest one-day decline since September.

"A one-day move didn't cause any panic," said Mohit Bajaj, director of ETF trading solutions at brokerage WallachBeth Capital.

Turmoil in Washington has put the Trump administration on the defensive and renewed concerns among some investors that the White House may struggle to push through proposals on tax cuts, deregulation and infrastructure spending. Bets on such policy changes had helped stocks and the U.S. dollar climb after

Election Day on Nov. 8 while sending government-bond prices lower.

Still, many say that jitters in Washington are unlikely to derail the stock rally over the longer term. A buoyant global economy and solid corporate earnings should help major indexes keep climbing, investors and analysts say.

Data showed the number of Americans applying for first-time unemployment benefits fell last week for the third consecutive time in a fresh sign of steady job creation.

Shares of technology and financial companies bounced back Thursday. Apple shares



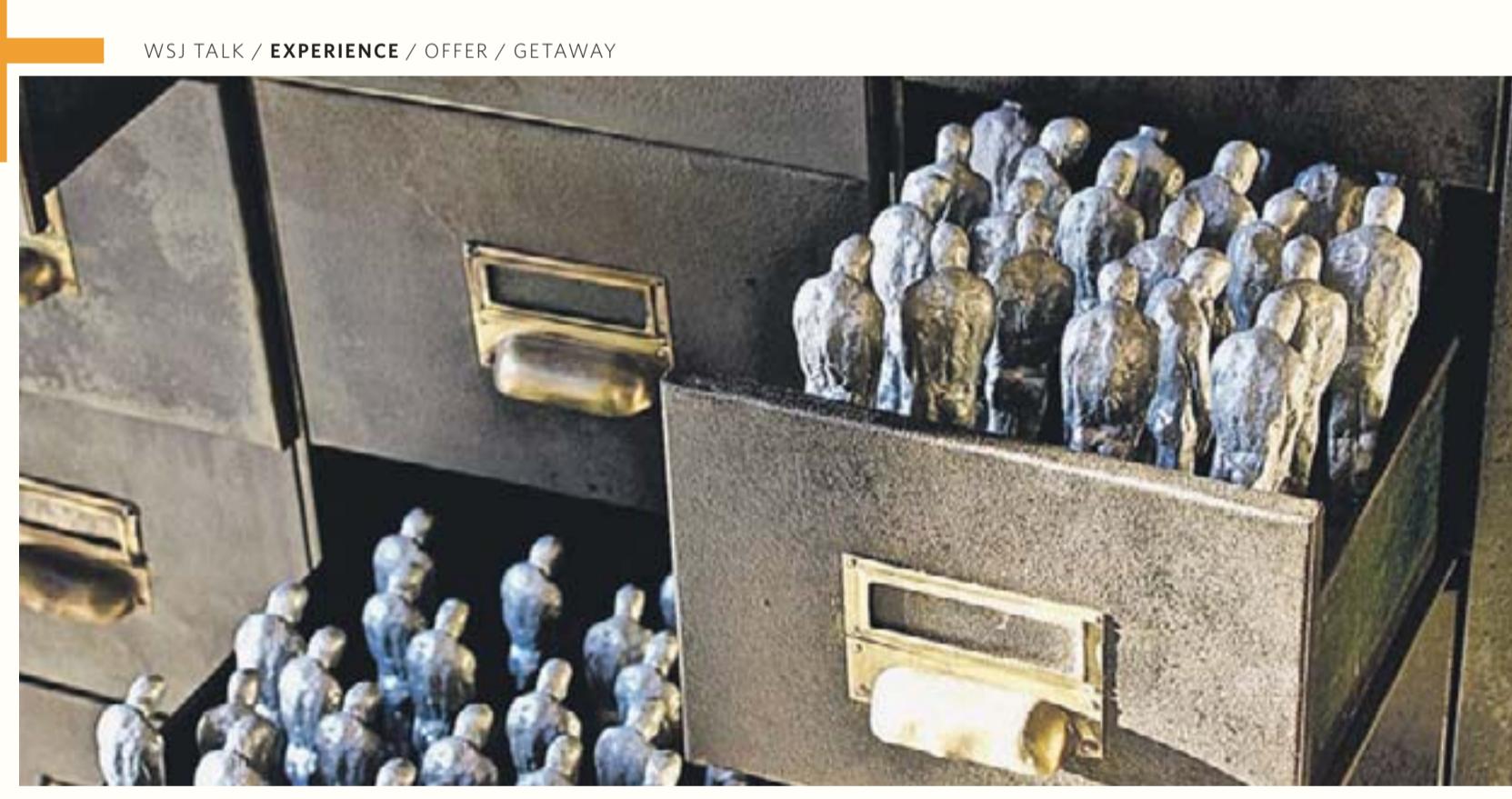
Morgan Stanley shares were among the financial stocks rising.

were up 1.5% in late trading, and Morgan Stanley rose 0.8%.

Wal-Mart Stores climbed 3.2% after posting its 11th consecutive quarterly increase in

same-store sales.

The yield on the haven 10-year U.S. Treasury note climbed to 2.233% from 2.216% on Wednesday. Yields rise as bond prices fall.



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MARKETS

Flood of New Crude Poised to Flow

Canada and Brazil are set to produce more oil, hobbling OPEC's efforts to trim glut

By GEORGI KANTCHEV

A wave of new petroleum production from countries like Canada and Brazil is adding a problem for oil traders who until now had been primarily preoccupied with U.S. output and an OPEC-led coalition cutting supply.

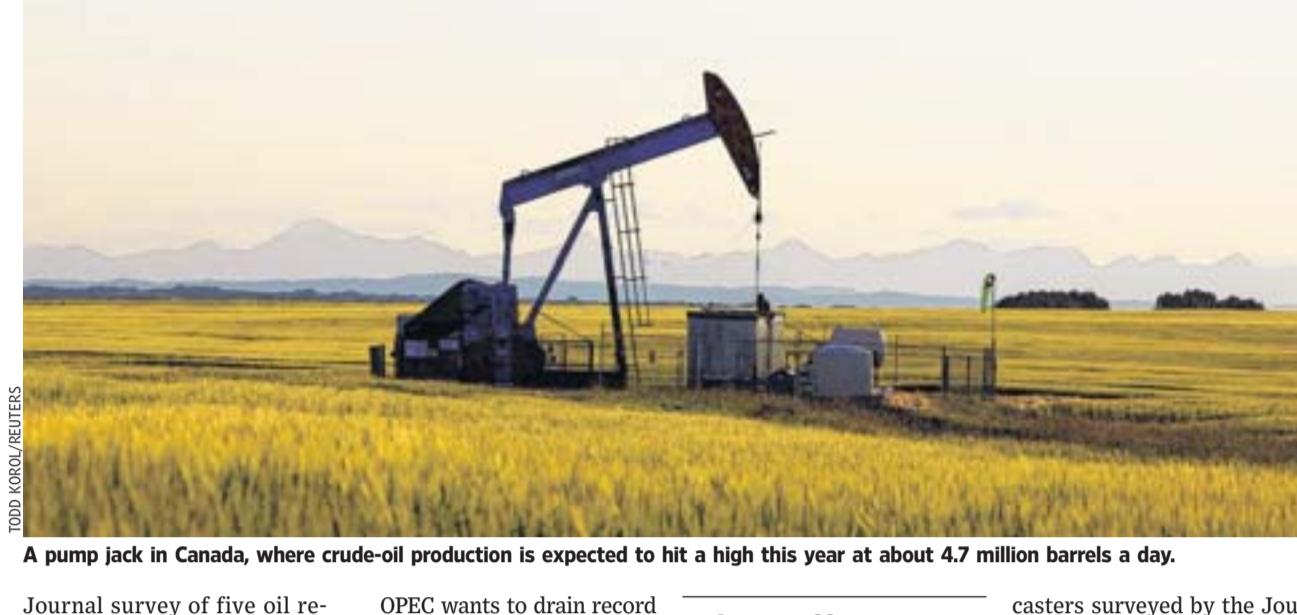
Rising output from Canada and Brazil, along with smaller gains in the U.K. and Norway, represents an under-the-radar concern for some oil traders ahead of next week's meeting between members of the Organization of the Petroleum Exporting Countries.

OPEC, the 13-nation group that controls about 40% of global crude-oil output, and 11 other petroleum-producing countries are poised to renew supply cuts that they hope will bring oil supply back into balance with demand this year. Oil prices remain down more than 50% from highs in 2014, depressed by an oversupply fueled by U.S. shale production.

Attention had been focused on how shale producers are reacting to the OPEC-led cuts, but Canadian and Brazilian production gains are a factor "that people seem to overlook," said Doug King, chief investment officer at RCMA Asset Management and manager of that firm's \$215 million Merchant Commodity hedge fund.

"It does add to the oversupply nonetheless," Mr. King said.

Not counting the U.S. and the 24 countries in the OPEC-led coalition, the next five biggest producing countries are poised to increase their combined output by roughly 300,000 barrels a day, according to a Wall Street



A pump jack in Canada, where crude-oil production is expected to hit a high this year at about 4.7 million barrels a day.

Journal survey of five oil research agencies and investment banks.

Canada and Brazil, the world's seventh and 10th biggest suppliers, respectively, are projected to record the fastest production growth outside the U.S. this year as long-planned projects come online. Norway and the U.K. are also seen as raising production this year, though by smaller amounts. Of the five countries, only China's output is expected to fall this year.

To be sure, oil output growth in Canada, Brazil and other countries could slow down in the years ahead. Only one-fifth of Canada's vast oil sands deposits are estimated to be profitable due to high production costs.

Even in the short term, the combined gains from these places are a small addition to a market of 96 million barrels a day.

But for now, every extra barrel is a problem for producers that want oil prices to rise.

"This is all part of the larger issue; there is still a lot of oil out there," said Olivier Jakob, managing director of industry consultant Petromatrix.

OPEC wants to drain record levels of oil out of storage, but the process has gone slower than expected. Prices have zig-zagged around \$50 a barrel in recent weeks, about \$10 a barrel below where Saudi Arabia and other OPEC members have signaled they want. Analysts widely expect the deal to be extended when the producers meet on May 25.

On Thursday, Brent crude, the global benchmark, gained 0.6%, to settle at \$52.51 a barrel, while U.S.-traded oil rose 0.6%, to \$49.35.

Most of the gains in Brazil and Canada come from projects sanctioned years ago, when oil prices were over \$100 a barrel.

In Canada, output is expected to hit a high this year at about 4.7 million barrels a day, representing growth of around 200,000 barrels a day, according to the survey.

Just like U.S. shale drillers, Canadian producers have also benefited from improved technologies and increased efficiency as they cut costs.

This month, the number of rigs drilling for oil rose to an annual average of 86, the highest since December 2015, according to data from oil-

Taking Off

Crude-oil production



Source: International Energy Agency
THE WALL STREET JOURNAL.

services provider Baker Hughes Inc.

Cenovus Energy Inc., one of Canada's biggest oil sands producers, says it has cut per-barrel operating costs by 30% from 2014 to 2016. The company expects its production to double this year.

"We can't control commodity prices, so what we've been doing over the past several years is to significantly reduce our costs to remain competitive," said a spokeswoman for Cenovus.

In Brazil, according to fore-

casters surveyed by the Journal, oil output is expected to increase by an average of 212,000 barrels a day in 2017, potentially reaching 2.8 million barrels a day.

Brazil is one of the most important oil frontiers, with as much as 50 billion barrels of recoverable resources. The South American country has attracted billions of dollars in investment from the world's largest oil companies, including Royal Dutch Shell PLC and Total SA.

Some analysts say the country has the opportunity to emerge as the world's fifth-largest crude producer by 2025, behind only Saudi Arabia, Russia, the U.S. and Iraq.

Growth in countries like Brazil and Canada, however, ultimately depends on the how successful the OPEC deal is. If prices rise too sharply, those countries would boost production, again fueling the glut.

"Canada and Brazil need oil to be at \$60 and more for a longer time period to be growth drivers," said Jon Morrison, research director at Calgary-based CIBC Capital Markets. "But if the OPEC deal achieves that price, then we will see a lot of extra barrels."

Oil Wavers On Supply Concerns

By STEPHANIE YANG AND SARAH MCFARLANE

Oil prices settled at a three-week high on Thursday as investors weighed declining crude stockpiles in the U.S. against signs of a broader oversupplied market.

Light, sweet crude for June delivery settled up 28 cents, or 0.6%, at \$49.35 a barrel on the New York Mercantile Exchange, closing at the highest level since April 26. Brent, the global benchmark, settled up 30 cents, or 0.6%, at \$52.51 a barrel.

Wednesday data from the U.S. Energy Information Administration showed that the amount of crude, gasoline and diesel fuel in storage declined in the week ended May 12. While the drop of 1.75 million barrels in crude stockpiles fell short of analyst estimates for a 2.2 million barrel draw, it was a much improved sign compared with the American Petroleum Institute's estimate of a weekly build.

U.S. production has been steadily rising since the start of the year, reaching its highest level since August 2015 earlier this month. Wednesday's data showed the first decline in U.S. production in 13 weeks.

Signs of improving demand have also helped support the oil market, said Carl Larry, principal consultant at Oil Outlooks and Opinions, as some market participants have speculated that the start of summer driving season will help keep the need for oil products high.

"We're still getting to June, July and August so there's stronger demand ahead," Mr. Larry said. "People want to talk about peak demand, [but] we're not even close."

—Biman Mukherji contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Car Makers Must Share More Technology

Braking

Share-price performance



Note: As of 11 a.m. in New York

Sources: FactSet; Bloomberg News (photo)

THE WALL STREET JOURNAL.



General Motors' Chevrolet Camaro on display in New York

gives way to cheap driverless taxis. This is understandable, but most of these app investments seem destined for failure in markets where scale is key. Consolidation has already started. In the peer-to-peer car-sharing niche, Shwetha Surender of consultancy Frost & Sullivan counts some 30 players, down from 40 three years

ago.

Silicon Valley is increasingly open to collaboration. Google sister company Waymo, which is widely seen as the leader in self-driving technology, revealed Sunday that it would work with Lyft. That is after making clear last December that it had no interest in producing a car itself. Apple's secretive car project also appeared to shift its focus last year from making a vehicle to developing self-driving technology.

There are few details surrounding the Waymo-Lyft deal, but the motivations are clear. Drivers account for almost three-quarters of the cost of a ride-hailing business, estimates brokerage Evercore ISI.

Self-driving cars would cut costs dramatically, paving the way for mass adoption and market dominance for the company that gets there first. In exchange, Waymo may eventually get access to Lyft's customers

and their travel data, and a bit more leverage over Uber, which it is suing over the alleged theft of its technology.

Lyft is also expected to test GM's driverless-car technology, so the ride-hailing company will end up with two different self-driving systems on trial. All this duplication may be good for technological progress, but wastes investors' money.

There is the odd example of platform-sharing. The German car makers formed a joint venture to buy mapping service Here from Nokia in 2015. BMW has courted partners for the self-driving technology it is developing with Intel, Mobileye—now being acquired by Intel—and Delphi.

Investors are tolerating the current technological arms race while sales are strong. With the industry set to enter tougher times, collaboration, not competition, seems the obvious route.

—Stephen Wilmot

OVERHEARD

Finally, there is some real fear in the fear gauge.

When markets were going nowhere, there was a growing obsession with the low level of the CBOE Volatility Index, or VIX. Either markets would tank because they always do when the VIX was so low or they wouldn't because investors were so anxious about the low VIX.

On Wednesday, the up-heaval-is-coming crowd was the winner. The VIX was up nearly 50%.

Now that there is volatility, will people stop talking about the VIX? According to Factiva, there were 706 articles published last week that included "VIX." That exceeds the high volume of VIX articles around the U.S. election and during the Brexit vote.

A Google trends search shows the last time interest in the VIX was this high was August 2011, when tumult in Washington over the debt ceiling sent markets tumbling.

For ECB, Caution Is Still the Watchword

The ECB's Mario Draghi

Photo: AGENCIE FRANCE PRESSE/GETTY IMAGES

THE WALL STREET JOURNAL.

Brazilian stocks, bonds and the real.

Closer to home, there are still signs of worry that inflationary pressures in the eurozone remain weak. The ECB is starting to wrestle with a question that is already challenging other central banks: What has happened to wage growth?

All of that together speaks to an ECB that will tread carefully. Executive Board member Peter Praet warned of the need for ECB officials to be "particularly cautious" in talking about how policy might change. The experience of the Fed in the "taper tantrum" is clearly fresh in the memory. The ECB will have to bite the bullet, but it is in no rush to do so.

—Richard Barley

problem for the central bank, as it has in the past for the U.S. Federal Reserve. It specifically pointed to uncertainty around the prospects for policy in the U.S. Emerging markets are also on the watch list, and Thursday brought a steep decline in

In southern China, it is the season of "plum rains," when wet weather helps the fruit ripen—but also causes severe flooding. This spring, China's all-important housing market, which supports around one-quarter of the economy and props up the price of commodities like iron ore and copper, is also looking leaky. Price gains in top-tier coastal markets weakened last month for the first time since January.

The ebbing of house-price growth comes after two months of surprising buoyancy in the markets. Strong gains in February and March came as Beijing clamped down on money leaving the country, leaving more funds sloshing around inside China. The consequent boost to

speculative coastal housing markets like Beijing and Shanghai is now losing steam. So-called tier one housing prices rose just 0.3% on the month in April, half the speed of March.

More worrying, the consumer-debt explosion of 2016 that has underpinned the housing market is finally showing signs of rolling over. Growth in medium- and long-term lending to households slowed for the second month in a row in April, notes China economist Julian Evans-Pritchard at Capital Economics, after a massive ramp up over the past 18 months. Other April consumer data were soft—retail-sales growth slowed marginally to 10.7% and automobile and mobile-phone production lost mo-

mentum.

For sure, price gains in April still accelerated in the lower-tier Chinese cities, which account for about 60% of the market. That will help shore up construction in the short run and support steel demand. Steel and cement output growth both rose in April, defying the overall trend of slower industrial growth.

Still, more frugal consumers are washing away price gains in top-tier Chinese cities. If the weakness spreads to the multitude of inland cities that really drive China's commodities demand and support growth, investors should brace for further weakness in metals and debt problems in the industrial sector.

—Nathaniel Taplin

Neil DeGrasse
Tyson on
enjoying his
revenge
as a nerd
W4



OFF DUTY



A walking
tour of Haight-
Ashbury
50 years after
the Summer
of Love **W5**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, May 19 - 21, 2017 | **W1**



F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS, ILLUSTRATION BY SANNIA MANDER

BY LETTIE TEAGUE

SAUVIGNON BLANC is a wine-world conundrum: highly distinctive but sometimes unremarkable; wildly popular yet not always prized; grown everywhere, but even its fans know only two types: New Zealand and Sancerre.

Perhaps that's why so many wine professionals invoke these two places when selling Sauvignon Blancs produced just about anywhere else. When I bought a couple of bottles from Italy's Friuli region at a Manhattan wine store recently, the salesman described one as "New Zealand-like" and the other as "like Sancerre." Never mind that Sauvignon Blanc has been produced in Friuli for centuries. Nothing if not peripatetic, Sauvignon Blanc also grows in South Africa, Chile and Washington State, not to mention New York, Napa Valley, Sonoma, Germany, Austria and Australia, and so on (and on). It thrives in a range of climates and soils.

A GLOBAL GUIDE

Sauvignon Blanc for the Savvy

With oceans of this ever-popular white wine out there, how do you know which one to pick? Here, a road map to the regions—and bottles—smart drinkers should seek out

The wine's popularity is increasing not only among growers but with wine drinkers, too. And yet, with so much Sauvignon Blanc produced all over the world, there are clearly going to be both winners and duds (with most examples falling somewhere between forgettable and avoid-at-all-costs). What should wine drinkers look for, and which producers and regions can they trust?

Perhaps it might help to understand a bit more about what sets this varietal apart. Take, for example, the descriptors commonly used on the back labels of bottles to describe Sauvignon Blanc's aromas, which read like a trip down the grocery store produce aisle: green apple, pineapple, mango, melon, orange, honeydew, lemon, lime, gooseberry.

Sauvignon Blanc's lively acidity also makes it an easy and versatile partner with food. A good bottle can cost less than \$20, and a decent one can be found for as little as \$10 (though a lot of Sauvignon Plonk can be found at that price too). That's because Sauvignon Blanc

Please turn to page W2

OFF DUTY

THE BLANCS TO BANK ON

Continued from page W1

typically costs relatively little to produce: It's often fermented in stainless steel instead of more expensive oak barrels and shipped out soon after bottling. While this can result in some less than spectacular wines made to turn a quick buck, even the inferior examples haven't led to a backlash akin to the one Chardonnay has suffered.

Yet Sauvignon Blanc has rarely attracted the same kind of fulsome praise from serious oenophiles that Chardonnay has, save for a few lauded Sancerres and Pouilly-Fumés and white Bordeaux (blends of Sauvignon Blanc with Sémillon). A wine collector friend told me that while he liked Sauvignon Blanc because it was "easy to drink," he didn't have much respect for the wines because they "lack the grandeur of a white Burgundy." He actually said that while drinking a very good Sancerre, the 2015 Gérard Boulay Monts Damnés Sancerre—which may prove nothing more than some collectors are snobs.

But some wines definitely outrank others, and the grape presents different characteristics—sometimes unpleasantly so—depending on how and where it's grown. For example, in too-warm climates, it can take on an unappealing aggressive herbal note. Furthermore, in each growing region a

unique winemaking culture prevails, and certain ones have adopted unmistakable Sauvignon Blanc styles.

Even non-oenophiles can identify a New Zealand Sauvignon Blanc. The juicy acidity and lively fruit, characteristics that drinkers love, have made New Zealand Sauvignons one of the more durable categories in American wine stores. According to Dan Schmude, regional manager and buyer at Bottle King, which has 14 stores in New Jersey, the stores' sales of New Zealand Sauvignon rise 10% each year. Bottle King's 30 Kiwi Sauvignons account for 75% of its Kiwi wine sales overall.

New Zealand winemaker Mike Allan of Huia in Marlborough credits the novelty of the New Zealand style. "They were flavors that hadn't been seen before," he said, recalling the debut of Cloudy Bay, the iconic Marlborough Sauvignon Blanc that put New Zealand Sauvignon on the map in the late 1980s and early 1990s. (Mr. Allan was part of the early Cloudy Bay winemaking team.) Then there's the infamous "cat's pee" smell often associated with Sauvignon Blancs from New Zealand—a very particular sharpness—not necessarily considered a bad thing. (One Kiwi producer even decided to make it a selling point and named a Sauvignon Blanc "Cat's Pee on a Gooseberry Bush.")

The Sauvignon Blancs produced

in Sancerre and Pouilly-Fumé, in France's Loire Valley, tend to be richer and earthier than their counterparts in New Zealand, with less acidity. This is partly due to climate and partly to soil (chalk and Kimmeridgian limestone), and both are important factors in determining the character of Sauvignon Blanc.

Winemaking also plays a role. When Sauvignon Blanc ferments and ages in oak rather than stainless steel, the profile becomes big-

Sauvignon Blanc drinkers who look beyond Sancerre and New Zealand will find there's much more out there to love.

ger, sometimes slightly sweeter too. In the 1970s, winemaker Merry Edwards raised the profile of Matanzas Creek winery in Sonoma with her barrel-fermented Sauvignon Blanc. Few California winemakers were doing it back then, but the practice is commonplace now. (Ms. Edwards makes a barrel-aged Sauvignon Blanc under her own label today.)

The 2015 Merry Edwards Russian River Valley Sauvignon Blanc was

among 25-plus Sauvignon Blancs I tasted in the company of Sauvignon Blanc-loving friends. Faced with the oceans of available Sauvignon Blanc, I was determined to ferret out bottles that were not only top-quality but also representative of their regions. The wines ranged from \$10 to \$45 and were geographically and stylistically far-flung, too. Some were light, crisp and refreshing; others, more substantial, with the potential to age well. See "A Well-Traveled Wine," below, for the results, a greatest-hits list as well as a field guide to regional styles.

The simplest hailed from South Africa and Chile. And while some were a little too simple, the standouts can best be described, in the words of Anthony Hamilton Russell, proprietor of Southern Right winery in South Africa's Western Cape, as "somewhere between the freshness of New Zealand and the minerality of the Loire."

The New Zealand Sauvignon Blancs came from Marlborough, one from Hawke's Bay, and were the most consistent in style. As a group they exhibited the refreshing, round, full-bodied Kiwi Sauvignon character.

Plantings in California have increased, and Sauvignon Blanc has become particularly popular in Napa, with more and more produc-

ers turning out stylish Sauvignon Blancs in addition to fancy Cabs. The wines we tasted from Napa and Sonoma were more various than those from New Zealand—some soft and more floral than herbal, some marked by an aggressive acidity, others rounder and more complex.

The French wines varied about as widely as the California ones did. Some Sancerres presented the "clean Sauvignon Blanc" profile sommeliers don't particularly admire but have no trouble selling. (Josh Nadel, beverage director of Andrew Carmellini's restaurants in New York City, calls Sancerre "bulletproof.") But several were notable, especially that outstanding 2015 Gérard Boulay Monts Damnés Sancerre, full-bodied and rich but with a bright mineral finish. "Perfect," my group of Sauvignon Blanc lovers declared.

I also found remarkable wines from much less popular Sauvignon Blanc precincts including Friuli in northern Italy, the Adelaide Hills in Australia, the Pfalz in Germany, the North Fork of Long Island and the Yakima Valley in Washington State—each one a singular expression of this most singular grape.

Sauvignon Blanc drinkers willing to venture beyond Sancerre and New Zealand will find there's a lot more out in the world to choose from and even to love.

A WELL-TRAVELED WINE // 10 SAUVIGNON BLANC REGIONS—AND BOTTLES—TO KNOW, AROUND THE WORLD



MAP BY SANNA MANDER; F. MARTIN RAMIN/THE WALL STREET JOURNAL (BOTTLES)

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THE WALL STREET JOURNAL
Read ambitiously

1. Russian River Valley, Sonoma County, Calif., U.S.

A region known for Pinot Noir and Chardonnay. Plenty of ripe, full-bodied Sauvignon Blancs here, too.

Bottle to Buy: 2015 Merry Edwards Russian River Valley Sauvignon Blanc (\$35).

Merry Edwards, famous for her Pinot Noirs, also makes a lush barrel-fermented Sauvignon Blanc. She began barrel fermenting this varietal back in the 1970s—to make it "more interesting." She succeeded.

2. Yakima Valley, Wash., U.S.

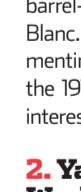
A sprawling red- and white-wine region in west central Washington State. Sauvignon Blancs here range from fruity and tropical to more mineral.

Bottle to Buy: 2016 Savage Grace Red Willow Vineyard Yakima Valley Sauvignon Blanc (\$22).

This balanced, crisp, clean, mineral white comes from the famed Red Willow Vineyard—a field blend of several different Sauvignon clones, fermented in oak and stainless steel barrels.

3. Casablanca Valley, Chile

A cool white-wine region northwest of Santiago. Locus of lively uncomplicated Sauvi-



gnon Blanc.

Bottle to Buy: 2016 Los Vascos Sauvignon Blanc (\$10).

Chile is awash in inexpensive Sauvignon Blancs—some better than others. This one from Baron Eric de Rothschild's Chilean Los Vascos project falls firmly in the better category. A light, refreshing, well-priced aperitif.

4. North Fork, Long Island, N.Y., U.S.

A skinny spit of land between Peconic Bay and Long Island Sound. Sauvignon Blancs here range from crisp and lean to fruity and medium-bodied.

Bottle to Buy: 2016 Paumanok Sauvignon

Blanc (\$22). The Massoud family began producing a dry Sauvignon Blanc in 2004 and has since doubled production to 800 cases annually—testament to the grape's success in this maritime climate. A vibrant wine with attractive citrus aromas and a crisp finish.

5. Sancerre, Loire Valley, France

A cool region in the eastern Loire Valley with clay, limestone, chalk and gravel soil. Wines range from light/refreshing to aromatic/powerful.

Bottle to Buy: 2015 Gérard Boulay Monts

Damnés Sancerre (\$42). This broad-textured wine with a

long, mineral finish comes from a hillside in one of the most famous vineyards in Sancerre. A textbook example of why Sancerre is sought after.

6. Friuli, Italy

This northeastern corner of Italy, an important white-wine region, produces a wide range of grapes—and Sauvignon Blancs in a medium-bodied, riper style.

Bottle to Buy: 2015 Ruzziz Superiore Collio Sauvignon (\$32).

According to Ruzziz Superiore proprietor Roberto Felluga, "The wines of Sancerre have a texture we aspire to without making Sancerre." His polished wine pays more than worthy homage.

7. Pfalz, Germany

The second-largest German wine region, home to top dry wines—including Sauvignon Blancs, with a tropical note.

Bottle to Buy: 2015 von Winning Sauvignon Blanc II (\$28).

Of the three von Winning Sauvignon Blancs, this is the "simplest": fermented mostly in stainless steel (others are fermented and aged in oak) and released in its youth. Impeccable, vibrant and refreshing.

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Bottle to Buy: 2016 Huwittson Lulu Adel-

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OFF DUTY

LOVE/HATE RELATIONSHIP

Dressing Inside the Box

Some women feel hemmed in by the prescriptive workwear new services provide. Others can't imagine life without it

WHY WE HATE THEM

MANY PROFESSIONAL women find that getting dressed for work is, well, work. That would explain the rise of personalized-box shopping services like MM.LaFleur, Stitch Fix and Trunk Club, which take the legwork out of the equation. Though all the services ask shoppers to fill out a survey about their style and needs, each takes a slightly different approach. MM.LaFleur sends a "Bento Box" of coordinating, office-appropriate pieces, designed in-house, based on that information. Stitch Fix and Trunk Club, meanwhile, have a stylist pull appropriate pieces from an array of brands to fit the bill. All allow no-sweat returns of items the customer finds wanting for any reason. In most cases, it's a one-time deal; no subscription required.

Such services may be a boon to many professional women seeking an efficient wardrobe solution, but you could argue that they're making career dressing a soulless, personality-free proposition.

After all, this is 2017, not 1987. "The rules of workwear are much more fluid now," said designer Adam Lippes, whose colorful and feminine—but still office-going—clothes have earned him a devoted following. His customer, said Mr. Lippes, has strong opinions about her personal style and wants to wear his clothes—say, a pinstriped shirt dress with floral embroidery or a pair of tailored, high-waisted dark denim jeans—her way, not as prescribed by a pen-pal stylist.

Plus, we live in a world where we're surrounded by information. With a flick through Instagram or a skim of the editorial section of sites like Net-a-Porter, a woman can find ample inspiration for both her work look and off-duty wardrobe. Because even if buying clothes is admittedly a chore, you risk squandering all the fun of fashion when it's mostly prefab.

In some ways, these companies are playing to many women's fear of fashion. "Fashion can feel like such a exclusionary sport that women reject it before they feel like it can reject them," said Leandra Medine, founder and chief creative officer of the Man Repeller website. Ms. Medine suggests examining what you like about the way other women are dressed. "Those are usually signs of your personal style," she said. Ms. Medine believes in the power of expressive fashion: "Getting dressed lets me feel like a better version of who I am, or escape the reality of what I don't like to be."



WHY WE LOVE THEM

FOR THOSE who think that box-service uniform dressing takes the fun out of fashion, consider this: MM.LaFleur and its peers aren't necessarily targeting magazine editors and aspiring style stars. (Though Stitch Fix does encourage women to explore unknown brands.)

Rather, their value is expediency. Busy women, with obligations tugging from every side, don't have the luxury of time to shop. And in real life, women also have jobs where wearing the latest Prada platforms might be frowned upon or in violation of the dress code. From that vantage point, dressing for the office starts to seem a lot less exhilarating.

"There's a big disconnect between the fashion world and professional women," said MM.LaFleur founder and CEO Sarah LaFleur. She realized this when she met creative director and co-founder Miyako Nakamura, a fashion designer who was then head designer at Zac Posen, and began to talk about her idea. "I said, 'I'm thinking of the lawyer or the banker who walks to work in flats and then switches out to heels in the elevator.'" At the time, Ms. Nakamura had little awareness of these professional women and their particular needs.

Ms. LaFleur was talking about women like Megan L. Brackney, a Manhattan attorney, and Kim Lear, a Minneapolis-based consultant, who are both MM.LaFleur devotees. "I don't like to shop. I don't have time for it," said Ms. Brackney. MM.LaFleur "doesn't have a ton of stuff, so you're not sifting through 150 pages of crap." Ms. Lear began wearing MM.LaFleur about a year ago. Among other things, she appreciates that the fabrics don't wrinkle and that the company often sends things she might not have chosen. "The real value is that they kind of force you to try stuff that you wouldn't normally pick out for yourself," she said.

MM.LaFleur is so popular among women lawyers, said Ms. Brackney, that she often runs into other women at conferences wearing the same dress. She is unfazed by it, amused even. In one instance, the twinning pair took a photo together. And anyway, there's a double standard when it comes to uniform dressing. "I'm at a conference now," said Ms. Brackney. "Seventy-five percent of the men are wearing khakis, blue shirts and a navy blue blazer, and they're not walking around upset." —Christine Whitney

F. MARTIN RAMIN/THE WALL STREET JOURNAL STYLING BY ANNE CARDENAS

FÊTE ACCOMPLI A GOOD-LOOKS GUIDE TO RECENT EVENTS



A Garden Party for Fabletics New Collaboration



◀ FRESH DIRECT Juices and other healthy fare were on hand at the Fabletics fete.

STAR-POWER DRESSING

Toasting two celebrity partnerships with, respectively, Demi Lovato and Chloë Sevigny

IT'S EASY to get cynical about celebrity collaborations. But considering that singer Demi Lovato devoutly practices mixed martial arts—and even met Kate Hudson, the actress who founded exercise-gear label Fabletics, in a gym—Ms. Lovato's new collection for the brand passes muster. "Demi felt like a perfect fit," said Ms. Hudson last week at the Beverly Hills Hotel, where friends like Amanda Peet and Molly Sims had gathered to celebrate Ms. Lovato's designs.

Among the guests, there was not a legging in sight. Instead, they worked the "oh, this old thing?" easy chic at which Angelenos excel, exemplified by Ms. Peet's ivory sweater and trousers. Nevertheless, as stylist George Kotsopoulos remarked, "Athleisure is not going away. It's a justifiable way for women to run around in yoga pants."

Meanwhile, across the country, Manhattanites feted Chloë Sevigny's role in curating the new vintage category at resale e-commerce site Vestiaire Collective. "She's the ultimate vintage icon," Kate Foley, the site's U.S. contributing fashion director, said of the actress, who's been fixated on retro clothes since she was a child in Darien, Conn.

Ms. Sevigny's selections for the site include a velvet Thierry Mugler dress (\$435) and a black Hermès Kelly bag (\$4,874). In a black, quilted leather vest over a white dress, the actress fit in with the limited-palette downtown crowd. A grouping of mannequins styled in some of the site's more expressive vintage pieces did their part to provide color, looking like they'd travelled in from some more vivid party in the past. —Melissa Magsaysay and Laura Stoloff

OFF DUTY

20 ODD QUESTIONS

Neil deGrasse Tyson

The astrophysicist on the best place on Earth to stargaze and carb-loading en route to Mars

FOR ASTROPHYSICIST Neil deGrasse Tyson, the tide started turning for geeks in the mid-1980s, when "Revenge of the Nerds" came out. "I think all the people that would otherwise be beating up on the geeks learned that we were the ones who knew how to fix your computer, so you had to treat us with some modicum of respect," he said. "We're not fixing your computer if we're dangling from a hook with a wedgie."

Dr. Tyson has since become a tour de force in that cultural shift, a dauntless and likable crusader. Whether as the director of the American Museum of Natural History's Hayden Planetarium, the affable host of the "StarTalk Radio" podcast and "Cosmos" TV series, or the author of eminently accessible books like his latest, "Astrophysics for People in a Hurry," few can make abstruse scientific concepts as understandable—or as inspiring. "I'm an educator," he said. "If you don't know it, I'm here for you."

Here, he shares his singular takes on the rhetorical benefits of a fountain pen and the best science-fair experiment for children.

The best place in the world to star-gaze is: the summit of Mauna Kea, in Hawaii, 14,000 feet up in the middle of the Pacific Ocean. The most powerful optical telescopes in the world are there.

One travel destination everyone should see is: a total solar eclipse, wherever in the world that may take you. So the "destination" is the event, not the location.

My travel bucket-list includes: the pyramids of Giza, Easter Island and the Inca and Aztec monuments of South America. I like basking in what generations who came centuries and millennia before me have accomplished.

The product design I most admire would be: the zipper, plus any machine or technical product that you can operate without first having read the instruction manual.

One of my pet peeves is: street lamps that also send light upward to the sky.

The best advice I've ever received is: "It's not good enough to be right. You also need to be effective." Cyril deGrasse Tyson, 1928-2016.

If money were no object, I would buy: a space launch system to protect Earth from asteroid impacts.

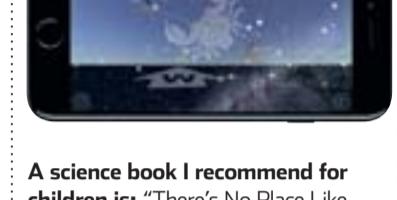
My favorite films of all time are: "The Matrix," "Contact," "The Island," "The Conversation," "Excalibur" and "All That Jazz." These were philosophically deep, insightful, enlightening and entertaining.

A great science-fair experiment is: the volcano concept but manifested in another way: Get a large balloon, funnel in baking soda then a cup of vinegar and quickly tie the thing shut. The balloon will self-inflate, and if you put enough of that stuff in there, it will explode. Then you have a nice mess, which every kid loves.

I'm currently reading: Erwin Schrödinger's "Science and Humanism."



SUPERNERD Clockwise from left: Neil deGrasse Tyson in his office at the American Museum of Natural History, The Rolling Stones' '12 X 5,' Mauna Kea Observatories, 'The Big Bang Theory,' 'Star Walk' app, strawberry milkshake, pyramids of Giza. Inset: 'There's No Place Like Space.'



ism. It's a very small book, but it's giving me insight into what people were thinking 67 years ago, and I get to compare that with what people are thinking today.

If I could eat only one food on a voyage to Mars, it would be: pepperoni pizza and a strawberry malted milkshake. I could consume those foods day after day and never get tired of them. They're actually quite healthy—there's fat, protein, carbohydrates. I might supplement it with a vitamin, but all the calorie needs are there.

An app I marvel at is: "Star Walk." You point your smartphone downward and it shows you the constellations that haven't risen yet. The audacity of that! In my day, we had to remember what was there; now it's just handed to you.

Every household should have: a telescope and a microscope.

I still remember the first time I heard: the Rolling Stones. They would always have a blues act open for them.



That shows respect for where you're getting your music.

A game-changing TV show is: "The Big Bang Theory."

Twenty years ago, had you walked up to a network and said, "I got an idea for a show. It's got Ph.D. scientists in it, and we'll just explore their love life and their social life," no one would make that a show. Now "Big Bang Theory" is the number one comedy on television, and you've got shows—"Scorpion," "Numbers," "CSI"—with scientists who are good looking, who have social lives. That was never previously done.

I collect: fountain pens. If I'm giving a speech, I'll write it in ink first. If you look at memorable speeches of the past, the rhythms happen to be in five- to seven-word pulses. Then you learn that a single dip of a quill got you five or seven words. It may be that the rhythm was shaped by how much ink could sit in the shaft of a quill pen. As I write, I'm conscious of this. When you give a speech you don't want your sentences to be too long.

We instill in children the misconception that: science is memorizing the names of things. That's an aspect of it, but it's not the core. The core is understanding objects. Get that into your 6-year-old, and you've got nothing more to teach them.

If I had a month off, I would: ask the people who gave me a month off why they pulled me away from what I love the most.

—Edited from an interview
by Chris Kornelis

THE WATCH MAN HOROLOGICAL EXPERT MICHAEL CLERIZO ANSWERS YOUR TIMELY QUESTIONS



The Loneliness of the American Watchmaker

Q I know the Swiss turn out great watches, but are there any American luxury watch brands that are made in the U.S.A?

A For better or worse, the Swiss have made themselves the gold standard for luxury watches. Even Ralph Lauren, the only American brand to create any buzz with its luxury watches, produces its timepieces in Switzerland—ironic for a company that cloaks itself in all things red, white and blue.

However, the industrious can find mechanical watches made by Americans, on American soil. One caveat: You won't ever see the words "Made in the U.S.A." The Federal Trade Commission prohibits use of the term unless "all or virtually all" of a product is fabricated in the U.S. But no watch movement manufacturers are based in the U.S.

In truth, there was never much of a luxury-watch industry in the states. American brands like Elgin (now defunct) and Waltham (now owned by a Swiss company) made cheap, reliable timepieces. The few makers of superb watches worked almost exclusively for the merchant navy and then the American Navy. And in 1868, when one American, Florentine Ariosto Jones, wanted to establish a company making high-grade watches, he moved to Switzerland to do so. That company is IWC Schaffhausen, with which you may be familiar. Meanwhile, countries like Switzerland, Japan and Germany, have long fine watchmaking traditions that have been preserved.

The bottom line: The few ambitious stateside watchmakers that exist must import almost all movements. But I still consider these brands, which occupy a tiny but lively patch of the watch world, American.

Some have a distinctively American aesthetic. The Montana Watch Company,



MIDDAY AT THE OASIS The American luxury watch isn't entirely a mirage. PS-801-EE Watch, \$11,900, rgmwatches.com

founded in 1998 by vintage-watch restorer Jeff Nashan, 53, specializes in an old-time western look. You can easily picture the elaborate engraving on Mr. Nashan's cases across spurs and gun handles. The watches created by Geoffrey Roth, a 68-year-old professional jeweler and art gallery owner, based in Scottsdale, Ariz., seem to take their cues from the American southwest. Their glowing gold faces often feature an engraved Georgia O'Keeffe-esque nautilus motif. Both

brands' models start around \$5,000.

Fourth-generation watchmaker Richard Paige, meanwhile, sets himself apart by converting antique American pocket watches to wristwatches with art deco-inspired cases and dials of his own design.

The godfather of independent watchmaking in the U.S. is Roland Murphy, 56, who founded RGM Watch Co. in 1992. Based in Mount Joy, Penn., RGM produces 250 watches a year. About a quarter have in-house movements that Mr. Murphy made himself; the rest have reworked Swiss or vintage American movements.

Mr. Murphy's modest goal: to keep fine watchmaking alive in the U.S. Prices for his watches with Swiss movements start at about \$3,000, while those with movements he makes himself range from \$7,500 to \$100,000. In terms of reliability and exclusivity, his watches rival anything produced by European independent brands.

Lest you think that American watchmaking is solely the territory of middle-aged or older gentlemen, consider Keaton Myrick, 35. Mr. Myrick, based in Sisters, Ore., became interested in horology in his 20s. After graduating from watchmaking school in 2007, he spent a

year working at a Rolex U.S.A. service center. When he returned to Oregon, he opened a repair and restoration shop, and completed his first prototype timepiece in 2011. Mr. Myrick has nearly fulfilled his goal of making 30 watches, priced at \$24,000 each, to establish his reputation. He crafts as much of the movement himself as he can.

I say the really exceptional thing about the American watch scene is that it's up against fearsome odds when even the Swiss are daunted by the rise of smartwatches. It's not easy to create a luxury-watch brand, but these makers are trying to do just that.



OFF DUTY



Suddenly, That Summer

A walking tour of San Francisco's Haight-Ashbury neighborhood celebrates the 50th anniversary of the city's seminal love-in

BY BOB COOPER

WHEN A KID in a tie-dyed Grateful Dead T-shirt hits you up for change on San Francisco's Haight Street, don't be annoyed. He's only doing his part to keep the spirit of the 1967 Summer of Love alive, a half-century on. Despite the arrival of boutiques selling \$840 sneakers and \$165 hoodies, and the slow fade of almost every shop that lined the street in the 1960s, the Haight-Ashbury neighborhood remains evocatively off-kilter. Old Victorian storefronts and homes, some painted extroverted shades like canary-yellow and indigo, distinguish the district, aka "the Haight" or "the Upper Haight." And scruffy teens still gravitate to the area, asking for change, whether it's the monetary or societal kind.

Unfurling from the eastern border of San Francisco's Golden Gate Park, the Haight served as the epicenter of America's 1960s counterculture movement. "The Haight-Ashbury was the product of teen rebellion against 1950s' regimentation and the Vietnam War," said a guide for the local Flower Power Walking Tour who goes by the name Stannous Flouride. "The anarchic aspect was seen as a threat against the establishment but ultimately had a profound influence on American culture." Cheap rents, more than anything else, drew the first wave of bohemians in the early 1960s. Legions followed, cresting in 1967 when some 100,000 students, musicians and others flocked to San Francisco for a summer of drug-enhanced communing and revelry that horrified parents. This year, to mark the anniversary, events from concerts to art exhibits are being staged throughout the Bay Area (see summeroflove2017.com for details). You can also take an organized walking tour or go it alone. Here, our self-guided stroll through the hippie era's heyday.



IN FULL FLIGHT From top: Jefferson Airplane in 1967 performing in Golden Gate Park; the Summer of Love Experience, a current exhibition at San Francisco's de Young Museum.

ROCK QUARRY

Janis Joplin, Jimi Hendrix, the Dead and Jefferson Airplane all lived in the Haight, and performed often in and around the neighborhood. Hit songs of 1967 included the Airplane's "White Rabbit," "San Franciscan Nights" (inspired by a night Eric Burdon spent with Janis Joplin) and the blissed-out ballad "San Francisco (Be Sure to Wear Flowers in Your Hair.)"

Want to reacquaint yourself with the roots of psychedelic and acid rock? Pop inside cavernous **Amoeba Music** (6) at 1855 Haight, a former bowling alley that carries used CDs, along with endless rows of records and rock-history books and posters. An exhibit at the San Francisco City Hall, running until June 23, displays dozens of rocker photos taken in 1967 by late photographer Jim Marshall.

DRUGGY STORES

ton, right on Clayton to Page, right on Page to Ashbury, then right on Ashbury to Haight.

DRUGGY STORES

The Haight's abundance of marijuana, LSD and other psychedelics was catnip to thousands of teen runaways. These drugs offered routes to new states of consciousness, but also sent dozens of flower children directly to the hospital each week.

Supplying drug paraphernalia were so-called head shops, once pervasive on the street, peddling rolling papers and hookahs, among other accessories. The six in business today include **Pipe Dreams** (4) at 1376 Haight, which opened in 1968, and **Ashbury Tobacco Center** (5) at 1524 Haight, where Jimi Hendrix once lived.

It was there that police arrested two Dead musicians and several women living with the band in a drug bust in October, 1967. Next, turn right on Frederick to Clay-

GREEN ACRES

In 1967, hippies escaped the district's crushing crowds by decamping to the large city parks that border the Haight on three sides—Golden Gate Park, the Panhandle and Buena Vista Park. They flooded into these green spaces to heed counterculture icon Timothy Leary's call to "Turn on, tune in, drop out." A favorite place for acid-heads to congregate was **Hippie Hill** (7), a grassy slope in Golden Gate Park. George Harrison even dropped by once and sang a few songs. Enter the park at Haight and Stanyan, take the path that angles right past the stoplight until Hippie Hill is visible on your right. From its apex you can see the old carousel at one of America's oldest public playgrounds (1887) and the eucalyptuses that blanket Mount Sutro.

PSYCHEDELIC RELICS

Visual artists also gravitated to



the Haight, designing concert posters that defined a trippy new aesthetic; typography endured distortions, lines swirled, colors skewed fluorescent. To further radicalize these concerts, Haight artists pioneered the multimedia light show—which combined ultraviolet lights, strobes and mind-bending slideshows. At the **de Young Museum** (8), a 10-minute walk from Haight Street, in Golden Gate Park, stop in for "the Summer of Love Experience: Art, Fashion, and Rock & Roll," an exhibit running until Aug. 20. On view: concert posters, hippie fashion, historic photos, films and interactive music-and-light shows—300 works in all.

ON THE FRINGE

Along with long hair on both sexes (blurring the gender divide to the establishment's distress), 1967 fashions included yards of fringe, headbands, love beads, and novel and exotic uses of leather, denim, crochet and embroidery. All were sold at Haight



PEACE OUT A couple in the Haight in 1967.

OFF DUTY

Isle Be Seeing You

When summer beckons yet a chill still lingers, Caribbean stews hit the spot

BY MATTHEW KRONSBERG

MAYBE IT came to you with that first whiff of spring. Whatever the trigger, odds are you're craving not only sunshine but the bright, tropical flavors that are its culinary analogs. And yet, this transitional season can still be blustery and even downright cold.

Such days cry out for the soups, stews and braises of the Caribbean. This substantial fare can see us through the last gasps of cool weather while transporting us to a sunnier place.

'I look at that cooking as my comfort food.'

For Nina Compton of Compère Lapin in New Orleans, that place is her native St. Lucia. The chef has won wide acclaim for her restaurant's sophisticated versions of island classics like goat curry humming with ginger, turmeric and Scotch bonnet peppers. The recipe for pumpkin prawn pepper pot at right takes inspiration from rich pumpkin soups Ms. Compton's mother made for her as a child on the Antillean island. "I look at that cooking as my comfort food," the chef said.

When it comes to comfort, few dishes have garnered the kind of affection across the Caribbean that Jamaican-style brown stew oxtail has. Fallon Seymour, a Trinidadian model turned restaurateur, serves up a fragrant version at her Brooklyn restaurant, Pearl's—named for her grandmother, who taught her to cook. Beneath the stew's all-spice-laced sauce, you'll find spoonfully tender meat waiting to be prized from the bones' nooks and hollows.

Eating a plate of oxtails isn't just fortifying, it's a messy, slightly debauched undertaking if you do it right.

Up in Montreal, where spring is particularly fickle, diners can warm up at Agrikol, a Haitian restaurant owned by restaurateur Jen Agg and her Haitian-born husband, Roland Jean, along with Win Butler and Régine Chassagne of the band Arcade Fire. Their légumes, a traditional stew of beef in a bog of vegetables, served with polenta-like maïs moulu, does the job nicely.

Eggplant cooked to the point of collapse lends the stew body and earthiness. Fresh spinach and a splash of bitter orange juice added just before serving bring verdancy and acidity, in a way that can brighten both body and soul. "Have a drink, hear some Konpa music and eat légumes," said Mr. Jean. "I promise, you won't feel the cold the way you did before."

► Find a recipe for brown stew oxtail (below) at wsj.com/food.



HOT DISH The Haitian stew légumes served with maïs moulu at Agrikol in Montreal.

Légumes

ACTIVE TIME: 45 minutes
TOTAL TIME: 8 hours (includes marinating) SERVES: 6-8

1 medium onion, diced
3 cloves garlic
½ cup diced red bell pepper
½ cup chopped scallions
½ cup chopped Italian parsley
Leaves from 1 sprig thyme
¾ cup chopped celery
1 whole Scotch bonnet pepper, plus ¼ Scotch bonnet pepper, seeded
1 leek, chopped
1½ teaspoons kosher salt
4½ teaspoons white vinegar
¼ cup extra-virgin olive oil
¼ cup plus 1 tablespoon bitter orange juice, or equal parts orange and lime juice
3 tablespoons Maggi seasoning, or equal parts Worcestershire and soy sauce
1½ teaspoons Dijon mustard
2½ pounds first-cut beef brisket
2 tablespoons grapeseed oil
1 large carrot, diced
2 cups chopped cabbage
1 eggplant, cut into 1-inch dice
2 chayote, peeled, seeded and coarsely diced, or 1 large zucchini, coarsely diced
1 quart low sodium beef stock
5 whole black peppercorns
3 whole cloves
½ pound baby spinach

1. Make marinade: In a blender or food processor, combine onions, garlic, bell peppers, scallions, parsley, thyme, ¼ cup celery, ¼ seed Scotch bonnet pepper, half of leeks, salt, vinegar, olive oil, ¼ cup bitter orange juice and mustard. Purée until smooth, 30-40 seconds.

2. Slice brisket across the grain into 1-inch thick strips. Place in

an airtight container along with marinade. Seal, place in refrigerator and let marinate overnight.

3. Remove brisket from marinade and blot dry, reserving marinade. Heat grapeseed oil in a large lidded Dutch oven over medium heat. Sear brisket, turning, until browned, about 10 minutes. Transfer brisket to a plate.

4. Add carrots, cabbage, eggplant, chayote and remaining celery to pot. Cook, stirring, until vegetables soften and release water, 5 minutes. Add marinade and stock, increase heat to high and bring to a boil. Return brisket to pot, push down to submerge and reduce heat to low.

5. Wrap cloves, peppercorns and whole Scotch bonnet pepper in a square of cheesecloth and bind with kitchen twine. Add to pot.

Simmer partly covered until brisket is fork-tender, 2-2½ hours.

6. Discard cheesecloth sachet.

Use a spoon to break brisket and vegetables into bite-size pieces. Stir in spinach and let wilt. Season with bitter orange juice and Maggi to taste. Serve with rice.

—Adapted from Marc Villanueva, Agrikol, Montreal

4 cloves garlic, halved
2 tablespoon coriander seeds
2 (3-inch) pieces lemongrass, smashed
4 whole star-anise pods
1 ounce fresh ginger, peeled and minced
2 quarts water

6 ounces grouper or other firm white fish, cut into bite-size pieces

Zest and juice of 1 lemon
Zest and juice of 1 lime
Zest and juice of 1 orange

6 tablespoons olive oil
½ habanero pepper, chopped
2½ pounds pumpkin or butternut squash, peeled and cut into ½-inch dice
2 (13½-ounce) cans coconut milk

2 heads fennel, julienned
5 shallots, julienned
¾ teaspoon kosher salt
½ teaspoon freshly ground black pepper

1 teaspoon Sherry vinegar
1 sprig thyme
Chopped fresh herbs, such as basil, cilantro, mint and fennel fronds

1. Make stock: Heat 1 tablespoon grapeseed oil in a lidded 5½-quart Dutch oven over medium-

Pumpkin Prawn Pepper Pot

Most fishmongers will set aside shrimp shells for you with a little notice. If you can't get them, use the shells from the recipe and replace half the water in the stock with clam broth.

TOTAL TIME: 2 hours

SERVES: 8-10

3 tablespoons grapeseed oil
½ pound shrimp shells
6 ounces shell-on shrimp, cleaned, deveined, and halved, shells reserved
3 onions, julienned

ALEXI HOBBS FOR THE WALL STREET JOURNAL (PEARL); DANIEL GARDNER FOR THE WALL STREET JOURNAL (AGRIKOL); JOCELYN BAUM FOR THE WALL STREET JOURNAL (COMPÈRE LAPIN)

BRIGHT SPOT The pumpkin prawn pepper pot at Compère Lapin in New Orleans.



DIVE IN Served with toast rounds for silverware-free scooping, this oven-baked crab dip is the sort of dish finished first at a party.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Maryland Deviled Crab Dip



The Chef
Spike Gjerde

His Restaurants
Woodberry Kitchen,
Parts & Labor,
Bird in Hand,
Grand Cru and
Artifact Coffee, all
in Baltimore; A
Rake's Progress,
soon to open in
Washington, D.C.

What He's Known For
Obsessively researching and championing Mid-Atlantic farmers and foodways.
Unpretentious cooking rooted in superb ingredients.

AN INVETERATE blue-crab enthusiast, Baltimore chef Spike Gjerde holds the catch from the neighboring Chesapeake Bay in the highest esteem. "Our crabs are the sweetest and most tender. By comparison, Dungeness doesn't even rate," he said. Sure, the Gulf of Mexico produces blue crabs, too, but they boil them down South, and Mr. Gjerde isn't having it. "Steaming, how we do it in Maryland, preserves the meat's delicacy," he said.

For his final Slow Food Fast contribution, Mr. Gjerde shares a classic deviled crab recipe. This warm and buttery oven-baked dip requires no shelling; high-quality fresh crab meat can be purchased at fishmongers and many supermarkets. Buy the best available, because this recipe contains very little filler to compensate

for middling meat. "In the end, this should taste sweet and redolent of crab," Mr. Gjerde said.

A scattering of diced celery and green pepper provides a textural counterpoint; a dash of ground mustard and a splash of hot sauce turn up the heat. And remember, this is meant to be party food, so don't fret over the generous quantities of heavy cream and butter. Rounds of toasted baguette for dipping and a simple green salad make it a meal.

Festive but not at all fancy, this dip is an ace-in-the-hole entertaining recipe, easy to toss together and to love. "It doesn't look pretty, and there's nothing you can do about that save for adding a bit of parsley," said Mr. Gjerde. "But it's the thing everyone always lines up for." —Kitty Greenwald

TOTAL TIME: 30 minutes SERVES: 4-6

¾ cup finely diced celery
¾ cup finely diced green pepper
3 scallions, thinly sliced
½ cup finely chopped parsley, plus more for garnish
2½ pounds crab meat
½ cup fine bread crumbs
1 teaspoon dry mustard
5 good dashes hot sauce
½ cup heavy cream
1 cup butter at room temperature

Kosher salt
6 cups salad greens
Juice of ½ lemon
3 tablespoons olive oil
Baguette, sliced into ½-inch rounds and toasted

1. Preheat oven to 350 degrees. In a medium bowl, toss together celery, green peppers, scallions and parsley. Add crab meat, half the bread crumbs, dry mustard, hot sauce, heavy cream and all but 2 tablespoons butter. Season with salt to taste.

2. Transfer mixture to a lightly buttered bak-

ing dish and top with remaining bread crumbs. Melt remaining butter and brush over top. Bake until crumbs are golden, 10-15 minutes.

3. Lightly dress salad greens with lemon juice, olive oil and salt to taste. Serve deviled crab warm with toast and salad on the side.

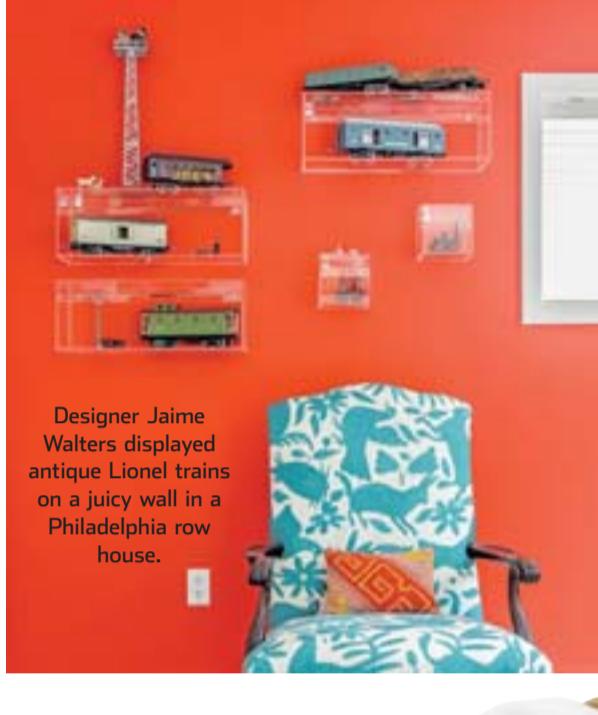
OFF DUTY



Roman Graffiti Pillows
by Helen Strevens, about
\$120 each, hmsstudio.com



Madam Mirror,
\$3,200, Justin Van
Breda, 44-20-7349-
7089



Designer Jaime
Walters displayed
antique Lionel trains
on a juicy wall in a
Philadelphia row
house.

Play's the Thing

In a stressful world, whimsical design is increasingly, offering an impish escape

BY TIM GAVAN

WHETHER IT JOINS you at the table in the form of Spanish designer Jaime Hayon's animal-evoking dinnerware or offers you a friendly handshake like the five-fingered doorknobs from London product designer Charles Edwards, whimsicality is leavening interior design.

"There's something in the zeitgeist right now that has people looking for an escape from the seriousness of work and politics," said Baker Furniture chief creative officer Tristan Butterfield, who recently papered the company's High Point, N.C., showroom with a hand-painted design of flowers, birds, branches and bugs, to which he pinned a thousand paper butterflies discernible only up close. "Whimsy happens when you have the self-confidence to reconnect with your younger, playful self," said Mr. Butterfield.

From Amsterdam, colorful asymmetrical side chairs by Maarten Baas for Lensvelt will never be mistaken for stodgy seating. "They come in eight different colors and eight uniquely-shaped backs," said Lensvelt spokesperson Jeroen Panders, "so they look almost like a child's drawing"—an effect underlined by the fasteners in the chairs' backs that resemble Pillsbury Doughboy eyes.

"People are taking a step away from minimalism, where objects are defined by their function rather than by their character," added Claudia Oliva of Hayon Studio, in Madrid, which produces the aforementioned creaturely porcelain plates, cups, vases and vessels.

New York designer Eddie Lee recently outfitted a family room with a plump upholstered armchair that swings from sturdy ropes. People entering know it's a room in which they can relax, Mr. Lee said, "not a room where they have to sit with their hands in their laps and not touch anything."

Wispily rendered line drawings of Roman gods and goddesses add charm to a series of jewel-toned throw pillows from New Zealand designer Helen Strevens. Modern design can tend to take itself all too seriously, said Ms. Strevens, who notes that a bit of silliness in an otherwise formal or traditional room can work as an icebreaker: "I'm constantly surprised at how quickly guests will befriend a whimsical object."



Mini Skirt Drinks
Table, \$1,600,
[bunnywilliams
home.com](http://bunnywilliams.com)



An eccentric
Amsterdam
apartment by
Dutch firm
Studio Job.



Maarten Baas 101 Chairs
by Lensvelt, from \$480
each, lensvelt.nl

FLOWER SCHOOL

GET YOUR MONET'S WORTH

Floral designer Lindsey Taylor takes her cues from the impressionist's feathery brushwork

PARIS PEAKS IN MAY, some say. The gloomy weather lets up, and you might even catch a Parisian smiling. I couldn't make it to France this spring, so I made do by diving into a book on the work of Claude Monet (1840-1926), the quintessential French impressionist who made even lumpy haystacks seem sublime. As the inspiration for this month's flower arrangement, I chose a dreamy canvas he worked on over years, "Morning on the Seine, 1897." To get the light and perspective he wanted, he situated himself in a boat on the famous river in the early morning hours.

I might easily have built up a lush, large bouquet to echo the richness and saturated palette of this canvas—and don't get me wrong, I love a big arrangement—but my mind went to a more intimate grouping, something for a

bedroom or even a bathroom.

Two little boat-like vessels from the early work of ceramic artist Maria Robledo had the sweetness and rich glaze I wanted. To get across the hazy, early-morning calm that Monet captured, I focused on mimicking the color and gestures of his brush strokes. Repetitive florets of muscari and barely opened hyacinths, both from my garden, echoed Monet's myriad touches of blue. Branches of eucalyptus dotted with early berries and swirls. Woolly bush picked up the movement—and the sage greens and white—of the water.

Cutting stems at different lengths gave a rhythmic pacing to the arrangement, letting some shorter pieces break the line of the vessels' rims. I tell students to think about the outline your arrangement would make if you were to draw it.

Is it engaging and dynamic, keeping the eye's interest? As in a painting, the positive and negative spaces are key. Note how the tall curling plume of greenery at the top animates the space around it.



THE INSPIRATION

Repeating florets of muscari and hyacinths (right) suggest the daubs of paint in Claude Monet's 'Morning on the Seine, 1897' (above).

Vessels: designer's own.



THE ARRANGEMENT

OFF DUTY

RUMBLE SEAT DAN NEIL



GTC4Lusso: A Ferrari for the Whole Family

IN 1515, THE GERMAN artist Albrecht Dürer made a famously bad depiction of a rhinoceros, based on reports of an animal that had been brought to Lisbon. Dürer's woodcut demonstrates what psychologists call "schema," the natural tendency to impose patterns of the familiar on the unfamiliar. Having never seen a rhino, but moved by the description of its armor-like skin, Dürer girdled his animal in steel, complete with rivets.

What if you were to ask Americans what a Ferrari is supposed to look like? Red? Sleek? Pointy? Rag-ing egomaniac at the wheel? Like Dürer's rhinoceros, that's close enough.

What they don't imagine, if I may gauge from the vox pop, is this car: the new GTC4Lusso (\$298,000), a graceful, comparatively understated four-seat grand tourer with all-wheel-drive, all-wheel steering, all-knowing stability control and a stupendous, glory-chortling 6.3-liter, 680-hp V12 engine under a hood that leaves little room for doubt, by way of Freudian analysis.

The Lusso is the model successor to the Ferrari FF, which made its debut in 2011 to a polite smattering of enthusiast applause. The alien design is called a "shooting brake"—that is, a three-door variant of a 2+2 coupe, with a long roof and a squared-off hatch.

You may think of the Lusso as Ferrari's counterprogramming to a luxury SUV or crossover, which the company simply and existentially cannot offer. You may also discern a bit of old European tastemaking in the design. This car is rich-funy, poshly weird, contrarian and high concept. Park a Lusso next to a Porsche Panamera and watch the latter disappear in a vacuum of conventionally met expectations.



THE PARENT TRIP
The four-seat 2017
Ferrari GTC4Lusso is
available with branded
baby seats.

DAN NEIL/THE WALL STREET JOURNAL

And there was precedent. It all started with Enzo Ferrari's wife, Laura, a woman who had every bit the common touch as *Il Commendatore*. Laura's involvement in the company provoked the Palace Revolt of 1961, a board meeting in which Enzo fired his chief engineer, Carlo Chiti, and development designer, Giotto Bizzarrini.

These men promptly joined forces with one of Ferrari's racing rivals and, with panel-pounder Piero Dromo, modified an existing Ferrari with a roofline shaped like a flower box, nearly horizontal, ending in a chopped-off rear end. Thus was born the Ferrari 250 GT SWB

"Breadvan," with its Kammback designed to reduce aero drag and instability. More vino?

The recent history involves another managerial spouse. The FF project was approved about the same time that former president Luca Cordero di Montezemolo and his wife were expecting. When I asked Mr. Montezemolo in 2011 about the coincidence of Ferrari building a family tourer right at the moment he happened to be needing one, he only smiled.

The Lusso is available with special Ferrari baby seats. In terms of family planning, giving one of these to your wife would be better than Clomid.

The irony is that Ferrari's most effortless, auto-mode car is also the one most defined by prodigious underpinnings. And in the first giddy minutes behind the button-en-crusted wheel, what comes through is not the perfumed Poltrona Frau saddlery, nor sunbeams from the remarkable glass roof, nor the dank beats from the high-def audio, but the irresistible presence of a wal-loping chassis, what lies beneath.

Start with the wheels and tires—resplendent, effulgent and huge: 245/35 ZR20s in front, and 295/35s in the rear. Behind them are the vast carbon-ceramic disc brakes, the hubs, CV joints, half-shafts and steering links (four-wheel steering). A respectable amount of unsprung mass, in any case.

The trembling sense-data from these huge rubber rollers never leaves you, flanking you like motorcycle escorts. And this sensation is getting past the Lusso's abundant soundproofing, mechanical isolation and acoustic glass.

The V12 is an aluminum fire god: 680 hp and 516 pound-feet of torque out of a naturally aspirated 6.3 liters, with a sky-high compression ratio of 13.5:1 and a shimmer-

ing redline at 8,250 rpm. Here the equal-length, six-into-one stainless-steel exhaust runners are alive with harmonics, thrilling over-notes that are part of the Ferrari atman—the plash of seared air, the rum-tum-tum of power.

But the Lusso's brand soundtrack has been turned down. The cold-start is 17% quieter than that of the FF's. Yes, there are exhaust bypass valves, and they do dump to mortar-diameter straight pipes. But you have to goose the throttle pretty good or otherwise wind up past 4,250 rpm before it sounds like much. Usually, the engine note is

(about 135 mph), above which the powertrain reverts to rear-wheel drive.

Again, what's interesting is how chassis-forward the luxury Lusso is, even in dry conditions. The PTU provides torque vectoring-assisted steering—the system can overdrive the outside front wheel to increase steering effect, and by quite a lot. The Lusso can just rage through a 2nd-gear corner, on power, no understeer, like a rhino, if you will, requiring only the lightest touch at the flat-bottomed steering wheel. The rear-steering typically operates in phase with the front wheels, turning in the same direction; but, in moments of high translation, the rear-steering will flick the other way for a few milliseconds, pitching the car into the desired rotation. Meanwhile, at the stern, the seven-speed dual-clutch rear transaxle also provides robust lateral torque vectoring, with what Ferrari calls its E-diff.

That's a lot of hardware and gobs of software to make the big car turn, but turn it does.

If refinement is a sin, the Lusso doubles down on the FF's supposed heresies. Prominent in the stitched-leather landscape are spherical climate vents, like little Keck observatories. The formerly spare driver workspace of Ferraris is transformed into widescreen entertainment, with a 10.25-inch high-definition touch screen and a blazing fast processor.

Ferrari's always bragged about how driver-centric the cabins were, but the Lusso's "Dual Cockpit" design puts a second configurable touch screen in front of the passenger, and all of the cabin controls (climate, audio and touch screen) are equally accessible.

The Lusso has a horn and tail, but what's in between is a very different animal.



2017 FERRARI GTC4LUSSO

Base price \$298,000

Price, as tested \$330,000

Powertrain Mid-front mounted, naturally aspirated, direct-injected 65-degree V12 with variable valve timing and stop/start; seven-speed, dual-clutch rear transaxle with torque vectoring and automatic/manual shift modes; front two-speed mechatronic power takeoff with lateral torque vectoring; part-time all-wheel drive.

Power/torque 680 hp at 8,000 rpm/516 pound-feet at 5,750 rpm

Length/weight 193.8 inches/4,233 pounds

Wheelbase 117.7 inches

0-60 mph <3.4 seconds

Top speed 208 mph

EPA fuel economy 10/16 mpg, city/highway (est)

Cargo capacity 15.9/28 cubic feet, rear seat back up/down

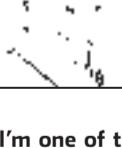
I can imagine guys riding around in 1st gear, briefly coaxing out the full song between red lights, tears rolling down their cheeks.

just a low drumming, like Washington Square Park heard from a block away.

I can imagine a lot of guys riding around in 1st gear, briefly coaxing out the full song between red lights—*WELLPPPTTT! WELLPPPTTT!*—tears rolling down their cheeks. It's so...beautiful.

The conceptually hard part of "AWD Ferrari" is the combination of all-weather stability with the *instability* that defines its sports cars—the machine's willingness to change direction, the sharp reflexes and agility. Enter the Lusso's unusual solution: A second gearbox bolted to the nose of the crankshaft, ahead of the engine. About 50% lighter than a conventional AWD system, Ferrari says, this two-speed power takeoff unit (PTU) can cover vehicle speeds through 4th gear

THE FIXER MICHAEL HSU



Chatting More Comfortably on a Smartphone

Q I'm one of those people who still uses a smartphone as a telephone, and I sometimes press it up to my ear using my shoulder as I talk. This works, but I always feel the phone slipping. Is there a better solution? By the way, I know a Bluetooth headset would work for this, but I really don't want to wear one.

A Ergonomically, you're better off not straining your shoulder when chatting. (The earbuds that came with your smartphone will let you talk hands-free, since they probably have a built-in microphone.) But if you prefer to cradle your phone next to your ear from time to time, making the device a bit thicker will help.

One strategy: Attach one of those shoulder rests designed for use with the handsets of landline telephones. It turns out that the Mini Softalk Shoulder Rest (about \$10, softalk-products.com), shown in the illustrations at right, is ideally sized for most smartphones.

I'm assuming you don't want to stick this bulky attachment to your smartphone perma-

nently, so here's how to make it removable.

First, adhere a small metal plate onto the back of your phone or phone case. These are included with magnetic phone mounts for cars, like the Spigen Kuel A201 (\$13, spigen.com). You can also buy the plates in packs of four for about \$8 (search Amazon for "phone mount plate").

Next, apply strips of magnetic tape to the back of the Softalk phone rest. I used two strips of Extreme Magnetic Tape (\$15 for a 10-foot roll), which is about a half-inch wide.

You'll now be able to easily stick the Softalk rest to your phone and remove it, too. While this solution might still dismay or even outrage an ergonomics expert, it should prevent your phone from slipping accidentally.

Bonus: Because it's easy to reposition the phone rest, you can also use it to prop up your device on a table at the perfect viewing angle, with the screen oriented horizontally or vertically.

Have a lifestyle problem that a gadget might solve? E-mail us: thefixer@wsj.com



KIERSTEN ESENPREIS



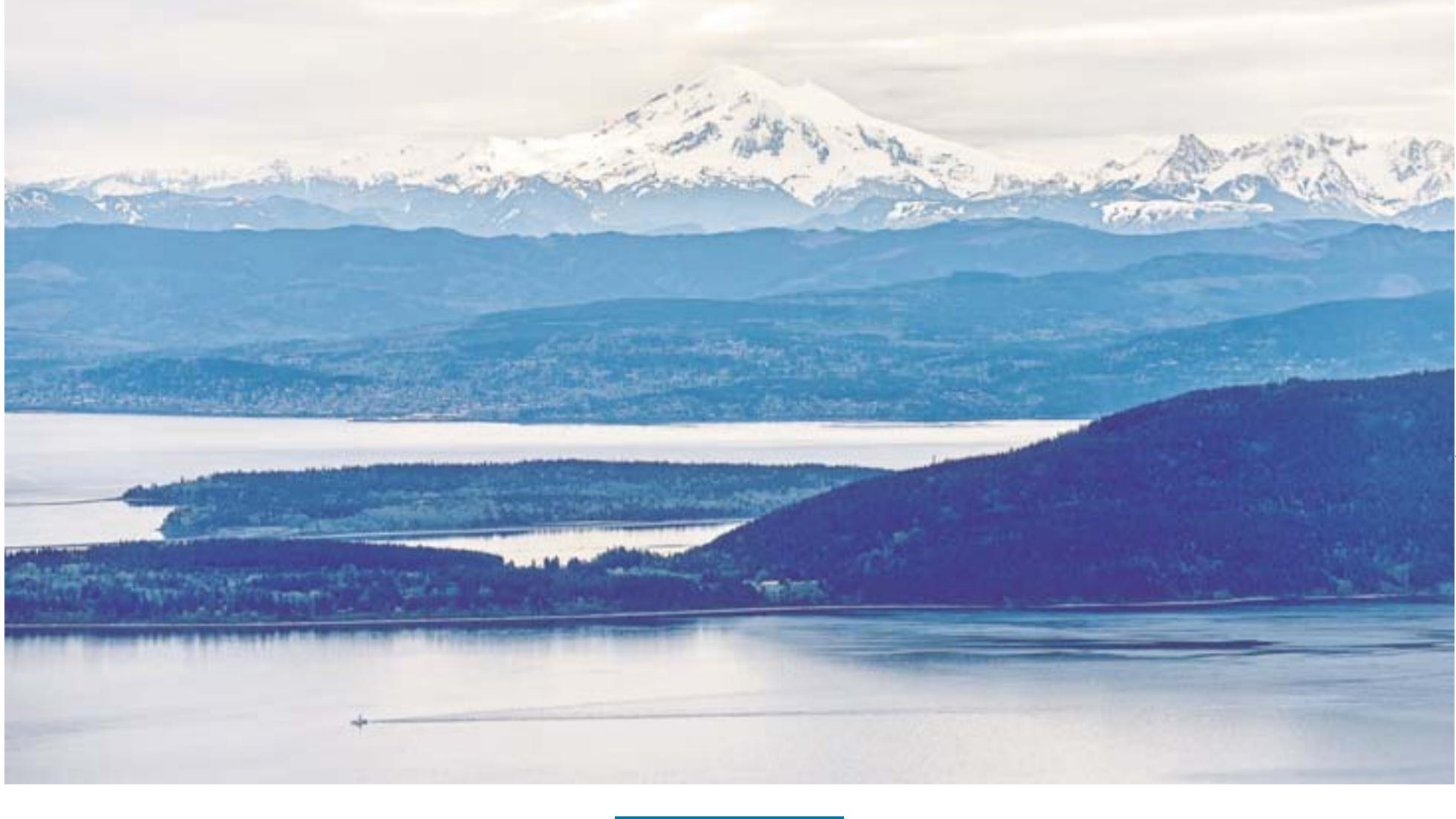
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THE WALL STREET JOURNAL.

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PETER GREENWOOD



FROM TOP: WIQAN ANG FOR THE WALL STREET JOURNAL; DOROTHEE BRAND FOR THE WALL STREET JOURNAL (2)

Homes on the Water

The Secret of the San Juans

The remote archipelago off the coast of Washington State aims to preserve its simple, low-key character amid rising home prices; farm stands on the honor system.

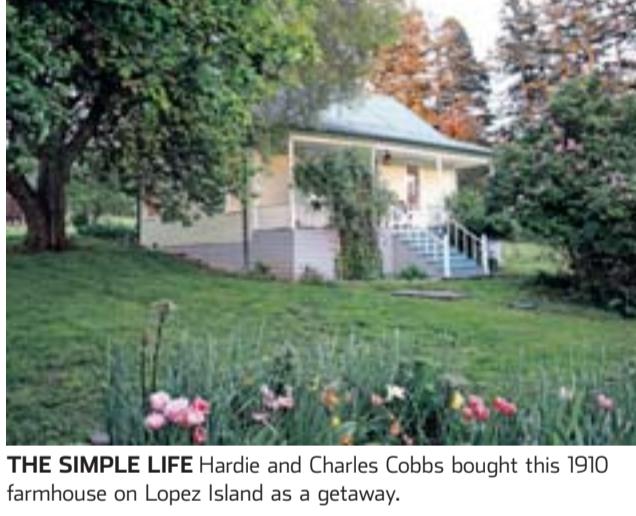
BY NANCY KEATES

THE SAN JUAN ISLANDS, an archipelago off the coast of Washington State long cherished for its remoteness and simplicity, is now the hottest luxury real-estate market in the country.

The priciest 10% of the area's real-estate market rose faster last year than any other U.S. county, according to Realtor.com. The median home value in San Juan County is now \$444,300, up from \$377,600 in 2014, according to real-estate marketplace Zillow. Right now there are four homes priced at \$15 million or higher for sale, including one for \$20 million.

Former Amazon executive Rick Ayre, the owner of the \$20 million house, says the price reflects the property's distinctiveness. Near San Juan Island's main town of Friday Harbor, it is 8,000 square feet on 98 acres and features 765 feet of waterfront, a runway, three ponds and an indoor pool. Mr. Ayre bought the slightly curved

Please turn to page W10



THE SIMPLE LIFE Hardie and Charles Cobbs bought this 1910 farmhouse on Lopez Island as a getaway.



THE SLOW LANE Ms. Cobbs, seen above with her husband, said the island 'is not trendy, it's not precious. It's authentic.'

FAREWELL, FLAMINGO PINK

Rejecting thatched roofs, tiki bars and hot-pink hues, many affluent home buyers want the laid-back look called tropical modern; agents say the design sells at a premium of as much as 30% compared with other styles.

BY ALINA DIZIK

FORGET THATCHED roofs, flamingo-pink tiles and cheesy wooden carvings. Homeowners in warm-weather climates increasingly want the look of laid-back, low-key luxury.

Tropical modern, as the style is called, combines the clean lines and muted color palette of contemporary design with the exotic woods and stone found in island homes. Many affluent buyers are willing to pay a premium for tropical-modern homes.

The style "is having quite a big revival," says architect Iain Jackson, a professor at the Liverpool School of Architecture in the U.K. who studies tropical architecture. He says the look is popular in Hawaii, Bali, the Maldives and other high-end destinations, where it has "taken on a much more glamorous and seductive high-end feel." At the same time, he says, the designs "are borrowing from local vernacular traditions."

Homeowners are starting to ask for tropical modern homes by name, says Paul



CALM AND COOL Miami attorney Howard Srebnick spent nearly \$3 million to build a 9,600-square-foot tropical-modern home.

HOUSE OF THE DAY
wsj.com/houseoftheday



California
A Laguna Beach home with a recording studio



New York
An ad executive's Manhattan retreat



Texas
A ranch near Marfa asks \$17.5 million

HALL AND HALL

HOMES ON THE WATER

THE SECRET OF THE SAN JUANS



ALL IN Michael Carter, left, found San Juan Island so beautiful he bought 21 acres, built this guesthouse, far left, and lived in it while embarking on a 10-year, roughly \$19 million project to build a 15,000-square-foot main house. 'I'm a perfectionist,' he says. A lighthouse on San Juan, above.

Continued from page W9

house in 1999 for around \$6.3 million and spent about \$3.5 million renovating it. Even with minimal landscaping ("you can't own the land," is his philosophy) the garden alone cost about \$1 million because of the fencing and irrigation.

Some locals worry that the low key San Juans could become overpriced, overdeveloped and overcrowded. The growth in demand has been fueled in recent years by an influx of high-tech companies to Seattle, where soaring home prices make the San Juans look like a bargain. A 2000 study commissioned by the county's planning department concluded that, due to similarities in size, scale, access, environment and trends, the San Juans could well end up like Nantucket or Aspen, places where the report said wealthy purchasers of vacation homes have changed the character of the communities and placed substantial pressure on residents.

"We're trying to figure out how not to be like that," says Rick Hughes, chair of San Juan County Council.

Others counter that because the Pacific Northwest lacks the density of the Northeast it won't turn into another Nantucket. They say the islands' economy has just started recovering and growth has been gradual. They characterize the mega-pricy listings as anomalies: The priciest sale in the San Juans since 2001 was a property on Orcas that sold for \$11.1 million in 2002, according to Merri Ann Simonson, managing broker at Coldwell Banker San Juan Islands.

Representatives for the four listings say they're priced to sell. "We haven't seen sales go into the top realm yet, but this might be the year that changes," says Moya Skillman, an agent with Team Foster at Avenue Properties who is the sales agent for a \$19.98 million home.

Jennifer Johnsen Cameron, vice president of Brand Development Re-alogics Sotheby's International Realty in Kirkland, is the listing agent for rock musician Steve Miller's house, listed at \$14.8 million; she says the replacement cost of his house is "significantly higher" than the price. Mr. Miller said he picked the island of San Juan because he travels a lot and it has the easiest access. His house has been on and off the market since 2014 for \$20 million and \$17.5 million before settling at its current asking price.

Mr. Miller, 73, bought the multiple parcels in 1996 for \$4.35 million after many years of sailing by the island on his way to Alaska. The property has an 11,686-square-foot, stone-and-wood home on a total of 99.5 acres, with 765 feet of waterfront, a deep water moorage and a 400-foot dock. Mr. Miller rebuilt so he could keep his boat right next to his house and head out any time he wants, he says. "For a guy like me, who does 70 cities a year, I needed somewhere I could get in and out of," he explains.

San Juan County is made up of some 175 islets between Washington state and Vancouver Island, Canada, and is known for its abundance of orca whales and eagles, hiking and kayaking, and breathtaking scenery.

Life on these islands—with a population of 16,339, according to the latest census—can seem like a throwback. Cellphone service is sketchy. There are no chain stores or traffic lights. Jet skis aren't allowed. Almost every restaurant serves locally grown food. There



A DIY VACATION HOME This 1910 farmhouse was purchased by Hardie and Charles Cobbs on Lopez Island, which is flat and rural. Ms. Cobbs, an artist, said she is redoing the house herself, in part because she wasn't able to find any available workers at the time she took ownership of the home.



A WOODSY RETREAT Kathleen Dickinson, above, said it took three years and about \$12 million for her and her late husband, Ron McDowell, to build their house, which was finished in 2007. On 41 acres on Orcas Island, it first went up for sale in April 2016 for \$11.6 million, and was reduced last year to \$10 million.

are still farms that plow with horses and run their farm stands on the honor system. The ferry can get stormed out and the sole hospital has no birthing facility.

The lack of development is a reflection of the area's remoteness. Only four of the islands are accessible by ferry: San Juan, the largest and most touristy, with the sole airport; Orcas, known for attracting artists and Californians; Lopez, which is flat and rural; and Shaw, which has no restaurants or hotels (and where Bill Gates owns property).

Hardie and Charles Cobbs bought a 1910 farmhouse earlier this year on Lopez Island as a get-away from their main home on Mercer Island. "Lopez is not trendy, it's not precious. It's authentic," says Ms. Cobbs, an artist. She is redoing her house herself in part because she wasn't able to find any available workers at the time she took ownership of the house.

Until two years ago the ferries didn't take reservations, which meant people had to get to the dock hours ahead to ensure a place in line. When that changed, "it turned what was a nerve-racking experience into something easy," says Mark Jenks, 56, an aerospace executive who lives in Kirkland.

As a result, in September Mr. Jenks and his wife Ducksoon Hwang, who had been going to Orcas Island for vacation for many years, bought a four-bedroom,



ISLAND LIVING Mark Jenks and wife, Ducksoon Hwang, at their four-bedroom, 2,950-square-foot house on the water with a private cove on Orcas.



2,950-square-foot house on 1.9 acres on the water with a private cove for \$1.1 million on Orcas. They picked the San Juans because they wanted somewhere "organic and

authentic," says Ms. Hwang.

Michael Carter, 74, an attorney and corporate executive, was living in Malibu when he vacationed on San Juan Island; he found it so beautiful he bought two parcels totaling 21 acres in 1999 for \$550,000. In 2002 he built a 1,000-square-foot guesthouse where he lived while he embarked on a 10 year, around \$19 million project to build a 15,000-square-foot house.

"I'm a perfectionist," he explains. Though he built it as a spec house, Mr. Carter has been living there for the past four years. His house first listed in 2015 for \$25 million, and last year was reduced

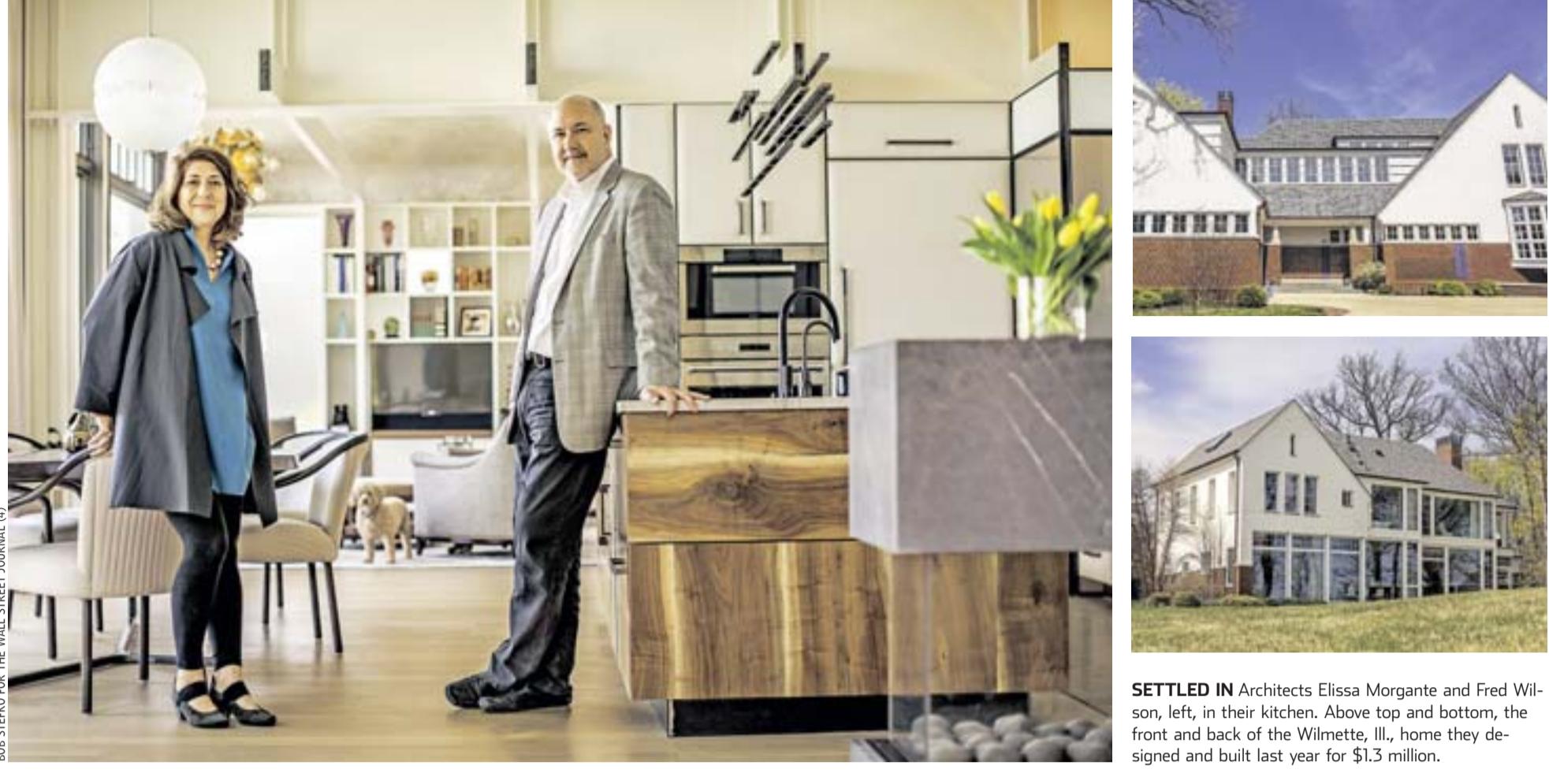
to \$19.98 million. It took three years and about \$12 million for Kathleen Dickinson and her late husband Ron McDowell to build their house, which was finished in 2007. On 41 acres on Orcas, it is filled with reclaimed wood and intricate architectural details. It first went on to the market in April 2016 for \$11.6 million, and was reduced last year to \$10 million, a price she says is under the cost of construction.

As is usually the case with islands, building a home in the San Juans is expensive. Susan Stoltz and David Kau of Stoltz Kau Architects on Orcas say the cost of construction can be as high as 30% more than on the mainland and finding available full-time workers can be tough. One problem is the growing lack of affordable rentals for seasonal workers.

There is an effort under way to preserve land from development. The county's Land Bank Tax, created in 1990, taxes 1% of real-estate sales for buying up land to preserve the natural heritage, while nonprofits like the San Juan Preservation Trust raise funds to acquire and preserve land.

It's still possible to build a house for under a million dollars: Peg O'Hara and her husband built a house for \$600,000 in 2014 on Orcas on 9½ acres they bought for \$400,000 in 2006. "We just kept it really simple," she says of the 1,400-square-foot house.

HOMES ON THE WATER



SETTLED IN Architects Elissa Morgante and Fred Wilson, left, in their kitchen. Above top and bottom, the front and back of the Wilmette, Ill., home they designed and built last year for \$1.3 million.

INSIDE STORY

Their Beloved Lot Was Thought to Be Lost

But a twist of fate revealed the owners of the land they sought—and bought—for their dream home

BY NANCY KEATES

FOR YEARS on her twice-a-week walks, architect Elissa Morgante would pass a rundown little shack on a wooded lot with a Jeep half-way buried in mud out front. The property sat next to a path to a beach right on Lake Michigan in the Chicago suburb of Wilmette, Ill. In time she worked up the courage to knock on the door, telling the elderly woman who answered that she'd buy the house in a heartbeat. The woman said she'd put Ms. Morgante's name on the list.

Then, one day seven years ago, Ms. Morgante walked by again, only to see the house torn down, trees cleared and a lawn put in. "Someone bought my house," she dejectedly told her husband, Fred Wilson, also an architect.

Three years later, Ms. Morgante and Mr. Wilson struck up a conversation with a couple who had come to their home as part of an architectural tour of the neighborhood. The couple, Peter and Robin Baugher, invited them over to their house, which was also on the tour. Lo and behold, they were the people who had bought Ms. Morgante's dream property—in order to protect the views at their home next door.

The Baughers weren't looking to

sell the land next door. "We thought only a horror would result from that," says Mrs. Baugher, a 66-year-old artist. But they liked Ms. Morgante and Mr. Wilson so much, they suggested a meeting: Both couples should come prepared with the price they thought it was worth. Ms. Morgante and Mr. Wilson thought it was worth several million dollars, but they couldn't afford that, so they decided to offer \$1.5 million. At the meeting, the other couple went first: They suggested \$1.5 million.

"We were like, 'Oh my god, oh my god. This could actually happen.' We were flipping out," says Ms. Morgante.

It did actually happen. After months of meetings, the future neighbors agreed on legal covenants that protect each other's views, and last year Ms. Morgante and Mr. Wilson finished construction on a \$1.3 million, five-bedroom, five-bathroom house on the $\frac{1}{2}$ -acre lot, which has a sweeping lawn that leads down to the lake and a private white sand beach shared by three neighbors.

The couple, who own Evanston, Ill.-based Morgante Wilson Architects, consider this their dream house. It incorporates both the traditional style preferred by Mr. Wilson, 56, and the more organic modernist style of Ms. Morgante, 58. The front of the home is for-



LAKE VIEW The master bathroom, top, of the five-bedroom, five-bath home.

mal, made of red brick and white stucco, while the back has floor-to-ceiling windows to take advantage of the water views.

It's also the first house they designed just for themselves, not around their three children, who are now in their 20s and not living at home. They put in lots of glass because they weren't worried about fingerprints.

They took chances with unusual, rich, textured materials, like kitchen cabinets upholstered in woven vinyl and leather wall panels. The curving, sculptural staircase is made from white plaster, a look inspired by New York's Guggenheim Museum. A sculptural light fixture extends 30 feet from

the second-floor ceiling down a stairwell to the basement.

Ms. Morgante and Mr. Wilson met in grad school at the University of Illinois at Chicago. They were both art students who gravitated to architecture. They've funded their increasingly expensive homes through buying low-value houses, fixing them up and then selling them at a profit. "People always ask us how we can afford to live here since we are architects and architects don't make any money," says Mr. Wilson.

Their first joint home-flipping project was in 1986, when they did a low-budget renovation to a tiny bungalow purchased for \$100,000 in Lakeview, Ill. At the time it was

a rough neighborhood—their car was stolen and their garage tagged with graffiti. They sold it two years later for \$180,000 and bought their second home, a larger, two-family house in a safer part of the neighborhood for \$100,000. They then spent \$140,000 gutting that and turning it into a single-family home.

In 1994 they sold the second house for \$386,000 and moved to Wilmette, where the schools were better, buying a 1,400-square-foot house for \$294,000 and putting it through a \$300,000 renovation that added another 1,400 square feet. In 2006, they sold it for \$1.2 million and bought the house across the street for \$600,000, putting in \$800,000 to renovate it. That house—the one on the house tour—was sold for \$1.8 million. They plan to live in their dream home for the long term.

During the design process, the couple didn't tell a soul, not even their families, what they were up to because they were afraid the lot owners would change their minds. One of the architects at their firm remarked on how the design was an unbelievable combination of both Ms. Morgante's and Mr. Wilson's styles. They just smiled and stayed quiet. "It was such a fantasy. We didn't want it to be too real in case it didn't work out," says Mr. Wilson.

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MANSION

INSIDE STORY

High Line Living, in Translation

An architect's New York condo-building design, inspired by his Singapore home

BY KRISTIANO ANG

WHEN ARCHITECT Soo K. Chan moves into his own condo in the 31-unit development he is designing alongside New York's High Line elevated park, it's going to feel like home in more ways than one.

His unit includes many of the touches—private pool, tropical-modernist design, warm woods—that are in his primary residence in Singapore. In fact, all the condos in the Soori High Line building are basically "a compressed version" of his Singapore home, says Mr. Chan, 55, founding principal of SCDA Architects.

He bought the Singapore property more than a decade ago. It included a dilapidated two-story villa with a fish pond resting on just under 1½ acres of land near Singapore's Central Business District.

He carved the lot into three parcels, developed and sold residences on two, and kept about a third of an acre for himself. Although the value of his share of the parcel is unclear, he says he spent \$4 million to build his new home. A property of similar size and location would be valued at about \$18 million in the current market, says Alan Cheong, senior director of research at Savills Singapore.

After tearing down the old building, he decided to create a residence that would be "a composite of everything I like."

The old house was on a sunken lot, so Mr. Chan first had the property elevated to where "the ground floor today is where the second level used to be," he says.

Mr. Chan lives in the completed 9,000-square-foot, seven-bed-

room, seven-bathroom modern mansion with his wife, Ling Fu, an Indonesian handbag designer. The couple moved into the two-story home in late 2008, about two years after they first acquired the land. They mostly live there alone; their six sons are at boarding school or in college.

The entryway to his home is a foliage-lined path by a swimming pool that is nearly the length of the residence. The pool is separated from the home by a veranda of black balau wood and granite. An oversized, Buddhist-inspired bronze sculpture from the artist Li Chen is en plein air. "I created the scenery to wash out the neighbors and divert attention," says Mr. Chan.

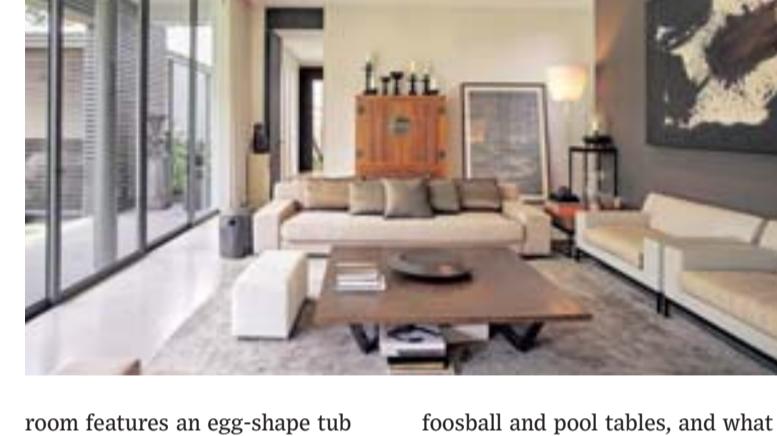
The architect designed a U-shaped home with floor-to-ceiling glass walls overlooking the pool. The orientation toward the water is reflected in Mr. Chan's High Line project, where some of the homes have in-unit pools.

Directly inside the Singapore home is an open-plan living and dining area. Mr. Chan designed several pieces in the interior, including a large, low table surrounded by sofas in a seating area, and a black brass light fixture hanging over a dining table.

A large trompe-l'oeil ink painting by Korean artist Lee Jung Woong hangs over the couches. Candleholders and ceramic vessels from Thailand and Indonesia sit on a shelf with orange-silk backing. He also has works by Roy Lichtenstein and Frank Stella.

"Architecture is the mother of art," Mr. Chan says. "Without architecture, art would be static."

Down a narrow corridor, a bath-



SINGAPORE SENSE Architect Soo K. Chan, far left. His two-story villa in Singapore, above, and a seating area with furniture that he designed, left. Below, a model unit in Soori High Line.



room features an egg-shape tub made of resin. On the opposite side of the hall is a study with a minibar. Sliding panels at one end of the room hide a bedroom. It, too, overlooks the swimming pool.

Mr. Chan has the most fun on the lower level, he says. It has a fitness space, a family room with

foosball and pool tables, and what he calls his man cave: a password-protected wine cellar.

Mr. Chan was born in Penang, Malaysia, and grew up on a 19th-century family compound, with a temple on the grounds, that is now a Unesco World Heritage Site. He

studied fine art at Washington Uni-

versity in St. Louis before training as an architect at Yale University and working in New York. He returned to Southeast Asia in the 1990s.

The architect has several projects in Manhattan. Soori High Line homeowners are set to move into the development later this year.

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HOMES ON THE WATER

SAY FAREWELL TO FLAMINGO PINK

Continued from page W9

Fischman, partner at Choeff Levy Fischman, a Miami-based architecture firm that specializes in the style. Mr. Fischman brings exterior materials such as limestone inside for a more cohesive look between indoor and outdoor living. Colors are cool whites or beige. The designs are the opposite of the colorful Art Deco homes once popular in the city, he says. "There's no flamingo pink," he adds.

In Miami, attorney Howard Srebnick was inspired by Balinese architecture to build a tropical-modern home in place of a rundown Mediterranean-style home that had been on the property. To maximize the views of Biscayne Bay, Mr. Srebnick worked with architects at Choeff Levy Fischman to design a home where the "emphasis was on the outside," he says. Mr. Srebnick, 54, spent nearly \$3 million to build the five-bedroom, 9,600-square-foot home, where he lives with his wife, Sharon, and two school-age children. Wall-length sliding doors open to the outdoor terraces and an infinity-edge pool with a shallow splash area. A concrete staircase, interior stone and recessed lighting replace a flashier look.

But he didn't get everything on his wish list. Mindful of South Florida hurricanes, Mr. Srebnick opted for plenty of impact-resistant glass and concrete on the exterior instead of Balinese-inspired exterior dark wood features that he originally wanted. "We felt like it was more important to be living in a bunker," he says.

At the home of life coach Alejandra Llamas and real-estate developer Genaro Diaz in Miami's Coconut Grove neighborhood, a magnolia tree is planted inside the home's partially covered entrance as a tropical nod to visitors, but the interiors are intentionally muted. A guesthouse with a gym, maid's quarters, additional covered porches and a separate massage area contribute to a soothing spa feel. "I wanted to give it a sense of visiting a resort," says Ms. Llamas, 46, who is listing the two-year-old home for \$11.9 million because her



ALEXIA FODER FOR THE WALL STREET JOURNAL (2)

A TREE GROWS The tropical-modern home of Alejandra Llamas and Genaro Diaz in Miami's Coconut Grove is currently listed for \$11.9 million. The living room overlooks a patio with a magnolia tree planted in the center.

two teens will soon be off to college and she wants to downsize.

Agents say luxury buyers are demanding modern homes with an island vibe and forgoing more traditional Mediterranean-style homes. In recent years, tropical-modern homes have been selling at a premium of as much as 30% compared with other styles, estimates Susy Dunand, a real-estate agent with One Sotheby's International Realty in Miami. "Tropical modern is what it is now—everybody is looking for something like that," says Ms. Dunand. Demand is expanding beyond pricey homes in Miami Beach to more suburban locations and condos, she adds.

Avoiding a strict adherence to modern architecture gives tropical-modern homes a more timeless look, says Lourdes Alariste, another Sotheby's agent. "If you are too modern, in 15 years that's going to be dated," she says. "This is a younger look and it's more attractive to the eye." Ms. Alariste adds that homes range from \$6 million to \$12 million in the area



SUNNY OUTLOOK The living room doors in Howard and Sharon Srebnick's home open up to exterior spaces to blend indoor and outdoor living.

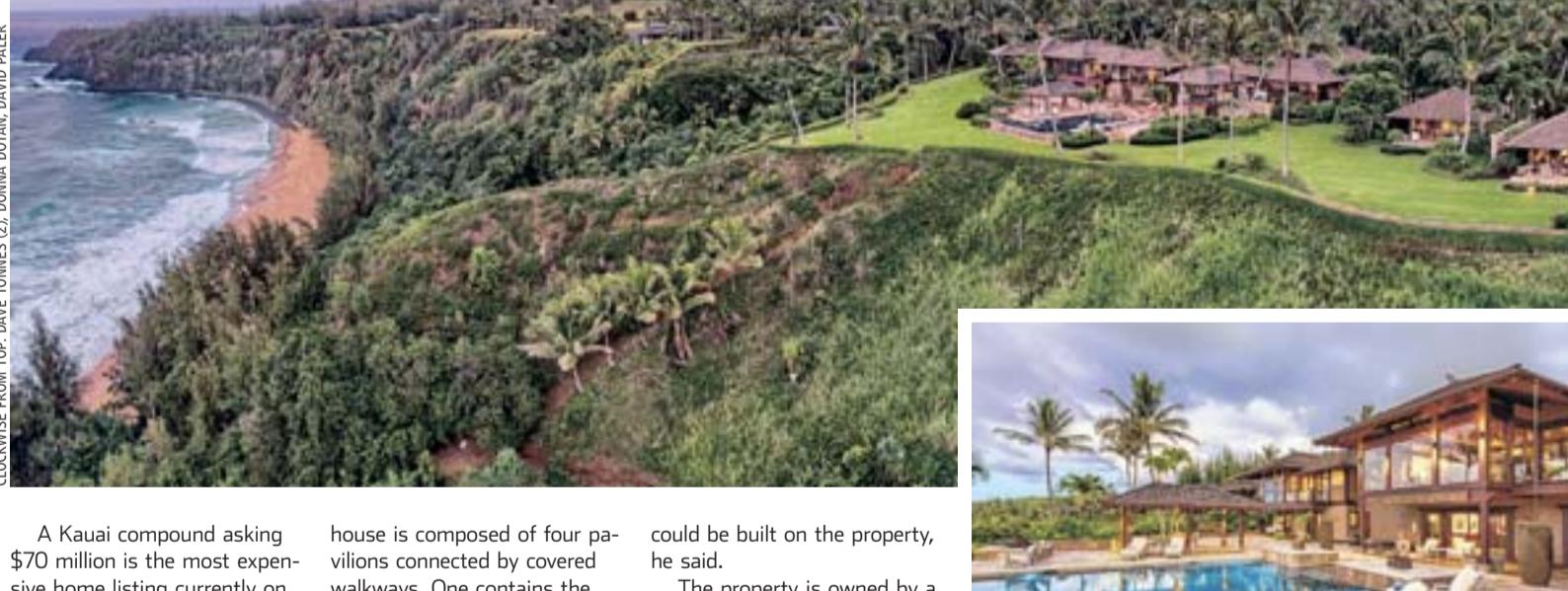
and is working with Ms. Llamas in the sale of her home.

When Jennie Wilson, who volunteers with nonprofits, and her husband, Bruce, a commercial real-estate investor, built a tropical-modern home near Hawaii's Kona coast, they worked with San Francisco architect Shay Zak to keep

some of the traditional materials found in Hawaiian homes. For example, verandas are supported by columns carved from local Ohia wood. The master bathroom features a Zen-like lava rock wall and an outdoor shower. "There are nods to Hawaii, but you wouldn't look at it and say 'It's so Hawaii,'" she says. "I

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A Kauai Estate Seeks \$70 million



A Kauai compound asking \$70 million is the most expensive home listing currently on the market in the state of Hawaii, according to listing agent Neal Norman of Hawaii Life Real Estate Brokers.

Located on the North Shore near the small town of Kilauea, the roughly 15-acre property known as Hale 'Ae Kai sits on a bluff overlooking the Pacific, with a private path leading down to Secret Beach.

The Balinese-inspired main

house is composed of four pavilions connected by covered walkways. One contains the living areas, including a media room and gym; a roughly 1,100-square-foot pavilion contains the master bedroom, which has indoor and outdoor showers. Two other pavilions contain bedrooms.

The property also includes a swimming pool, a caretaker's house and a farm that grows palm, coconut and citrus trees, Mr. Norman said. More houses could be built on the property, he said.

The property is owned by a trust created by financier William H. Strong and his wife, Sandi, according to public records. Mr. Strong was previously co-CEO of Morgan Stanley's Asia Pacific region, and in 2014 he became chairman of Chicago-based Longford Capital, an investment company that specializes in litigation finance, according to Longford's website.

Mr. Norman said the owners built the house, completing it in 2006, and in recent years have rented it out, charging about \$10,000 per night. He said they are selling because they aren't using it as much as they anticipated.

In 2014, Facebook's Mark Zuckerberg paid more than \$100 million for roughly 700 acres on Kauai, according to people with knowledge of the transaction.

Park Avenue, she said, but moved to this unit after their three children left for college.

A duplex spanning the 12th and 13th floors of the building, the apartment has three bedrooms and measures about 3,300 square feet, according to listing agent Pamela D'Arc of Stribling & Associates.

The large living room has roughly 17-foot ceilings and double-height windows, said Ms. D'Arc. Joy Javits said she remembers her father working

for hours at a desk in the living room. There is also a glass-walled sitting room off the living room which Sen. Javits used to talk business and smoke cigars, his daughter said.

Joy Javits said she had her wedding with about 150 guests in the apartment, and added that her parents frequently threw parties there. Guests at the apartment included Henry Kissinger and Truman Capote, she said.

A SOHO PENTHOUSE ASKS NEARLY \$30 MILLION

A multilevel Soho penthouse with a rooftop hot tub is going on the market for \$29.95 million.

The sellers are Jon Venetos, who last year was replaced as the longtime head of Surveyor Capital, a unit of hedge-fund giant Citadel, and his wife, Ashley. Mr. Venetos founded Dallas-based Lurin Capital last year, according to the company's website. The couple is selling because they are relocating to Texas, said listing agent Mark Jovanovic of Compass, adding that Ms. Venetos recently left her job at Pershing Square Capital Management due to the relocation.

The penthouse has about 7,500 square feet of interior space spread over three levels. There are four bedrooms and two offices, one of which is in the master suite, according to Mr. Jovanovic, who has the listing with Scott Hustis.

The top level, with an onyx-backed bar, opens to a limestone terrace with an outdoor kitchen and wood-burning fireplace.

The couple combined two units to create the spread. They purchased the first unit in 2010 for \$4.5 million, according to property records, then in 2012 bought the floor above for \$4.75 million. They then added the rooftop terrace, according to Mr. Jovanovic.



THE LONGTIME MANHATTAN HOME OF JACOB JAVITS GOES ON THE MARKET



The longtime home of the late Jacob Javits, the influential politician who served as a U.S. senator from New York for more than 20 years, will list for \$5.195 million.

The East 57th Street apartment is being sold by the children of Sen. Javits and his late wife, Marian, who died earlier this year. The couple bought the prewar co-op in the early 1970s, said their daughter Joy Javits. They had previously lived in a larger apartment on

Park Avenue, she said, but moved to this unit after their three children left for college.

A duplex spanning the 12th and 13th floors of the building, the apartment has three bedrooms and measures about 3,300 square feet, according to listing agent Pamela D'Arc of Stribling & Associates.

The large living room has roughly 17-foot ceilings and double-height windows, said Ms. D'Arc. Joy Javits said she remembers her father working

MANSION

HOUSE CALL | CHARLOTTE RAMPLING

Keeper of Her Family's Secret

The British actress had a fairy-tale room in France; today she has two Paris homes

I've always been good at keeping secrets. Even as a child, I spent more time observing than communicating. I felt I'd be more intriguing if I kept things to myself. My older sister, Sarah, received most of the attention, so I was under no obligation to be revealing.

I was born near Cambridge, England, in my maternal grandparents' Victorian manor house. I remember little about the brick home because we moved when I was still a baby. In all, we would move seven times in 13 years.

My father, Godfrey, was an officer in the Royal Artillery and he was constantly being reassigned. He was very handsome, and each day, a military batman came to the house to help him dress. Then my father went off to headquarters to do military things.

At the 1936 Olympics, he had been a member of the 4x400 relay team that won a gold medal. After the war, when he needed money, he tried to sell his medal, but apparently Hitler had handed out fake gold ones made of steel.

My father didn't earn much in the military, even at his rank. My mother, Isabel, had the money. She was the provider and kept the home shipshape.

Up until my 20s, I was called Charley (pronounced SHAR-lee) at home. It was sweeter and more endearing than Charlotte. I was the younger daughter and very close with my sister, Sarah, who was three years older than me.

The first house I remember was in Swaffham, England. It was an unattractive little house. I was 7 when we moved there. My sister, who was my best friend, was sent off to boarding school.

One day at the local school, I was in the cafeteria eating yet another disgusting lunch when I got up and angrily ran all the way home. My parents sent me right off to boarding school.

The house I remember most fondly was our home in Fontainebleau, France, about an hour south of Paris. I was 10, and my room was in a small tower.

It was an odd, castlelike house with big stones. My room was pink and semicircular, with the windows



FRENCH TWIST Charlotte Rampling, above, in her apartment on the Right Bank in Paris (she has another home on the Left Bank); her photo wall is at rear. Below, about age 4, with her older sister, Sarah, at their grandparents' home.

quite high up. I had to stand on a chair to see out. It was a fairy-tale room that stirred my imagination. Dense woods were just outside, and I was able to run wild there. Living in a turret, I always imagined a prince charming.

Sarah was delicate and different. Even though I was younger, I was the one who had to look after her. For whatever reason, Sarah didn't have any defenses. What I admired most is that she could love people and everyone loved her.

When I was 13, we moved back to England, to Westwood in Stanmore. Our house was a two-story bungalow with a thatched roof.

Sarah and I sang in amateur concerts in Stanmore. That's when I realized I was a natural performer. One day an agent offered us an audition an hour away in London. So Sarah and I sneaked out and took the Tube and performed in front of three glum men in a theater. Nothing came of it.

I loved being on stage but Sarah didn't. It was the first time I had a certain power over her.

After school I modeled, which led to small roles in films. Then came a major role in "Georgy Girl" in 1966 and the start of my career.

In 1964, when Sarah was 21, she met a wealthy Argentine cattleman in Acapulco, Mexico. A week later they eloped and moved to Buenos Aires. Though Sarah returned occasionally, my mother couldn't bear her being so far away.

In February 1967, Sarah killed herself soon after giving birth to a baby boy. My father received the news but kept the cause of her death from my mother and me for fear of what it would do to us.

When I found out the truth in 1970, he implored me to keep the secret.

I never told my mother, for fear of losing her. But I lost her anyway. After Sarah died, she slowly became detached from everything.

Today, I live in Paris. I have two

apartments in the city. The larger one on the Right Bank dates to the 1930s. It's glamorous, with lots of light and terraces, and it has a 360-degree view of the city on the roof. My other apartment on the Left Bank is more of a student flat.

I never kept anything of Sarah's. I just have many photos of her, and a good number are on a wall in my larger apartment. Her photos are the most precious things I own.

My favorite is when she was 12. We were bridesmaids that day, and she has the expression I told you about earlier, that little smile and an open, sweet look. It's a face you want to love.

—As told to Marc Myers

Charlotte Rampling, 71, has appeared in more than 100 films, including "The Night Porter," "Stardust Memories" and "The Verdict." She is the author of "Who I Am" (Icon), a memoir written with Christophe Bataille.

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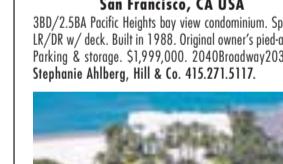
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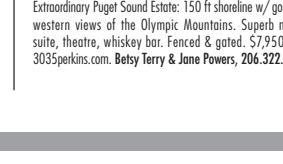
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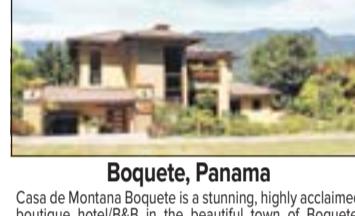
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