

GUIDANCE STARTS WITH HEARING YOU OUT.

Our Financial Consultants listen before they help you plan. Flip to page B14 to learn more.



THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

MONDAY, OCTOBER 2, 2017 ~ VOL. CCLXX NO. 78

WSJ.com

★★★★ \$4.00

Last week: DJIA 22405.09 ▲ 55.50 0.25% NASDAQ 6495.96 ▲ 1.1% STOXX 600 388.16 ▲ 1.3% 10-YR. TREASURY ▼ 19/32, yield 2.328% OIL \$51.67 ▲ \$1.01 EURO \$1.1814 YEN 112.50

What's News

Business & Finance

Equifax's board is reviewing the actions of the firm's top lawyer in connection with share sales by executives in the wake of a data breach. A1

Hedge funds are making money and taking in new cash, in a reversal from a year ago. The average fund was up 5.4% through August. A1

Google is rolling out a package of policies and services to help news publishers increase subscriptions. B1

Emerging-market stocks are on pace for their best year since 2009, but many investors fear a downturn. B1

Oil prices bounced back in the third quarter on strong demand for crude and signs of ebbing U.S. output. B6

Interest rates whipsawed bank stocks in the quarter and are likely to stay the dominant force through year's end. B5

Shake Shack's founder has raised \$220 million in a private-equity fund. B12

Exchange Capital is interested in buying the Chicago Stock Exchange if opposition sinks a Chinese bid. B12

Pop star Cher alleged she was duped into selling biotech shares "at a fraction" of their real value. B3

World-Wide

Trump dismissed the idea of negotiating with North Korea, a day after Tillerson said the U.S. was in direct contact with Pyongyang. A1

Catalonia's leaders said voters in the Spanish region overwhelmingly backed independence in a referendum marred by violence. A6

A plan being considered by the administration that would aim to close a Taliban office was protested by some State Department officials. A10

The Supreme Court begins a new term Monday with a docket filled with long-time conservative goals. A4

The trial of a suspect in the Benghazi, Libya, attack that killed four Americans is set to begin Monday. A2

Trump slammed the media and what he called ungrateful politicians over criticism of the administration's Puerto Rico aid efforts. A3

Administration officials pushed back at criticism that the GOP tax plan would mostly benefit the wealthy. A4

France opened a terror probe after two women were killed in Marseille. A10

Died: S.I. Newhouse Jr., 89, publishing magnate. B9

Markets Review

Highlights of major trends in the third quarter, looking to the final stretch of 2017. B1, B5-8

CONTENTS Opinion..... A17-19 Business News..... B23 Outlook..... A2 Crossword..... A16 Sports..... A16 Head on Street..... B13 Technology..... B4 Life & Arts..... A13-15 U.S. News..... A2-4 Market Review..... B5-8 Weather..... A16 Markets..... B12,14 World News..... A6,8,10-11



Copyright 2017 Dow Jones & Company. All Rights Reserved

Catalan Separatists Claim Victory in Outlawed Vote in Spain



DEFIANCE: The leaders of Catalonia said voters in the restive Spanish region overwhelmingly backed independence on Sunday in a referendum that was boycotted by opponents and marred by violence. Clashes between police and civilians left hundreds injured. A6

Equifax Lawyer in Hot Seat

Board reviews actions of chief legal officer in connection with executives' share sales

By ANNAMARIA ANDRIOTIS AND EMILY GLAZER

The board of Equifax Inc. is reviewing the actions of the credit-reporting company's top lawyer in connection with share sales by executives there in the aftermath of a massive data breach, according to a person familiar with the matter.

As it tries to size up who knew what, and when, about the hack and how it was handled.

John J. Kelley, Equifax's chief legal officer, had the ultimate responsibility for approving share sales by top executives days after the company discovered in late July that it had been hacked, according to people familiar with the matter. He also is central to broader questions facing the board because he is responsible for security at the company.

Both Equifax's security ap-

proach and the share sales are expected to be the subject of extensive questioning at three congressional hearings this week where the company's former chief executive, Richard Smith, is set to testify. Equifax announced last week that Mr. Smith would step aside as both chairman and chief executive. Before he resigned in what he called "the best interests of the company," Mr. Smith wrote that the breach was the "most humbling moment" in the company's 118-year history.

Equifax's security practices

have been a matter of intense interest since the company said hackers apparently breached its data via a publicly identified software vulnerability, which it said it has since patched. Analyses based on publicly available information of Equifax's security systems in the months before the hack by four cyber-risk-analysis companies found weaknesses, showing the company was behind in basic maintenance of websites and scored poorly in areas that would likely play a role in the data

Please see SALES page A11

Trump: Win Is for Storm Victims



DEDICATION: President Donald Trump on Sunday cited victims of recent hurricanes in presenting the Presidents Cup to U.S. golfers. Puerto Rico is struggling to recover from the most recent storm. A3, A16

THE INFORMANT BEHIND BASKETBALL BUST

Marty Blazer cooperated for almost three years, trying to save himself

By REBECCA DAVIS O'BRIEN, ANDREW BEATON AND BRIAN COSTA

unsealed against coaches at major college sports programs, a top executive at the sportswear company Adidas AG and others. Ten people were arrested, and storied University of Louisville

coach Rick Pitino was essentially fired.

Mr. Blazer's central role is even more remarkable given that he didn't have a relationship with any of the four assistant coaches charged in the investigation, which is continuing, and he has never spoken to Mr. Pitino, according to the person familiar with the investigation.

Steve Pence, a lawyer for Mr. Pitino, said he didn't know if the coach ever met Mr. Blazer.

Please see BUST page A12

The Kids Are Not Alright: Bureaucrats Buck Goat Yoga

* * *

Zoning officials go to the mat to halt fad involving baby ruminants

By DANIEL NASAW

WASHINGTON—Young goats have on occasion grazed in the Historic Congressional Cemetery, deployed to keep down brush. A yoga instructor has been holding weekly classes in the chapel.

Goats and yoga go together, as any modern yogi knows. So, cemetery staff proposed this spring, why not combine them and bring inner peace to all on the grounds?

"I asked the farmer if there's any harm to the goats doing yoga," says Kelly Carnes, who

teaches the discipline on the cemetery grounds. "She said quite the opposite—the baby goats just love to interact with humans."

Gruff was the response from District of Columbia officials. District policy, they decreed, prohibited the human-animal contact goat yoga presented: "At this time the request for the event with the inclusion of baby goats has



Downward goat

been denied." Goats appear to have begun engaging in yoga in America last year in earnest after photographer Lainey Morse hosted a session among kids she keeps as pets on her Albany, Ore., farmland.

In a typical class, yogis assemble on a lawn or pasture and young goats are loosed among them. "Humans

Please see YOGA page A12

Hedge Funds Rebound, Drawing in New Cash

By ROB COPELAND

Written off less than a year ago as overpriced and underperforming, hedge funds are pulling off an unexpected two-step this year: making money and taking in new cash.

The average hedge fund is up 5.4% through the end of August, while stock-focused hedge funds have gained 8.3%, according to the researcher HFR. Over the same period, the S&P 500 rose 11.9% including dividends, while the traditional 60-40 split of stocks and bonds would have earned 8.9%.

That makes this year the in-

dustry's best relative performance in a rising market since 2010. Investors, particularly in Asia and the Middle East, have begun sending new money hedge funds' way, attracted by the better returns and a broad lowering of the industry's hefty fees.

For now, at least, the gloom that had beset hedge funds is lifting and even giving way to outright optimism.

"It just feels better," said Alper Ince, a partner at the hedge-fund investor Pacific Alternative Asset Management Co. Mr. Ince credited an im-

Please see FUNDS page A4

U.S. NEWS

THE OUTLOOK | By Kate Davidson

Tax Cuts' Link to Growth Is Tenuous

The Trump administration and congressional Republicans are counting on an overhaul of the U.S. tax code to rev up the anemic U.S. economic growth rate. History suggests that isn't a sure outcome.

John F. Kennedy, a Democrat, in 1963 proposed and Lyndon Johnson, also a Democrat, in 1964 signed into a law a cut in the top tax rate from 91% to 70% and a slightly lower corporate tax rate. Economic output expanded at a swift 4.7% rate for the rest of the decade. Republican Ronald Reagan signed a tax cut into law in 1981 and later reduced the corporate tax rate, and economic output expanded at 3.8% for the rest of the decade.

Those examples suggest a strong connection between tax cuts and growth. Other examples cut the other way.

George H.W. Bush, a Republican, and then Bill Clinton, a Democrat, advanced increases in the top tax rate that became effective in 1991 and 1993, and U.S. output nevertheless expanded at a robust 4.1% annual rate for the rest of the 1990s. George W. Bush, a Republican, cut taxes in 2001 and 2003, and growth expanded at an anemic 1.7% rate for the rest of the decade. And back in the 1950s, when a top rate of 91% prevailed, the economy nevertheless expanded at a steaming 4.5% annual rate.

Joel Slemrod, a University of Michigan economics professor and co-author of the book, "Taxing Ourselves," a study of

tax-policy changes over time, looked all the way back to the 1870s and found a tenuous connection between economic growth rates and taxes.

He also found tenuous connections when comparing tax and growth between countries. For example, output per person in Sweden, a high-tax country, grew faster between 1970 and 2012 than in Switzerland, a relatively low-tax country.

"It's really hard to just look at countries' growth rates over time, relate that to what their tax rates and structures are, and say, 'Ah, here's the silver bullet,'" said Mr. Slemrod.

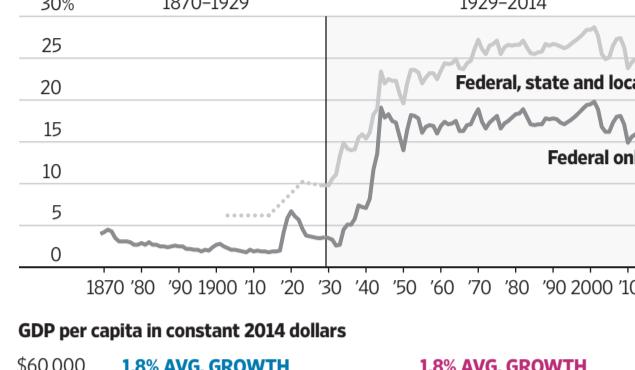
One complicating factor is the interplay between taxes, interest rates and growth. The U.S. economy boomed in the 1980s in part because the Federal Reserve beat down inflation with high interest rates and then, after a deep recession, cut interest rates aggressively. In the 1990s, interest rates were held down by a worker-productivity boom that helped to keep inflation lower than the Fed expected.

Tax and deficit policies can directly affect the level of interest rates and growth. In the 1990s, for example, U.S. policy makers counted on deficit cuts to keep interest rates low and spur economic growth. Some economists say big deficits, by pushing up public debt, crowd out private investment and growth. Some warn that deficit increases now could spur the Fed to raise interest rates faster than expected, potentially offset-

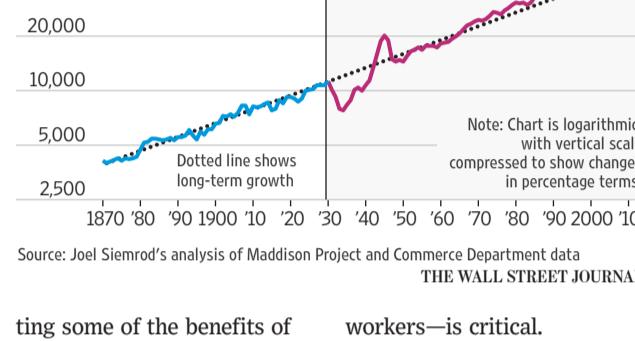
Complicated Relationship

In the (very) long run, the relationship between low taxes and high GDP growth isn't cut and dried.

Taxes as a share of GDP



GDP per capita in constant 2014 dollars



Source: Joel Slemrod's analysis of Maddison Project and Commerce Department data

THE WALL STREET JOURNAL.

ting some of the benefits of lower tax rates.

The Trump administration is aiming for a 3% growth rate, compared with the 1.9% rate that has prevailed since 2000.

Many factors affect a nation's economic growth rate. The productivity of the workforce—driven not just by policy change in Washington but also by innovations like the internet and the education of

workers—is critical.

Labor-force participation is also key. The 1970s, a decade marred by high inflation and slowing productivity, nevertheless produced a 3.4% growth rate, which was better than the 2000s, because baby boomers and women joined the workforce in droves.

The key to effective tax policy is thus whether it can drive productivity and labor-force participation higher.

Lower income-tax rates in theory should increase labor-market participation because it means individuals get a bigger after-tax payoff from working. That is offset to some degree because it means individuals also don't need to work as many hours to keep their after-tax income and standard-of-living level stable.

The net effect of individual-tax-rate reductions on participation seems to be modestly positive. Raj Chetty, a Stanford University professor, found that a 10% increase in after-tax wages led to a 4% increase in hours worked.

Matthew Shapiro, another Michigan economics professor, said tax-policy changes can have important short-run effects on business investment as well, but the effects tended to fade over time.

"Most changes are fairly temporary, and there's a big incentive to take advantage of those temporary changes," he said.

The Trump administration's proposals are meant to boost labor supply by lowering individual rates and boost business investment by reducing corporate taxes and incentivizing investment, Kevin Hassett, the recently confirmed chairman of the Council of Economic Advisers, said in an interview.

A permanent increase in the growth rate is "very, very difficult," he acknowledged. But even a temporary increase would raise standards of living.

ECONOMIC CALENDAR

MONDAY: The European statistics agency releases its August unemployment figures. **Economic growth in the eurozone** this year has helped reduce a still-high unemployment rate, but figures to be released by Eurostat are expected to show that improvement stalled in August.

THURSDAY: The U.S. Commerce Department will release data detailing the **U.S.'s trade balances** with key partners. The trade deficit in goods with China, Mexico and Canada expanded through the first seven months of 2017, compared with the prior year. Damage to Gulf Coast ports and oil refineries from Hurricane Harvey and related flooding could elevate the reading for August.

The **European Central Bank** will release minutes from its Sept. 6-7 meeting. ECB President Mario Draghi signaled after that gathering that the bank could announce a plan to gradually end its bond-buying program in 2018.

FRIDAY: The U.S. Labor Department releases its **September U.S. jobs report**, after the country's unemployment rate ticked up to 4.4% in August, adding fewer jobs than economists had expected. Consumer spending was soft in August, and U.S. inflation figures continued to show modest price growth across the economy.

This trifecta highlights the **Federal Reserve's** conundrum over sluggish economic growth even as it looks to continue raising interest rates at a gradual pace.

September's job report will be watched for signs that raising rates could constrain an already slow-growing economy.

U.S. WATCH

FOOTBALL

Scaled-Down Game Protests Continue

A number of players and teams around the National Football League protested in some fashion before games Sunday, though the demonstrations were fewer and more muted than the prior weekend.

During Sunday's game in London, at least three Miami Dolphins took a knee during the national anthem. There were other instances of players kneeling through the anthem, but those were smaller in numbers than the broad response across the NFL the Sunday before.

Many teams knelt before the anthem, then rose as a group for its playing. That script, one executed by the Dallas Cowboys last Monday, was followed by teams including the New Orleans Saints, Jacksonville Jaguars and Baltimore Ravens.

The acts followed a week in which President Donald Trump repeatedly blasted the NFL for allowing players to kneel as the anthem was played.

—Andrew Beaton

CRIME

O.J. Simpson Exits Prison on Parole

Former football star O.J. Simpson became a free man

Sunday after serving nine years for a botched hotel room heist that brought the conviction and prison time he avoided after his 1995 acquittal in the killings of his ex-wife and her friend.

Mr. Simpson was released on parole just after midnight from Lovelock Correctional Center in Nevada, according to state prisoners spokeswoman Brooke Keast. She said she didn't know immediately where Mr. Simpson was headed, adding an unidentified driver met him.

Neither Mr. Simpson's attorney, Malcolm LaVergne, nor state Parole and Probation Capt. Shawn Arruti, who has been handling the case, responded to requests for comment.

Mr. Simpson, 70 years old, gained his freedom after being granted parole at a July hearing.

—Associated Press

ENTERTAINMENT

TV Game Host Monty Hall Dies

Monty Hall, the genial host of the television game show "Let's Make a Deal," has died at 96.

Mr. Hall, who had been in poor health, died Saturday of heart failure at his home in Beverly Hills, Calif., said his daughter, Sharon Hall. "Let's Make a Deal," which Mr. Hall co-created, made its debut in 1963 and aired in syndication for decades.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Spelman College's graduating students walk under an arch at commencement. In Wednesday's U.S. College Rankings report, an article about the top

schools where students feel inspired by their peers incorrectly said Spelman College students walk under an arch when they enter school for the first time.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY. 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal,

200 Burnett Rd., Chicago, MA 60620.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.lets@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customreprints@dowjones.com; By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS



Ahmed Abu Khatallah, accused of helping plan the attack that killed the U.S. envoy to Libya, on a U.S. Navy ship after his capture in 2014.

Benghazi Suspect's Trial to Begin

BY DEL QUENTIN WILBER

On a moonlit night in June 2014, a Federal Bureau of Investigation agent and seven Navy SEALs landed on a rocky coast and trekked to a villa in Benghazi, the Libyan city where almost two years earlier four Americans, including the U.S. ambassador, were killed in a terrorist attack.

Their mission: to arrest Ahmed Abu Khatallah, an alleged ringleader of that assault, and to spirit him to a Navy ship in the Mediterranean, according to court testimony and Federal Bureau of Investigation reports.

When Mr. Khatallah, lured by an informant, arrived at the villa, the special operators pounced. Handcuffed and gagged, Mr. Khatallah was whisked to the USS New York for the voyage to the U.S. and a trial in a federal courtroom. That trial is scheduled to begin Monday in Washington.

Mr. Khatallah faces 18 federal charges related to the Benghazi attacks, including the alleged murders of Ambassador Christopher Stevens, State Department Information Management Officer Sean Smith and two Central Intelligence Agency contract security officers, Tyrone Snowden Woods and Glen Anthony Doherty.

Mr. Khatallah could be sentenced to life in prison if convicted of the most serious

Man to Face Jury in N.Y.-N.J. Bombings

Federal prosecutors will seek to convince jurors this week that Ahmad Rahimi is the man who set off bombs in New York City and New Jersey last year that wounded more than two dozen people.

Mr. Rahimi, a 29-year-old U.S. citizen who was born in Afghanistan, faces mandatory life imprisonment if convicted of all eight charges he faces, which include using weapons of mass destruction. He has pleaded not guilty.

Prosecutors say Mr. Rahimi planted bombs in New York City and New Jersey, including one that detonated in Manhattan Sept. 17, 2016. The blast injured more than 30 people and caused millions of dollars in damage, authorities say. Mr. Rahimi was captured days later.

The trial will feature surveil-

lance video that officials say ties Mr. Rahimi to the attacks.

On the morning of Sept. 17 last year, the first explosive device detonated in Seaside Park, N.J. Shortly after that blast, law enforcement found another pressure-cooker bomb a few blocks away. The next day, multiple explosive devices were discovered inside a backpack near an Elizabeth, N.J., train station.

Prosecutors are expected to show emails from Mr. Rahimi that contain information about jihad, as well as his alleged internet searches for propaganda magazines from terrorist groups such as Islamic State.

In a court filing, the defense wrote that many of the electronic communications occurred years before the attack, and that sending links to articles about jihad doesn't point to a "serious expression of an intention to use a weapon of mass destruction."

—Nicole Hong

charges. His trial is expected to last more than a month and include testimony from FBI agents, U.S. personnel who survived the attacks and Libyans who participated in it.

His defense team says he played no role in the assault.

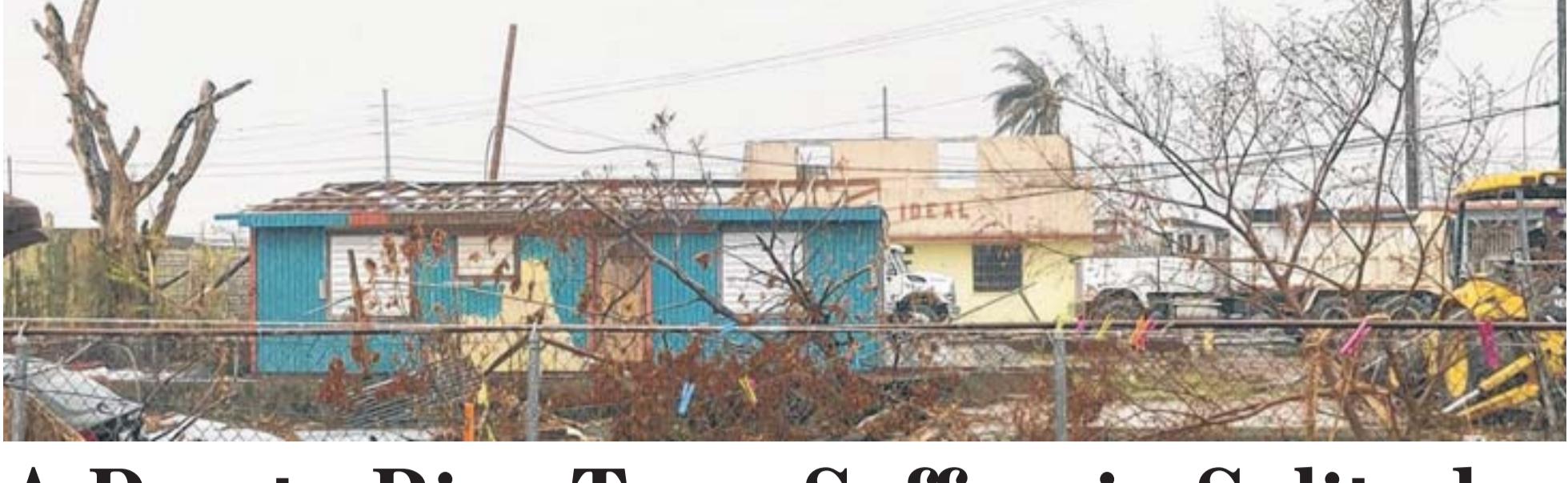
"The evidence will show that Mr. Khatallah was not the

mastermind of any attack and that he was wrongly abducted and brought to the United States to stand trial for murders he did not commit," said Eric Lewis, one of Mr. Khatallah's lawyers.

Mr. Khatallah is accused of coordinating the assailants' efforts, taking part in the mission attack and plundering materials, including sensitive documents.

The Benghazi attack became a heated issue in the 2016 presidential campaign, as some Republicans accused Hillary Clinton, who was secretary of state in 2012 and would become the Democratic presidential nominee, of being insufficiently attentive to security and misleading the public on the issue. Mrs. Clinton said she performed her job well and didn't intentionally mislead anyone.

U.S. NEWS



DANIELA HERNANDEZ/THE WALL STREET JOURNAL (PHOTOS)

A Puerto Rico Town Suffers in Solitude

Humacao is mostly on its own as it awaits aid in Maria's wake; 'Nothing is left here'

By DANIELA HERNANDEZ

HUMACAO, Puerto Rico—In the days after Hurricane Maria battered this beachside town, tearing off roofs, flooding homes, and toppling trees, few have come to help.

Instead, Milton Rivera Peña, a 69-year-old Vietnam War veteran who has been leading local efforts to cope with the devastation, has worked to marshal resources to clear debris and obtain relief supplies, while working through 90 degree heat amid a scarcity of water. He said the area needs more relief supplies.

"Nothing is left here," said Mr. Rivera Peña, whose house was flooded with 6 feet of water. "It's going to take years to recover."

Before the storm, the economy of this community about an hour southeast of San Juan was based on fishing and tourism. But Maria's strong winds and heavy rains ravaged hotels, and local fishermen say they can't afford to replace the boats Maria destroyed. The pier near Playa de Humacao, where many live, was ripped apart, and the neighborhood smells of rotting fish, some that washed ashore, others that went bad from having been in homes and restaurants that lost power.

Mr. Rivera Peña said federal-government inspectors have visited the region to conduct damage assessments, but so far there isn't a major relief effort under way for the area's 56,000 residents. The Salvation Army was offering meals on Saturday throughout town.

There is mounting criticism that the government response—both federal and local—hasn't moved fast enough to deal with the crisis, leaving people without access to medical care, food, water and other essential supplies, including batteries and fuel. The electrical grid is down, leaving much of the island in the dark, and more than 80% of cell towers

are still out of commission some 11 days since the storm made landfall. A lack of fuel has slowed delivery of supplies.

Gov. Ricardo Rosselló said Sunday the government is working to bring in fuel and supplies, restore communications and improve air travel. He said the island would be receiving more fuel in the next couple of days, and efforts to get food and water around the island are accelerating.

Humacao is grappling with Maria's aftermath mostly on its own. There are long lines at local grocery stores, where food is being rationed. Public transportation is nonexistent. There is a shortage of fuel, and many residents no longer have working cars. Flooding continues to be a threat.

Residents say government officials have instructed the public to call an emergency hotline for help or sign up on a website, but there is no cellphone or landline service in town, nor an internet connection.

"We're totally cut off," said Luz Teresa Costa Rodriguez, who suffers from depression and heart disease and cares for a nephew with autism. "Emotionally, I'm not doing well."

As the floodwaters rose during the storm, Ms. Costa Rodriguez said she thought she and her family would drown. A family across the street from her house had to break a window and swim out to save

Local fishermen say they can't afford to replace the boats Maria destroyed.

themselves, she said.

"Every day that passes, the situation gets more precarious," said Helen Rodriguez, a nurse who lives with her 79-year-old mother. She left to weather the storm with family in a nearby town, only to find her home flooded and her furniture destroyed when she returned.

The street where she lives is



Humacao was still in shambles Saturday, top, more than 10 days after Maria struck. Above, Helen Rodriguez surveyed her property.

still littered with furniture, televisions, mattresses and children's toys the saltwater drenched and destroyed.

Like many of her neighbors, Ms. Rodriguez is relying on friends and family to bring her food and fuel. Relatives living abroad are flying in with suitcases filled with canned food, batteries and water. "We're all in this sunken ship together," she said.

Residents worry they won't be able to access prescription drugs for conditions like diabetes, cardiovascular disease and depression when their supplies run out. In some cases, the currents that ripped through houses swept away refrigerators and storage units where residents had collected food and medicines for safekeeping.

Mr. Rivera Peña, the local restoration coordinator, said he envisions an uphill climb in getting back to where the town was before the storm.

"I cried a lot. We didn't expect this," he said. "There were things that were lost forever."

Amid Criticism, Trump Slams Media

President Donald Trump on Sunday criticized the media and what he called ungrateful politicians after his administration faced criticism for its early efforts to support hurricane-ravaged Puerto Rico.

Democrats have said Mr. Trump seemed to focus more on issues such as National Football League protests than the early federal response to Hurricane Maria in Puerto Rico.

San Juan Mayor Carmen Yulín Cruz also has challenged the federal government's handling of the island's crisis.

Mr. Trump dismissed those critics. "Outside of the Fake News or politically motivated ingrates...people are now starting to recognize the amazing work that has been done by FEMA and our great Military," Mr. Trump said in a tweet Sunday.

Democrats have said Mr. Trump seemed to focus more on issues such as National Football League protests than the early federal response to Hurricane Maria in Puerto Rico.

Sen. Bernie Sanders, an independent from Vermont, said on CNN it is "unspeakable" for Mr. Trump to attend a golf event this weekend while attacking the mayor of San Juan, who is struggling to bring electricity to the island.

day, referring to the Federal Emergency Management Agency.

A day earlier, Mr. Trump criticized Ms. Cruz in a series of Twitter posts that also took aim at Puerto Ricans who "want everything to be done for them."

"Such poor leadership ability by the mayor of San Juan, and others in Puerto Rico, who are not able to get their workers to help," Mr. Trump said.

Ms. Cruz has accused the Trump administration of "killing us with the inefficiency" and asked to "make sure somebody is in charge that is up to the task of saving lives."

Mr. Trump plans to visit Puerto Rico on Tuesday.

Sen. Bernie Sanders, an independent from Vermont, said on CNN it is "unspeakable" for Mr. Trump to attend a golf event this weekend while attacking the mayor of San Juan, who is struggling to bring electricity to the island.

Trump administration officials stood up for the president and the federal response during Sunday talk shows. Treasury Secretary Steven Mnuchin said on NBC that the San Juan mayor's comments were "unfair given what the federal government has done," before acknowledging, "I understand people's frustration" given the dire situation in Puerto Rico.

FEMA Administrator Brock Long told ABC Ms. Cruz "does have access" to relief supplies while acknowledging that "where we're finding success in one area, in some areas, we see setbacks," citing damaged infrastructure as a significant problem.

Mr. Trump thanked Puerto Rico Gov. Ricardo Rosselló and congresswoman Jenniffer González-Colon along with Gov. Kenneth Mapp of the U.S. Virgin Islands for their work after the disaster in a series of tweets on Saturday.

—William Mauldin
and Michael C. Bender

Captain's Errors Cited in Sinking

By NICOLE HONG

The sinking of the cargo ship El Faro in 2015, which killed all 33 crew members aboard, was primarily caused by errors of the ship's captain, who underestimated the severity of a hurricane, according to the U.S. Coast Guard.

In a 199-page report released Sunday, the Coast Guard said Capt. Michael Davidson steered the ship almost directly into Hurricane Joaquin, as the vessel was transporting cars and containers filled with consumer goods from Jacksonville, Fla., to San Juan, Puerto Rico.

El Faro sank on Oct. 1, 2015, representing the worst disaster involving an American cargo ship in decades.

Capt. Davidson "misjudged the path of Hurricane Joaquin and overestimated the vessel's heavy weather survivability, while also failing to take adequate precautions to monitor and prepare for heavy weather," said Coast Guard Capt. Jason Neubauer at a news conference Sunday.

Capt. Neubauer, who led the investigation, said the ship's captain "failed to understand the severity of the situation," even after being warned of the hurricane's intensity. According to the report, a few hours



Family of El Faro crew members shown in February with photographs of their loved ones.

before the sinking, Capt. Davidson said that "there is nothing bad about this ride," and that he was "sleepin' like a baby."

William Bennett, a lawyer representing Capt. Davidson's family, said he believed the report has "serious omissions of critical facts and faulty analysis."

Although Capt. Davidson was responsible for the safety of the ship, "there are many other key factors that primarily caused the sinking of the vessel," Mr. Bennett said in a statement.

The report recommended civil penalties for the vessel's operator, TOTE Maritime

Puerto Rico, which, Capt. Neubauer said, "failed to identify heavy weather as a threat to their vessels" and failed in its oversight of fatigue and rest requirements for the crew. The Coast Guard said the crew's likely fatigue and anxiety contributed to the incident.

A spokesman for TOTE Maritime said in a statement that "everyone who works upon the sea must study and embrace" Sunday's report, saying it "details industry practices which need change."

Capt. Neubauer said TOTE Maritime could be fined by up to approximately \$80,000. He added that the investigation found no criminal wrongdoing

by the shipping operator. Dozens of the families of El Faro's crew have received settlements with TOTE Maritime.

The report found that the Coast Guard and the American Bureau of Shipping, which were responsible for certifying that El Faro met safety standards, had also contributed to the tragedy by failing to perform certain inspection duties.

Federal investigators recovered the black box of El Faro last year after a 10-month effort. The black box was critical to the Coast Guard's investigation as it contained audio recordings of conversations between the captain and other officers on the ship.

Carter Marks 93rd Birthday at Church

By JONATHAN CHENG

PLAINS, Ga.—Jimmy Carter certainly wasn't going to mention it. But everyone else at Maranatha Baptist Church knew the former U.S. president's Sunday school lesson would be special: It fell on his 93rd birthday.

Before the weekly lesson, church representatives ticked off the rules of the road for the group of approximately 150 people, including tourists from Alaska and Alabama, China and Cuba, who had gathered to see and listen to Mr. Carter. There would be no happy birthday songs, they said, although brief congratulations were permitted during the carefully scripted photo session to follow.

And the focus wasn't to be on the 39th president's birthday, but rather on his lesson for the week, a meditation on the first chapter of the Apostle Paul's epistle to the Galatians that also touched on U.S.-North Korea relations.

However, no sooner had Mr. Carter finished his message and taken his pew than the service became something of a tribute to Mr. Carter. For the offertory hymn, pianist David Osborne played a medley that

blended John Lennon's "Imagine," Mariah Carey's "Hero" and the hymn "I Surrender All."

"You have given us a saint that we don't deserve," the pastor, Brandon Patterson, said in prayer.

But Mr. Carter had his eyes fixed further afield in his lesson. Above all, he said, he was focused these days on North Korea. He recounted the three times he had visited the country and the 20 hours he said he had spent with senior leadership in Pyongyang, and he worried openly about the possibility of war.

While he nodded to doubts among experts about North Korea's ability to mount a miniaturized nuclear warhead on a missile capable of reaching the U.S., he said that "we ought to assume they have it."

He also expressed doubts about Pyongyang's willingness to give up its growing nuclear arsenal. "They're paranoid, and they think the U.S. is against them," Mr. Carter said.

He said he was pleased by Secretary of State Rex Tillerson's remark on Saturday that the U.S. has "a couple, three" channels through which it directly engages with the North Korean government.

U.S. NEWS



Chief Justice John Roberts, right, chatted with Cardinal Donald Wuerl, archbishop of Washington, Sunday at the annual Red Mass for judges and government officials.

Trump Officials Defend Tax Plan

By JOSH MITCHELL
AND WILLIAM MAULDIN

WASHINGTON—Trump administration officials pushed back Sunday against criticism that the emerging GOP tax plan would provide its biggest benefits to the wealthy.

Treasury Secretary Steven Mnuchin and White House budget director Mick Mulvaney said on Sunday news programs that key details of the plan remained undecided and thus it was too early to know how individuals would benefit. But they said the plan is designed, above all, to cut taxes for middle-income earners and businesses.

"The objective of the president is that rich people don't get tax cuts," Mr. Mnuchin said on ABC. "As the president has said all along, the changes to the income-tax system are meant to create middle-income tax cuts and also make corporate and business tax competitive."

Mr. Mulvaney said on CNN that it was impossible to determine how individual earners would fare under the plan because details—such as the dollar amounts that would determine each income-tax bracket—hadn't been set.

The officials were mainly responding to an analysis from the Tax Policy Center, a nonpartisan group headed by a former Obama administration tax official. It showed the top 1% of households would get an average tax cut of \$129,030 in 2018, boosting their after-tax incomes by 8.5% and lowering the share of U.S. taxes they would pay. Overall, Americans would get a 2.1% increase in after-tax income.

Congressional Democrats and other critics have pointed to the analysis in their opposition to the plan. Sen. Bernie Sanders, a Vermont independent, called the plan "the Robin Hood principle in reverse."

"It is unacceptable and we're going to fight it as hard as we can," he said on CNN.

The GOP tax plan, worked out between administration officials and Republican leaders in Congress, would reduce from seven to three the number of tax brackets with a top rate of 35%. But the plan also leaves open the option for a fourth bracket with a top rate not far from its current 39.6%.

Mr. Mnuchin said any reductions in rates for high-income households "are offset with elimination of almost every single type of deduction other than charitable giving and the mortgage-interest deduction."

The Trump officials defended the use of "dynamic scoring" to take into account economic growth projected under the tax plan in assessing its impact. "You can't look at the tax cut on a family until you realize how much better off they're going to be in a growing economy," Mr. Mulvaney said on Fox.

Court to Weigh Conservative Goals

By JESS BRAVIN

WASHINGTON—The Supreme Court begins a new term Monday with a conservative majority and a docket filled with longtime conservative goals to go with it, including cases that could curtail the power of organized labor, expand religious exceptions to legal obligations and validate tougher scrutiny of voter rolls.

As he steered the court through a yearlong, eight-member limbo, before Justice Neil Gorsuch took the bench in April, Chief Justice John Roberts crafted a series of centrist rulings, often in controversial cases, that attracted votes from conservatives and liberals alike.

Many of the issues being considered this coming term have percolated for years.

The question now is whether the trend of the past year reflects a new consensus within the court's ideological center, or was a temporary accommodation to the 4-to-4 partisan split left by Justice Antonin Scalia's death in February 2016.

Zachary Price, a professor at Hastings College of the Law in San Francisco, said the renewed conservative majority in some cases will feel comfortable reaching 5-4 rulings.

"But I do get the sense that Roberts and some of the other justices are attentive to the need to preserve the court's reputation and legitimacy in a period that's very politically fraught," said Mr. Price, who

clerked for Justice Anthony Kennedy.

With Republicans and Democrats engaged in pitched partisan battles elsewhere in Washington, he added, some justices may seek to show the court operates apart from raw politics. "Ultimately, the court's authority to resolve these important questions comes from it being perceived as a court and not a political body," Mr. Price said.

Many of the issues being considered have been percolating for years on their way to the high court, said Prof. David Pozen of Columbia Law School. "There will be strong, classic partisan pressures on the court, and it will be difficult for the chief to manage the ideological division," he said.

Still, "there may be some interesting cases this term that will yield something other than a pure 5-to-4 split," he said.

One to watch, Mr. Pozen said, questions whether police must obtain a warrant to seize cellphone records revealing a suspect's movements over a period of months.

So far, the centrist bloc that coalesced around the chief justice—including Justices Kennedy, Stephen Breyer and Elena Kagan—has remained influential even after the arrival of Justice Gorsuch toward the end of last term.

Justice Kennedy, a maverick conservative, for years has held an outsized influence, joining his right-leaning colleagues to expand access to firearms and roll back campaign-finance regulations while siding with liberals to expand gay rights and limit the death penalty.

Recently the centrist group—sometimes joined by either Justices Ruth Bader

Some Major Cases Worth Watching

Epic Systems Corp. v. Lewis, Oct. 2: A conflict between two federal statutes, one that makes arbitration clauses nearly irrevocable, another providing workers the right to take collective action. Lower courts are split over whether employers can block group claims in employment disputes with an arbitration clause.

Gill v. Whitford, Oct. 3: For the first time in a decade, the court will consider whether there is a constitutional principle that can mitigate partisan gerrymandering of electoral districts.

Masterpiece Cakeshop Ltd. v. Colorado Civil Rights Commission, unscheduled: In light of the 2015 ruling extending marriage rights to same-sex partners, the court weighs whether the First

Amendment entitles a baker to refuse to supply a wedding cake to a gay couple.

Carpenter v. U.S., unscheduled: The court will consider whether old precedents allowing police to see telephone company call records without a warrant also permit authorities to seize without probable cause cell-phone location data tracking a suspect's movements over several months.

Janus v. American Federation of State, County and Municipal Employees, Council 31, unscheduled: A state employee contends he has a First Amendment right to refuse to pay union dues used for collective bargaining, despite a labor contract requiring his contribution. The case is the culmination of a campaign by conservative groups to overrule a 1977 precedent authorizing public agencies to impose such charges.

—Jess Bravin

Ginsburg and Sonia Sotomayor on the left, or Justices Clarence Thomas and Samuel Alito along with Justice Gorsuch on the right—has steered the court.

Over the summer, the court issued a series of unsigned opinions finding middle ground in the dispute over President Donald Trump's temporary ban on travel to the U.S. by people from certain countries. In contrast to lower courts, which almost universally ruled against the administration, sometimes questioning the president's motives, the Supreme Court's decisions avoided provocative rhetoric and split the differ-

ence between the sides.

Justices Thomas, Alito and Gorsuch made clear they would have given the administration all it wanted. They also found themselves in the minority last Tuesday, when they dissented from an unsigned order stopping Georgia from executing a black inmate with a pending appeal alleging bias because a juror called African-Americans "n—s."

In other cases, the conventional ideological split has continued to prevail. The court in September temporarily blocked a lower-court order requiring the Texas legislature to redraw a congressional district map

found to discriminate against black and Hispanic citizens. The court's four liberals publicly dissented from the unsigned order.

Some analysts believe the aggressive style of the Trump administration may affect the chief justice's approach. In addition to the travel-ban case—currently on hold after the president revised the order and made it permanent—the administration is embroiled in litigation over its environmental, immigration, criminal justice and other policies, all issues that could reach the Supreme Court.

In addition, the White House itself remains under an unusual degree of legal scrutiny. A special counsel, Robert Mueller, is investigating allegations related to the Trump campaign's possible ties to the Russian government, which both Moscow and the president have denied.

Lawsuits, including one filed by the Democratic attorneys general of Maryland and the District of Columbia, allege the president's continued business operations violate a constitutional ban on gifts from foreign governments.

Should the Supreme Court have to hear any such cases, the institution's reputation for independence and fairness could be tested before a polarized and skeptical public.

"We're in a distinctive moment in the development of constitutional law, with a president who is shattering norms left and right," Columbia's Mr. Pozen said. "People are expecting that might lead to a confrontation where the court becomes newly aggressive about checking executive power."

Mr. Mnuchin said any reductions in rates for high-income households "are offset with elimination of almost every single type of deduction other than charitable giving and the mortgage-interest deduction."

The Trump officials defended the use of "dynamic scoring" to take into account economic growth projected under the tax plan in assessing its impact. "You can't look at the tax cut on a family until you realize how much better off they're going to be in a growing economy," Mr. Mulvaney said on Fox.

FUNDS

Continued from Page One

proved environment for stock picking that has fallen in hedge funds' favor, with popular stocks like Amazon.com Inc. outperforming, and bets against retailers also paying off.

A year ago, things looked ugly for the industry.

Longtime managers were shutting down, and many who remained were forced to negotiate their fees to satisfy disappointed backers. The pressure was compounded by a decade of nearly uninterrupted gains for the S&P 500, contributing to dramatic outperformance for low-cost, passive investment products.

Sticking around seemed even less attractive as managers had to dip into their pockets to pay out ever-rising salaries to dissuade staff from leaving for flush technology companies dangling seven-figure packages.

Earlier this year, for instance, billionaire Kenneth Griffin was so frustrated with investment performance at his

\$27 billion hedge fund, Citadel LLC, that he sent the staff a stinging mass letter that read in part, "I am disappointed that after years of leading our industry we failed to deliver," people familiar with the matter said. Citadel separately announced that compensation for some staff would be slashed.

This year, Citadel's flagship fund was up more than 9% through mid-September, already eclipsing last year's total 5% gain. Last year was the fund's weakest mark in nearly a decade, the people familiar with the matter said.

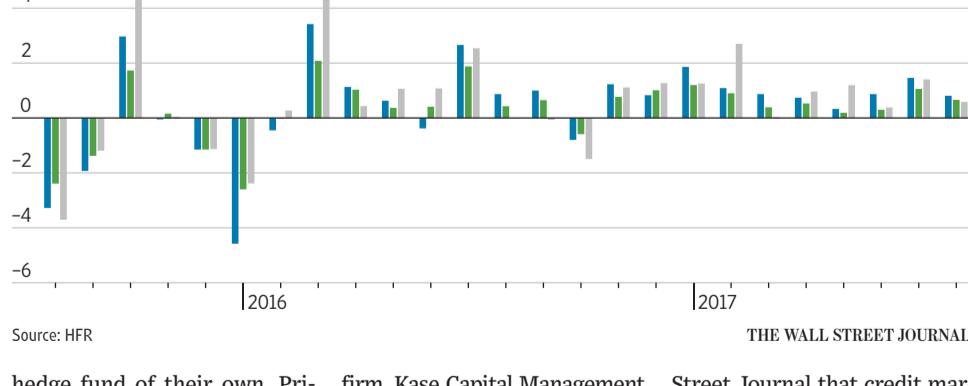
Hedge funds at large pulled in \$39 billion of new money this year, a reversal of \$112 billion in outflows last year, the researcher eVestment says. Industry executives expect the inflows to continue with several banner fund launches in the months ahead, including the return of fallen star Steven A. Cohen and a multi-billion-dollar China-focused fund from Ray Dalio's Bridgewater Associates, the world's largest hedge-fund firm.

Few managers expect a return to the heyday of a decade ago, when every young trader with a pulse dreamed of a

Comeback

After lagging behind in recent years, hedge funds have kept closer pace with a mix of stocks and bonds in some recent months.

Monthly performance



firm, Kase Capital Management LLC, which had dwindled to \$50 million in assets under management and lost 8% so far this year.

Among hedge funds girding for a continued bumpy road ahead is GoldenTree Asset Management, a \$25 billion firm.

In September, GoldenTree warned investors in a private note reviewed by The Wall

particularly the weakening in the U.S. dollar, investors say. The average macro fund is roughly flat this year, according to HFR.

For now, the industry's gains are shared by managers large and small, including many who came into the year with something to prove.

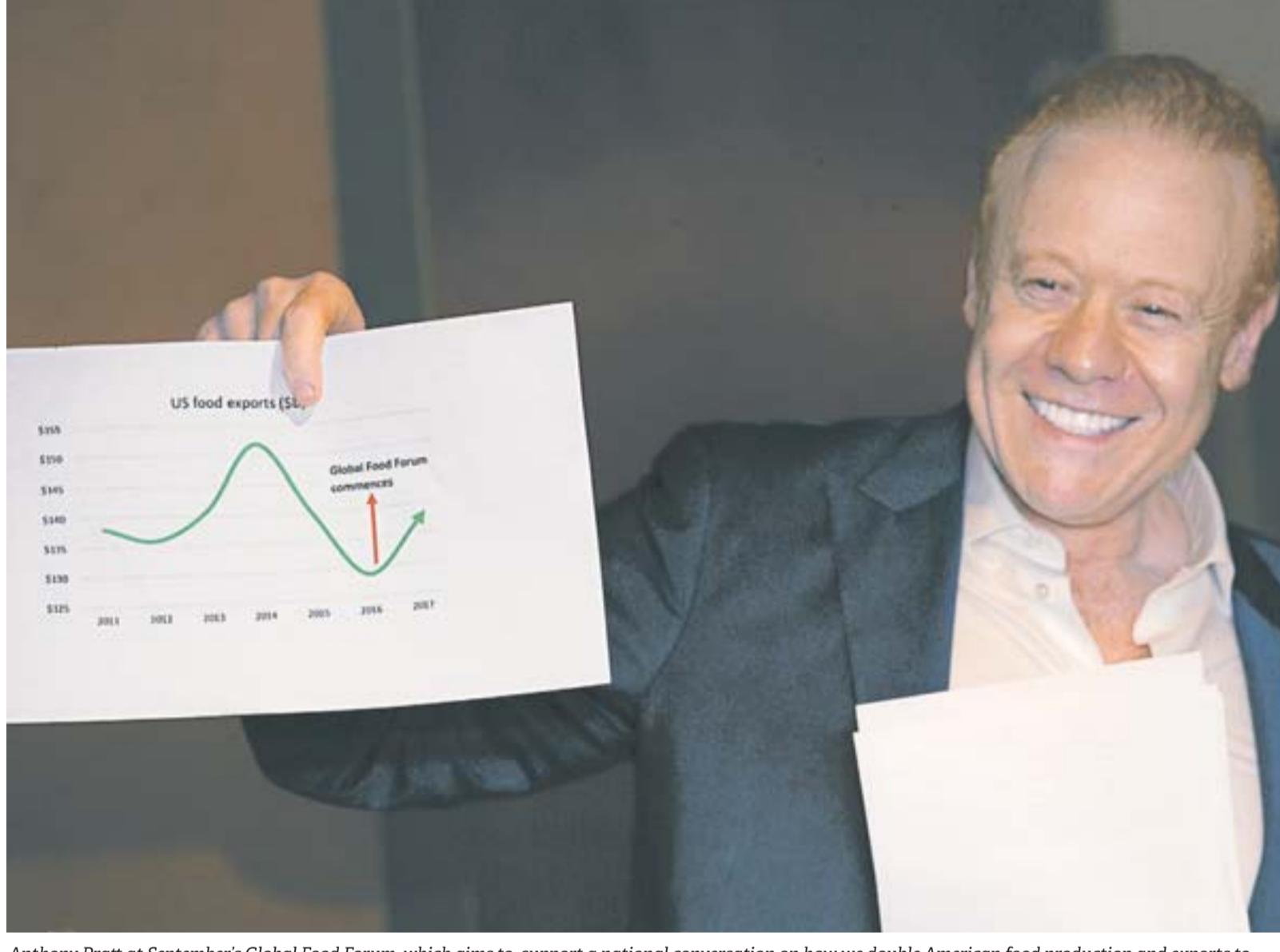
One of the biggest rebounds is under way at Brahman Capital Corp., a New York hedge-fund firm that flew under the radar for more than three decades.

At its apex around two years ago, Brahman managed more than \$5 billion, as principals Mitchell Kuflik and Robert Sobel bet big on hedge-fund favorite Valeant Pharmaceuticals International Inc. When Valeant's stock plummeted from \$257 to \$14 a share, Brahman fell in turn, as the firm reported losses and investors pulled their money.

Brahman sold Valeant stock last year and with what is now \$3.8 billion of remaining cash pivoted to new ideas like a stake in travel company Expedia Inc., people close to the firm said. This year, Brahman's main fund is up 17%, the people said.



Congratulations to America's Farmers and Food Processors!



Anthony Pratt at September's Global Food Forum, which aims to support a national conversation on how we double American food production and exports to create millions of American jobs.

After recent years of decline, American food exports are up over 9 percent compared to last year

- Dairy exports are up 25%
- Beef exports are up 16%
- Thank you to President Trump, Secretaries Ross and Perdue for getting beef into China for the first time since 2003

Export Food, Not Jobs !



Pratt Industries is one of the largest corrugated box manufacturers in the United States.
Our boxes save money and save the environment.

www.prattindustries.com

WORLD NEWS

Catalonia Supports Secession in Vote

Hundreds hurt as Spanish police forcibly remove people from polling stations

BARCELONA—The leaders of Catalonia said voters in the restive Spanish region overwhelmingly backed independence on Sunday in a referendum that was boycotted by opponents and marred by violence, putting Spain on the brink of a political and constitutional crisis.

By Jeannette Neumann, Jon Sindreu and Pietro Lombardi

Catalan leaders said preliminary results showed that 2.02 million votes, or around 90% of the total, were cast in favor of a split with Spain. Those ballots represent around 40% of voters Catalan authorities declared eligible for the referendum, which was outlawed by the central government in Madrid as unconstitutional.

Many opponents of independence, or those who felt the referendum was illegitimate, boycotted the vote, which likely skewed the results in favor of a "yes" vote. Catalan authorities proceeded with the ballot in defiance of Madrid, which sent in thousands of extra security forces to Catalonia, triggering stark scenes of police battling civilians on Sunday. The clashes left 844 people injured.

Shortly before the results were announced, Catalan President Carles Puigdemont said he would set in motion a potential secession based on the results. "Catalonia's citizens have earned the right to have an independent state in the form of a republic," Mr. Puigdemont said in a televised address after the day of clashes between police and voters.

In the next few days, he said, the Catalan government will send the results of the vote to the parliament, paving the way for a declaration of independence. Separatists have a majority in Catalonia's parliament.

A unilateral declaration of secession by Catalan officials could trigger Prime Minister Mariano Rajoy to invoke constitutional laws and revoke Catalonia's autonomy—the first-ever use of those powers



Demonstrators confronted Spanish police officers at a sports center, designated as a polling station, on Sunday in Sant Julia de Ramis, near Girona, Spain.

Regional Tension Is Centuries Old

and a move that could precipitate a full-blown political crisis. Mr. Rajoy, a conservative, would face pressure from hard-liners in his party to strip Catalonia of its autonomy. That would at least involve replacing some or all of the members of the government in the region, which has considerable powers and oversees its own police force and health and education systems.

Mr. Rajoy, head of the center-right Popular Party, has a voter base that largely supports a tough stance against attempts by Catalonia to split with the rest of the country, a sentiment that is likely to have deepened after Sunday's events. Still, he heads a fragile minority government and the scenes of injured voters threaten to sap some of his political support. Sunday's events have hardened positions across the political spectrum, leaving Mr. Rajoy little room to summon the political support to broker a solution to the crisis.

"It would have been easier for everyone to turn a blind eye while they carried out a serious attack on our democracy," said Mr. Rajoy late Sunday before Catalan authorities announced the preliminary results. "We did what we had to do."

The Spanish crisis is also an irritant for other European Union members, many worried that a vote in favor of secession could fuel discontent in independence-minded regions such as the U.K.'s Scotland and Belgium's Flanders. And if it distracts Mr. Rajoy from dealing with economic problems dogging Spain, such as high youth unemployment, it could take the shine off one of the region's brightest recovery stories.

Pro-independence groups defied the Rajoy govern-

tions were abolished and its language repressed.

As soon as democracy reached Spain in 1931, Francesc Macià, a former soldier in Spain's army, declared Catalonia an independent republic. Madrid made a first attempt to address the problem by giving Catalonia a large degree of autonomy, but Catalan president Lluís Companys made another botched attempt to declare independence three years later.

After the Spanish Civil War, Spain spent almost 40 years under the dictatorship of Gen. Francisco Franco, who executed Mr. Companys and repressed Catalonia.

The Catalan government was again restored in 1977, just

a year before the Spanish Constitution was approved with broad Catalan support.

The constitution aimed to keep Spain united by giving the military the right to defend the integrity of the country, but also gave Catalonia many freedoms.

The spirit of that law is now broken, both sides say.

In 2006, Catalonia approved a regional charter to expand its autonomy, but Spanish courts found large parts of it unconstitutional four years later. That helped transform what was once moderate nationalism into a surge of secessionism, fueled by discontent about the region's large transfers of tax revenue to the rest of Spain.

—Jon Sindreu

On the Job

Catalonia's unemployment rate has been lower than the Spanish average.



Source: Spain's National Statistics Institute
THE WALL STREET JOURNAL

lona building chanted, "We will vote."

A Catalan official said there were "dozens and dozens" of shootings by Spanish police using "rubber bullets," which seriously injured some people. A Spanish government official said police fired "rubber pellets" in what the official described as an "isolated incident" when police felt threatened.

—Kavita Mokha, Marina Force and Oliver Griffin contributed to this article.

Most in Spain Oppose Any Split

By JEANNETTE NEUMANN

BARCELONA—David Arias, a 49-year-old lawyer in Madrid, watched with alarm as a crisis unfolded in September in the Spanish region of Catalonia, whose leaders pledged to hold a referendum on independence.

Last week, Mr. Arias hung the yellow and red Spanish flag from the balcony of his law offices in central Madrid. "We've flown the flag that represents everyone," said Mr. Arias, who regards the referendum as "sedition." "The nation is facing a dangerous time."

As Catalan leaders defy Spanish authorities in their attempt to stage a vote on whether to break away from Spain, most Spaniards are against allowing Catalonia, or any of Spain's 16 other regions, to secede.

Spain's 1978 constitution pledges to uphold the country's "indissoluble unity," and a top court has ruled a number of times that Catalonia and other Spanish regions can't hold a vote on independence.

Nationally, only one in 10 Spaniards supports granting Catalonia and other regions the possibility of becoming independent, according to a July survey by the Center for Sociological Research, Spain's state-owned survey agency, in the most recent available poll.

Around 15,000 pro-union protesters gathered in Barcelona, waving Spanish flags, to protest the referendum on Saturday, according the central government's delegation in Catalonia. Thousands more gathered throughout Spain.

Pro-union supporters disagree with the claim by some Catalan separatists that Spain



Pro-union supporters demonstrated in Madrid on Sunday as Catalonia held an independence vote.

has oppressed their language and culture and worry that Catalonia's push for secession has deeply divided Spain, and Catalonia itself.

According to a poll by Catalonia's regional government survey agency in June, 35% of Catalans support full-fledged independence, down from a peak in 2013 of around 50%.

Some pro-independence media in Catalonia put support for secession as high as 70% among those who planned to vote on Sunday.

Many of those who oppose independence from Spain, or who don't want to participate in what they consider an illegitimate vote, pledged to boycott the referendum.

"It hurts," he said, because he has a deep attachment to

the region. "I get emotional during the [Catalan] anthem," added Mr. Ballesteros, who also gives speeches in Catalan.

Nearly 70% of Spaniards want Spain's regions to have the same or less autonomy than they already have, according to the Center for Sociological Research.

Spaniards who oppose Catalonia's independence emphasize that Spain is already one of the most decentralized countries in the European Union.

Catalonia controls its school and health-care systems and has its own police force.

"Of all the countries that have allowed their own regional cultures to develop, it's been Spain," said Jaime Carvajal, chief executive of a Madrid-based investment bank and head of the foundation Juntos Sumamos, which means "better together." "How can they say they are repressed? They are in charge."

Separatists say Catalonia, one of Spain's wealthiest regions, would be better off on its own, sending fewer funds to the central government in Madrid.

They are particularly bitter about a 2010 court decision to strike down part of a statute that would have granted Catalonia greater autonomy. Catalans approved that statute in a referendum and saw the court's move as politically motivated.

"There are first-class Spanish and second-class Spanish people," said Catalan President Carles Puigdemont, who has led the referendum push.

Catalans, he said, "are considered and treated as second-class Spaniards."

Spain's two major political parties, the center-right Popular Party and the center-left Socialists, as well as the centrist Ciudadanos, decried the vote and called on their supporters in Catalonia to boycott

Separatists say Catalonia, one of Spain's wealthiest regions, would be better off on its own, sending fewer funds to the central government in Madrid.

They are particularly bitter about a 2010 court decision to strike down part of a statute that would have granted Catalonia greater autonomy. Catalans approved that statute in a referendum and saw the court's move as politically motivated.

"There are first-class Spanish and second-class Spanish people," said Catalan President Carles Puigdemont, who has led the referendum push.

Catalans, he said, "are considered and treated as second-class Spaniards."

Spain's two major political parties, the center-right Popular Party and the center-left Socialists, as well as the centrist Ciudadanos, decried the vote and called on their supporters in Catalonia to boycott

"What you will see this week," she told the British Broadcasting Corp. on Sunday.

She said Mr. Johnson was "absolutely behind" her Brexit plans.

In an interview with the Sun newspaper, Mr. Johnson, a leader of the campaign for the U.K. to leave the EU and a possible successor to Mrs. May, said any transition period shouldn't last "a second more" than two years.

He also said the U.K. shouldn't accept new rulings by the European Court of Justice during the transition period and the U.K. shouldn't make any payments for access

Brexit Fissures

BY JENNY GROSS

MANCHESTER, England—British Prime Minister Theresa May on Sunday made light of public divisions within her top team over her plans for Britain's exit from the European Union, as her party gathered for its annual conference in the northern city of Manchester.

The gathering, the first since the Conservative Party, under Mrs. May's leadership, lost its parliamentary majority in a snap election in June, comes at a difficult moment for the British leader as she seeks to manage splits in her party and the electorate over Brexit.

On the eve of the conference, Foreign Secretary Boris Johnson set out a series of aims for Brexit negotiations that go beyond those outlined by the prime minister, underscoring the difficulty of her political position.

Over the coming days in Manchester, Mrs. May will seek to appeal to the Conservative Party base, the majority of whom voted for Brexit and are looking for clarity on her long-term vision for Britain's exit and for her to take a strong stand in negotiations.

But she also is expected to be careful not to reverse any goodwill she built up with EU leaders in a key speech in Florence, Italy, where she sought to revitalized stalled Brexit talks by saying the U.K. would honor its financial commitments to the EU's current budget for two years after its planned exit.

"What I have is a cabinet that are united in the mission of this government, and that is

to the single market after the transition.

A spokesman for Mr. Johnson said the aims were in line with the ones Mrs. May set out in Florence.

Aside from managing adversaries in London, Mrs. May faces pressure to move Brexit talks beyond their current impasse. Negotiations on Britain's future trade relationship with the EU have been held up by the EU's insistence that sufficient progress first be made on critical issues around the separation itself, such as how to manage Ireland's border with Britain and Britain's financial commitments to the EU.



British Prime Minister Theresa May said her Conservative cabinet is united.

powershares[®]
by Invesco



INVEST WITH A LASER
NOT A HACKSAW

SPLV

Low Volatility

SPMO

Momentum

SPHQ

Quality

SPVU

Value

XSLV

Small Size

SPHD

Dividend Yield

Investing doesn't get more precise than this. With PowerShares factor ETFs you have the power to custom-build more precise, more diverse portfolios. Single-factor ETFs like these can be used solo or in combinations to custom-create the right allocations for clients or align with a particular market outlook.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

There are risks involved with investing in ETFs, including possible loss of money. ETFs are subject to risks similar to those of stocks.

Factor investing is an investment strategy in which securities are chosen based on certain characteristics and attributes.

Shares are not individually redeemable, and owners of the Shares may acquire those Shares from the Funds and tender those Shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 10,000, 50,000, 75,000, 100,000 or 200,000 Shares.

Before investing, investors should carefully read the prospectus/summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the Funds call 800 983 0903 or visit powershares.com for prospectus/summary prospectus.

Invesco Distributors, Inc.



WORLD NEWS

North Korea Dissidents Detail Rescue Bid

Fearing Pyongyang's reach, network worked to get nerve-gas victim's family to safety

BY ALASTAIR GALE

When Kim Jong Nam, the exiled half brother of North Korean dictator Kim Jong Un, was killed with nerve gas in a Malaysian airport on Feb. 13, it was evident who might be targeted next.

His 21-year-old son, Kim Han Sol, had similarly criticized the regime in Pyongyang, which was suspected of carrying out the attack. The son's bloodline made him a potential threat to the Kim dynasty.

What followed was a secretive scramble by a group of North Korean dissidents to get Kim Han Sol, his mother and sister out of their Macau home and fly them to safety in a secure location.

Details have been largely a mystery since February, but the group that helped the trio get out agreed to discuss the



Kim Han Sol, identified in a news report, and his mother and sister were spirited out of Macau.

evacuation with a media organization for the first time—and from its account, it appears that Kim Han Sol was targeted.

There were "attempts by several parties to interfere"

with the evacuation, a representative of the group, Cheollima Civil Defense, told The Wall Street Journal.

Cheollima agreed to discuss some details of the family's relocation because it expects to

seek international assistance for other rescues in the future, the representative said.

"We were disappointed by refusals to protect by several countries earlier this year," the person said, communicat-

ing on the group's official email account.

Cheollima sought help from foreign governments for the rescue of Kim Han Sol. The U.S., China and the Netherlands provided assistance with travel, visas or other aspects of the plan, according to the group.

China's foreign ministry said it had no information on the rescue, and the Netherlands and the U.S. declined to comment. Other nations refused to give assistance.

The family first flew to Taipei, a person familiar with the relocation said. There they spent a tense 30 hours in the airport trying to confirm travel and visas for a final destination, this person said. Cheollima declined to confirm the evacuation route and hasn't said where the family went.

Cheollima is one of several groups that help those seeking to escape the Kim Jong Un regime. The representative said it consists of North Koreans both outside and, unusually, within the country.

North Koreans are barred

from leaving the country without government permission. The country has tightened border controls in recent years, and anyone attempting or aiding an escape risks severe punishment, including the death penalty.

The number of North Koreans who reached South Korea between January and August this year was down almost 13% from last year to 780, data from the Seoul government show.

"We came to meet an urgent need by North Koreans for protection of those in danger," the Cheollima representative said of the group's mission.

The Journal spoke to diplomats, a high-level defector and a European human-rights worker who helped Cheollima evacuate the family to learn more about the group.

A high-level defector who isn't part of the group said Cheollima is a small but well-connected organization that had helped North Koreans escape from their country through China and into Southeast Asia.

violence in Charlottesville, Va., when Mr. Trump said "both sides," including white-supremacist groups and people protesting them, were responsible for clashes that left a woman dead. Mr. Tillerson distanced himself from Mr. Trump's comments, saying Mr. Trump "speaks for himself."

Messrs. Trump and Tillerson also butted heads over Iran. Mr. Trump chose to certify Iran's compliance with the Iranian nuclear deal in July, but only after a fight with advisers, including Mr. Tillerson. The president voiced his displeasure with the discussions in an interview with The Wall Street Journal in July, saying, "I have a lot of respect for Rex and his people....It's easier to say they comply. It is a lot easier. But it is the wrong thing. They don't comply."

—Mike Bender contributed to this article.

TALKS

Continued from Page One

Man hasn't worked in 25 years, why would it work now? Clinton failed, Bush failed, and Obama failed. I won't fail."

A State Department spokeswoman on Sunday played down any perception of disagreement.

"The president is right. It is obvious that Kim Jong Un isn't listening but our mandate is to keep trying and the world stands behind us," State Department spokeswoman Heather Nauert said. She added that diplomatic channels won't be open forever for Mr. Kim, who took power after the death of his father, Kim Jong Il, in late 2011.

Mr. Tillerson told reporters in Beijing on Saturday that the U.S. is in direct contact with

the North Korean government, with an eye toward defusing rising tensions between the two countries.

The U.S. wants to determine if Pyongyang is willing to engage in talks, Mr. Tillerson said. The U.S. has "a couple, three" channels through which it directly engages with the North Korean government to see if substantive discussions are possible.

"We are probing. Stay tuned," Mr. Tillerson told reporters after meetings with China's president and senior officials. "We ask, 'Would you like to talk?' We have lines of communication to Pyongyang. We're not in a dark situation, a blackout."

R.C. Hammond, a senior aide to Mr. Tillerson, said later Saturday that Mr. Tillerson didn't mean to suggest that there is "an organized negotiation or any sort of larger

talks," but there "is a means by which the countries can engage each other."

He added: "North Korean officials show no indication that they are interested in or ready for talks on denuclearization."

Suzanne DiMaggio, a senior fellow at the nonpartisan New America think tank, said Mr. Tillerson's remarks may have been a strategic outreach to China, a key North Korean ally.

"If the Trump administration can demonstrate to the Chinese that it is making a serious effort to engage Pyongyang, it might convince them to apply more pressure to Pyongyang," she said. "But Trump blew that out of the water."

Richard Haass, president on the U.S. Council on Foreign Relations, said via Twitter that Mr. Tillerson should resign over the apparent disconnect toward North Korea inside the administration.

Experts and former officials said Mr. Trump risked provoking a miscalculation by North Korea, where officials might become confused about the Trump administration's intentions. A North Korean official recently asked The Wall Street Journal if Mr. Tillerson would keep his job.

Messrs. Trump and Tillerson have disagreed on several issues this year.

The U.S. has been struggling with its diplomatic approach to North Korea for nearly three decades. President Bill Clinton reached a deal with North Korea under which it committed to freezing its development of

nuclear weapons in exchange for aid, which fell through after both sides didn't meet their commitments. President George W. Bush initiated six-party talks among China, Japan, North Korea, Russia, South Korea and the U.S., but those broke down when the sides couldn't agree on verification and North Korea conducted a rocket launch. President Barack Obama pursued "strategic patience" to try to pressure North Korea to come to the negotiating table, which also failed to change North Korea's calculus.

The president and his chief diplomat have disagreed on other issues in the past few months. That included staffing choices at the State Department, with both sides pointing fingers over the slow pace at which officials have been nominated to senior posts.

In August, the two clashed over Mr. Trump's response to

Results may vary.

1. Seeking

- A An education I can afford
- B Small class sizes
- C Diverse peer group
- D A variety of courses
- E All of the above

2. for

- A A strong alumni network
- B A great job out of school
- C One-on-ones with professors
- D Prestigious degree
- E All of the above



Find the right fit with the WSJ/Times Higher Education College Rankings

The WSJ/THE College Rankings evaluate schools based on factors important to parents and prospective students—outcomes, resources, engagement and diversity.

Read our full rankings and special report at wsj.com/collegerankings

© 2017 Dow Jones & Company, Inc. All rights reserved. 6DJ5983

2018
COLLEGE
RANKINGS

WSJ THE

THE WALL STREET JOURNAL.
Read ambitiously

AMERICAN MARITIME ALWAYS PUTS **AMERICANS FIRST**

We **DELIVERED** before the storm. We are **DELIVERING** now. We will continue to **DELIVER** to our **fellow Americans** in Puerto Rico.



11,000

containers delivered with medicine, food, water, and building supplies to Puerto Rico on American vessels.

9,000

containers on the way on American vessels over the next two weeks.

3.5M

Puerto Rican Americans whose safety and well-being is our top priority.

American Maritime is a trusted partner in federal hurricane relief efforts.

**We are Americans
Helping Americans.**



WORLD NEWS

U.S. Weighs Move to Block Taliban Envoys

Effort draws rare internal dissent by group of State Department specialists

BY DION NISSENBAUM

WASHINGTON—The Trump administration is considering a plan that would aim to close the Taliban political office in Qatar, a move that triggered an unusual internal protest by State Department officials who said it would undermine U.S. interests in Afghanistan, according to current and former U.S. officials.

A group of State Department specialists on South Asia filed the rare internal “dissent channel cable” on Friday to urge that the U.S. keep the Taliban office open and launch more-intensive talks to end the 16-year-old war in Afghanistan, according to people familiar with the move.

The memo was signed by a handful of officials, the people said, including some longtime State Department employees whose contracts with the department expired on Friday and weren’t renewed.

“We are grateful for the previous team’s hard work in trying to promote peace and reconciliation,” said Heather Nauert, a State Department spokeswoman.

“Talented officials from within



ANDREW REEMER/GETTY IMAGES

U.S. service members at Camp Bost in Helmand Province last month. The U.S. is raising by 4,000 its military forces in Afghanistan.

the system will continue these efforts. Our willingness to support a reconciliation process is not in question; the willingness of the Taliban to seriously engage is.”

The unclassified memo to top State Department leaders urged them to keep the Taliban office

open to help ensure that a serious push for peace talks isn’t put on the back burner while the U.S. sends 4,000 more U.S. forces into Afghanistan to try to break a battlefield stalemate with the Taliban.

In the internal memo, the experts said that closing the Tali-

ban office in Qatar could undermine President Donald Trump’s attempts to extricate the U.S. from a war that has claimed more than 3,500 American lives since 2001, according to people familiar with the move.

The embassy of Afghanistan in Washington didn’t respond to

requests for comment.

A spokesman for President Ashraf Ghani recently said that the Afghan government wants to pursue serious peace talks. Qatar said the office has operated with U.S. and Afghan consent.

The Taliban said recently that closing the Doha office would

end the chance for a peaceful settlement to the war.

For months, the Trump administration has been split between two camps on peace talks, current and former officials said: The “fight and talk” group is pushing the U.S. to aggressively pursue peace talks with the Taliban now, even though the group’s battlefield victories have given it more political bargaining power. The people who signed the memo belong to this camp, current and former officials said.

“There’s a new team in place wanting to try new things,” said one former U.S. official. “Shaking up the peace process and kicking out the Doha negotiators would be a very unfortunate way of doing that.”

The “fight, then talk” camp, including Lt. Gen. H.R. McMaster, Mr. Trump’s national security adviser, wants to deliver a battlefield blow to the Taliban before pursuing serious peace talks.

Officials at the National Security Council, which is run by Gen. McMaster, said the modest influx of new American forces, combined with Mr. Trump’s pledge to keep troops in Afghanistan as long as they are needed, will convince the Taliban that they can’t win on the battlefield.

—Craig Nelson contributed to this article.

Canada Attack Suspect Held

BY VIPAL MONGA
AND PAUL VIEIRA

TORONTO—Canadian officials identified the man who stabbed a police officer and drove a van into four pedestrians in a suspected terrorist attack in Edmonton, Alberta, Saturday night as a Somali refugee who had been known to police.

At a news conference in Edmonton, Marlin Degrand, an official from the Royal Canadian Mounted Police, said someone had filed a complaint against the suspect in 2015 for

stabbed the officer, then ran off.

About three hours later, police stopped a man in a U-Haul truck. An officer recognized the name on the license as similar to that of the owner of the Chevrolet. The driver fled, leading to a high-speed chase through downtown Edmonton. The driver of the truck hit four pedestrians before his van flipped and he was captured.

Edmonton Police Chief Rod Knecht confirmed during a news conference that there was an Islamic State flag in the Chevrolet Malibu.

France Probes Marseille Stabbings

BY MATTHEW DALTON

PARIS—French authorities opened a terror investigation Sunday after a man stabbed two women to death around a train station in the center of Marseille.

French soldiers patrolling the area shot and killed the man after his rampage near the Saint-Charles rail station, according to a spokeswoman for the Paris prosecutor’s office, which handles terrorism investigations across the country.

Speaking in Marseille,

French Interior Minister Gérard Collomb said authorities have launched a national investigation into the stabbing.

“This act could be terrorist, but we can’t confirm it right now,” he said.

The stabbing marks the latest in a drumbeat of terrorist attacks in France. Islamic State leaders have targeted the nation, orchestrating the assaults of Nov. 2015 that left 130 dead around Paris.

Since then, Islamist militants have carried out roughly a dozen attacks in France. More recent assaults have fea-

tured lone-wolf assailants, who were inspired to act by Islamic State propaganda rather than directed by the group’s leaders in Syria and Iraq.

In September, a knife-wielding man attacked a soldier at a subway station in Paris.

Roughly 7,000 soldiers are deployed across the country to protect public spaces from attacks—and have frequently been the target of assailants.

Officials declined to discuss whether Sunday’s assailant was motivated by radical Islam.

Fibonacci Fête

MoMath's Annual Gala

Honoring Keith Devlin,
NPR's "The Math Guy"

Featuring NPR
Weekend Edition's
Scott Simon

October 24, 2017
6:00 pm to 10:00 pm

Guastavino's
409 East 59th Street

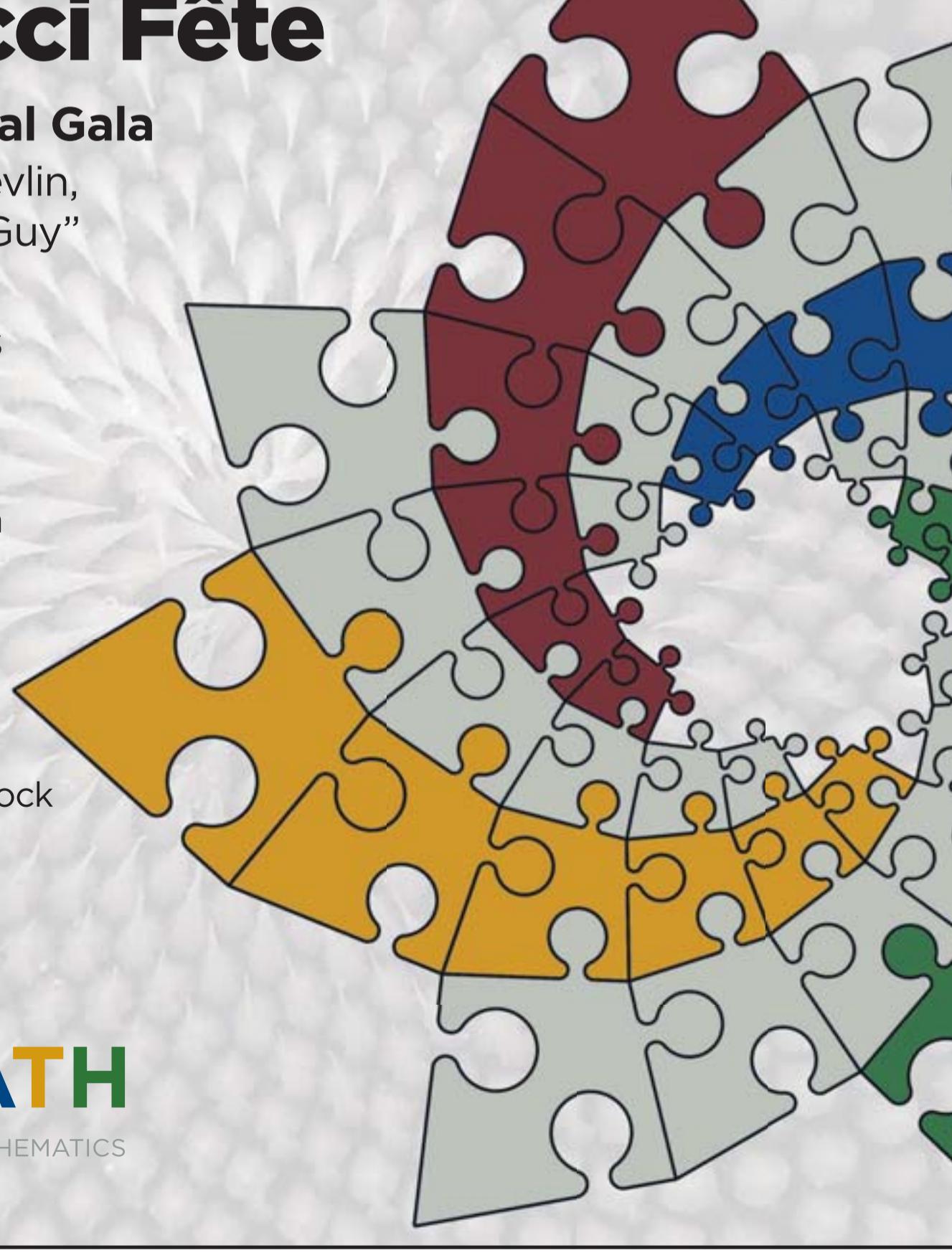
Register at
gala.momath.org

Event chair: David Turock
Co-chairs:

Frey Family Foundation
Matthew Goldstein
OppenheimerFunds
PDT Partners, LLC

MO MATH
NATIONAL MUSEUM OF MATHEMATICS

momath.org



WORLD NEWS

Consumer Loans Fuel China Housing

BEIJING—China's government hoped more household borrowing would help the economy become more consumer-oriented. But instead of shopping, many Chinese are spending the money on real estate, undermining Beijing's efforts to cool that market.

Chinese banks, encouraged by policy makers, have recently been lending more to households as companies sink perilously deep into debt. At first, banks did this with mortgages; this year they have stepped up short-term consumer loans.

But signs are emerging that such loans, rather than funding such middle-class trappings as cars, household appliances or gadgets, are instead flowing to China's stubbornly hot property market, padding home purchases when mortgage loans aren't enough.

In August, a Beijing homebuyer who provided only her surname, Zhu, took out a one-year loan of 100,000 yuan (around \$15,000) from Bank of China, a commercial lender. She used it toward the down payment on a two-bedroom apartment—despite rules forbidding such borrowing.

Ms. Zhu, who works for a state-owned financial company, said she had little choice after the city government tightened down-payment requirements in March and they had borrowed all they could from family. "Consumer loans were our only option," she said.

New short-term consumer credit surged 160% to 1.27 trillion yuan in the first eight months of the year from the year-earlier period, according to data from the People's Bank of China, the central bank. However, growth in consumption as measured by retail sales rose just 10.4% in August, in line with recent years.

E-house China R&D Institute, an independent Chinese research firm, estimates that at least one-third of short-term consumer loans issued since March have gone toward property purchases.



High-rise apartment buildings tower over Beijing. Middle-class borrowers have poured funds into China's hot property market.

Regulators have taken note. In the past few weeks, local branches of the central bank and the China Banking Regulatory Commission have urged banks to check how borrowers are using short-term consumer loans.

Banks have stepped up marketing of such loans. At some banks, applicants can get approved within minutes.

China Merchants Bank, for example, has a "lightning-loan" service, where customers can borrow as much as 300,000 yuan by filling out an application on the bank's mobile app. The lender can quickly review the applicant's credit record, income and financial assets via an online system, then send an approval by text.

The bank's representatives have also taken to cold-calling to market their consumer loans.

Eswar Prasad, a former top China hand at the International Monetary Fund and now a professor at Cornell University, said strong consumer lending can be good both for households and the broader economy.

"People should be consuming out of their higher future income," he said. "That's what a financial system is supposed

Central Bank Offers Break to Lenders

BEIJING—China's central bank said it would free up funds for banks that boost lending to small businesses, in a targeted measure to balance support for the economy without aggravating already high corporate debt.

The People's Bank of China said it would reduce the amount of reserves select banks are required to keep with the central bank by between a half and one percentage point starting in 2018.

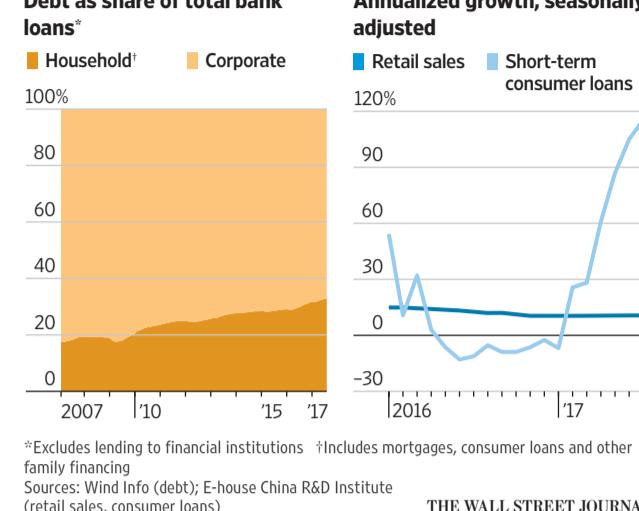
to do." But in China, "it doesn't look like that's happening."

With few investment options, consumers see property as a fail-safe avenue for storing their wealth.

The government has encouraged a rebalancing of debt away from the corporate sector toward households. In the years since the global financial crisis when property prices in China took off, buyers increasingly turned to banks for mortgages.

Borrowing, Not Shopping

Household loans are becoming a bigger share of Chinese debt, but soaring consumer credit hasn't prompted a rise in consumption.



*Excludes lending to financial institutions. Includes mortgages, consumer loans and other family financing.

Sources: Wind Info (debt); E-house China R&D Institute (retail sales, consumer loans)

THE WALL STREET JOURNAL.

recent weeks, a growing chorus of voices, mostly from Chinese banks and brokerage houses, has also called on the central bank to act amid signs that tight monetary policy is starting to weigh on growth.

The reserve-requirement ratio varies depending on the size of the bank. At 17% of all deposits for big banks, the ratio is among the highest in the world.

Saturday's targeted-easing policy doesn't change the overall tone of China's monetary policy, the central bank said, adding that it will continue to adopt a "prudent and neutral" monetary stance.

—Lingling Wei

Mortgages form the lion's share of household debt, which now accounts for the equivalent of 46% of China's gross domestic product, compared with 17% in 2008, and 33% of outstanding bank credit, up from 18% a decade earlier.

China's savings rate is still high compared with the West. However, Chinese households now owe the equivalent of 98% of the average annual income, according to data from

the Washington-based Institute of International Finance—on par with the U.S., the European Union and Japan.

For banks, the shift toward household lending is crucial: Few Chinese households have defaulted on their borrowings, often backed by properties that have soared in value. By contrast, corporate defaults have gone up in recent years as economic growth slows.

—Grace Zhu and Chao Deng

CANADA

Leftist Party Elects Its First Sikh Leader

The left-leaning New Democratic Party elected Jagmeet Singh, a Sikh, as its new leader, making him the first nonwhite leader of a major federal party.

Mr. Singh captured 53.8% of ballots in the first round of voting at a convention in Toronto, beating out challengers Charlie Angus, Niki Ashton and Guy Caron.

Mr. Singh will succeed Tom Mulcair, who lost a leadership review by the party last year.

—Vipal Monga

GERMANY

Nation Holds First Same-Sex Weddings

The nation celebrated its first same-sex weddings after a new law took effect.

Town halls in Berlin, Hamburg and elsewhere opened their doors to mark the event, made possible by a surprise vote in Parliament three months earlier.

Gordon Holland, a registrar in Berlin's Schöneberg district, said the locality presided over the country's first same-sex wedding. About 60 guests and an equal number of journalists packed into the town hall to witness the marriage of Karl Kreile and his partner of 38 years, Bodo Mende.

—Associated Press

UZBEKISTAN

Dissident Writer Is Released From Jail

Uzbek police released dissident writer Nurulloh Muhammad Raufkhon after detaining him last week on his return from exile on charges of spreading anti-government propaganda.

The detention of Mr. Raufkhon, the first prominent dissident to return to Uzbekistan since the death of its longtime leader Islam Karimov, raised questions about the new president's efforts to change the country's image.

—Reuters

FROM PAGE ONE

SALES

Continued from Page One
breach.

Equifax didn't respond to requests for comment. An Equifax spokeswoman previously said the company takes seriously its responsibility to protect the security of consumers' information.

"We have taken short-term remediation steps and continue to implement and accelerate long-term security improvements as part of ongoing actions to help prevent this type of incident from happening again," she said.

Mr. Kelley didn't respond to multiple requests for comment.

Mr. Kelley's position at Equifax differed from peers at rival credit-reporting companies in that he had broad responsibilities beyond legal services, according to people familiar with the industry.

He is one of the senior Equifax executives in charge of security. The company's former chief security officer, Susan Mauldin, reported to him, according to people familiar with the company. She, along with the company's chief information officer, retired a week after the hack was publicly disclosed in early September.

Mr. Kelley was involved in hiring Ms. Mauldin for her role and was her main contact among senior leadership, both for flagging potential issues and for capital requests, according to one of those people.

Equifax put the chief legal officer in charge of cybersecurity so that the chief security officer would report to an unbiased executive, someone who didn't have to choose between IT and cybersecurity when allocating money, according to the same person. Mr. Kelley's predecessor also oversaw security.

Mr. Kelley is also in charge of government and legislative relations, as well as corporate governance and privacy functions.

Three Equifax executives sold shares on Aug. 1 and Aug. 2.

The sales were reported in company filings to the Securities and Exchange Commission on Aug. 3 by a deputy of Mr.



Equifax said it discovered a massive data breach in late July.

Kelley, who as Equifax's chief legal officer was ultimately responsible for approving them, according to people familiar with the approval process.

SEC Chairman Jay Clayton appeared to confirm that the sales are now being investigated by his agency in an exchange with Sen. John Kennedy (R., La.) during a Senate Banking Committee hearing last week. "I'm glad to hear that you're investigating," the senator said to Mr. Clayton, who replied, "Thank you."

Equifax has said the executives, who included finance chief John Gamble, were unaware of the hack at the time of the share sales, which netted the three executives nearly \$1.8 million in total, according to company filings.

The company's board is doing its own review to learn more about the trades, one of the people familiar with the matter said.

The executives don't appear to have been involved in meetings about the breach, and the share sales were made during a period when they are permitted, the person said. The sales' approval from the chief legal officer's office has shifted the board's focus to Mr. Kelley, the person added.

It isn't known when Mr. Kelley became aware of the security breach, which Equifax said its security staff discovered on July 29. The company said it patched a vulnerability that was exploited for the hack.

Equifax released its earnings report after the market close on July 26 and held its

earnings call the next morning. The company's usual rules barring trading for executives after an earnings report would have made Friday, July 28, or Monday, July 31, the first day they were allowed to trade, according to a person familiar with the company.

On Aug. 2, Equifax contacted Mandiant, the cyber-investigations division of FireEye Inc. to probe the breach. Mandiant was hired by Equifax's outside counsel, and Mr. Kelley likely would have approved that decision, according to another person familiar with the matter.

Mr. Kelley, who goes by "J," joined Atlanta-based Equifax in 2013 from the law firm King & Spalding, where he had worked for 27 years. King & Spalding is one of the law firms handling legal issues pertaining to the Equifax breach.

The law firm handled some of Equifax's legal work for years before the breach, though Mr. Kelley wasn't one of the lawyers assigned to the account, according to people familiar with the matter.

Mr. Smith, the former CEO, recommended hiring Mr. Kelley after Equifax's previous chief legal officer, Kent Mast, decided to retire.

Mr. Kelley received total compensation in 2016 of some \$2.8 million, according to the company's proxy statement.

He received a "distinguished" rating from the company's board for the year in part because of his work on the company's global security.

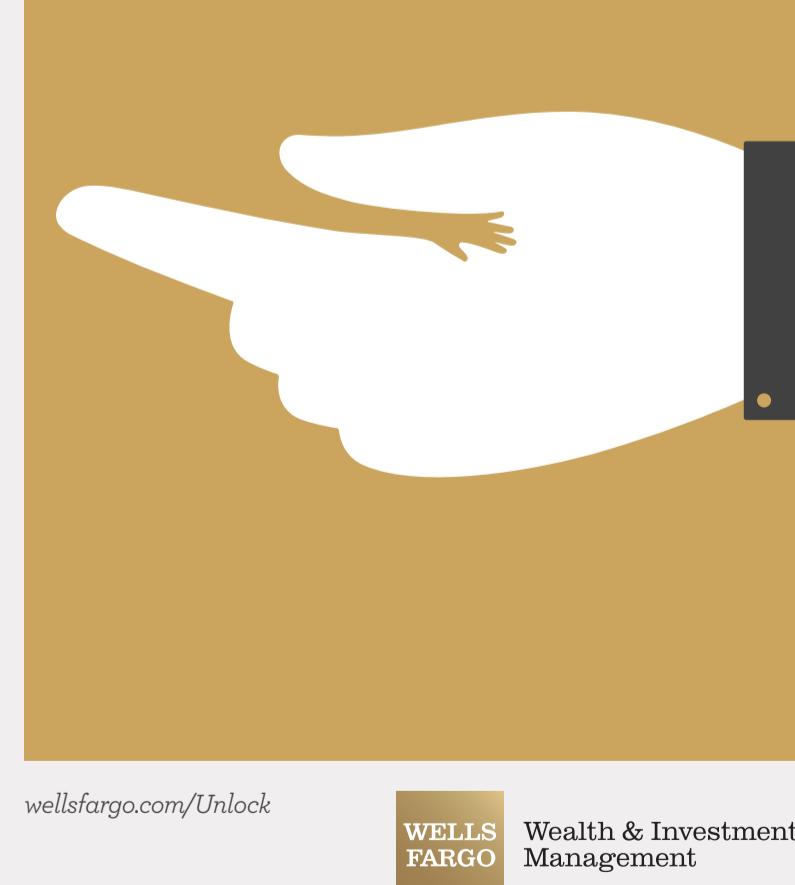
—Robert McMillan

contributed to this article.

Preparing your family to nurture a legacy is as important as preparing to pass it on.

We call a realization like this an *Unlock*.

At Wells Fargo Wealth & Investment Management, our expertise is identifying insights that better enable our clients to look at their situations differently, to help preserve and grow their family's wealth. It's led us to become one of the largest investment and wealth management providers in the country.



wellsfargo.com/Unlock

WELLS FARGO

Wealth & Investment Management

Investments and Insurance Products: NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

Wells Fargo Wealth and Investment Management, a division within the Wells Fargo & Company enterprise, provides financial products and services through bank and brokerage affiliates of Wells Fargo & Company. Brokerage products and services offered through Wells Fargo Clearing Services, LLC, a registered broker-dealer and non bank affiliate of Wells Fargo & Company. Bank products are offered through Wells Fargo Bank, N.A.

© 2017 Wells Fargo Bank, N.A. All Rights Reserved.

CAR-0617-05329

IN DEPTH

BUST

Continued from Page One

"Coach Pitino is not the target of any criminal investigation," said Mr. Pence.

The investment adviser cooperated for almost three years, including a close partnership with undercover agents from the Federal Bureau of Investigation, according to court documents and a person familiar with the matter. They said Mr. Blazer, 47 years old, helped dole out hundreds of thousands of dollars in bribes in dozens of recorded meetings in Las Vegas, Miami, New York and elsewhere.

An FBI spokeswoman and a spokesman for the Manhattan U.S. Attorney's office declined to comment.

The arrangement began after the Manhattan U.S. Attorney's office told Mr. Blazer in the fall of 2014 that he could face charges. That trouble stemmed partly from a Securities and Exchange Commission investigation of Mr. Blazer's investment firm.

Long shot

He hoped to reduce any penalties he might face by somehow leading prosecutors to bigger, more prominent crimes, though he considered the strategy a long shot, said a person familiar with Mr. Blazer's thinking.

Mr. Blazer, known to some by the nickname Blaze, told investigators he had bribed college coaches to steer players to him—and knew other people who would do so, prosecutors said last week.

In the spring of 2015, Mr. Blazer started making connections with agents and middlemen who he thought might lead to bribe-seeking coaches, according to prosecutors. Few coaches or players Mr. Blazer encountered while working undercover seemed aware of or bothered by his previous problems.

By 2008, he managed about \$50 million in assets and had several athletes as clients. One early client was former National Football League running back Kevan Barlow, whom Mr. Blazer recruited by ingratiating himself with family members during Mr. Barlow's senior year at the University of Pittsburgh, according to Mr. Barlow's uncle, retired NFL running back Chuck Sanders.

Once Mr. Barlow turned professional in 2001, Mr. Blazer began taking out loans in the player's name, according to Mr. Sanders. Mr. Barlow didn't realize he was facing a shortfall of nearly \$4 million until after he retired from football in 2007, said Mr. Sanders. Mr. Barlow declined to comment.

Mr. Barlow filed a complaint with the Financial Industry Regulatory Authority. Mr. Blazer responded that the player had depleted his accounts "despite numerous warnings about his spending habits." They settled for \$850,000 in 2011, according to regulatory records.

The SEC investigation of Mr.



Acting Manhattan U.S. Attorney Joon H. Kim explains the criminal charges announced last week, including against former referee Rashan Michel, below. Investment adviser Marty Blazer was identified as Cooperating Witness-1 in court documents.



Blazer that led him to cooperate with federal agents began in 2013. Securities regulators were scrutinizing a firm he co-founded with another adviser named Munish Sood. According to a complaint filed by the SEC in May 2016, one of Mr. Blazer's clients, a pro athlete, claimed he had forged documents authorizing transfers of \$450,000 and \$100,000 from the client's account to limited-liability companies related to two planned movies, tentatively titled "Mafia" and "Sibling."

A lawyer for Mr. Sood didn't respond to requests for comment.

The agency accused Mr. Blazer of moving money from another client's account to make the first client whole. The SEC said Mr. Blazer lied to investigators when they confronted him about the transfers, saying they had been authorized by both clients.

In the spring of 2015, Mr. Blazer worked through old contacts to meet people who might lead him to possible criminal activity. He began recording phone calls and meetings, the criminal complaints said.

According to the criminal complaints unsealed last week,

he told an unidentified friend who was a sports agent that he wanted to pay college coaches who would use their influence to send athletes to him as clients.

The referee

The complaints allege that the agent introduced Mr. Blazer to Rashan Michel, a former National Basketball Association referee who ran a high-end men's clothing company in Atlanta that outfitted professional athletes.

A lawyer for Mr. Michel, who was charged last week, didn't respond to requests for comment Sunday.

Mr. Michel allegedly connected Mr. Blazer to Christian Dawkins, an agent with ASM Sports who the former referee said had paid bribes to college coaches, according to the complaint.

Mr. Dawkins recommended speaking with Lamont Evans, then an assistant coach at the University of South Carolina.

Messrs. Dawkins and Evans also were charged last week. Their lawyers couldn't be reached for comment.

In December 2015, Mr. Blazer asked Mr. Sood, his former business partner, if he would

work with him and Mr. Dawkins to recruit college athletes as clients, the complaints allege. In March 2016, Messrs. Sood and Blazer met with Messrs. Dawkins and Evans at a restaurant in South Carolina, the complaints said.

Over the next few months, Mr. Blazer regularly spoke with Mr. Evans, who moved to a new coaching job at Oklahoma State University, and allegedly discussed recruits and gave the coach cash. Mr. Evans promised to send players to Mr. Blazer, according to the complaints.

By last October, Mr. Evans hadn't produced any clients for Mr. Blazer, and the investigation seemed stagnant, according to a complaint and people familiar with the matter. Still working without a signed cooperation agreement, Mr. Blazer grew concerned that he might still face criminal charges and prison time, one of those people said. "Marty was desperate," the person added.

The FBI was brought in last fall to work on the case, people familiar with the investigation said. There was a promising new lead: Mr. Michel told Mr. Blazer that Chuck Person, a former NBA star working as associate head coach at Auburn University, was looking for money, according to the criminal complaints.

In late November, Messrs. Michel and Blazer met with Mr. Person at an Alabama restaurant, while FBI agents conducted surveillance, the complaints said. Authorities gave Mr. Blazer \$5,000 in cash, which Mr. Blazer gave to Mr. Michel, who handed the money to Mr. Person in his car. A lawyer for Mr. Person couldn't be reached for comment.

By December, the government had secured a court-authorized wiretap on Mr. Person's phone, according to the complaints. Investigators heard Mr. Person falsely tell a player's mother that Mr. Blazer had advised NBA Hall of Famer Charles Barkley, who played college basketball at Auburn.

In March, FBI agents watched as Mr. Sood met with

several people at a restaurant in Las Vegas, the complaints said. Prosecutors alleged it was a meeting to arrange paying basketball coaches at the University of Arizona. Mr. Sood was charged last week.

By late April, the FBI had a wiretap on the phone of Mr. Blazer's former business partner, and Arizona assistant coach Emanuel Richardson was drawn into the alleged scheme, according to prosecutors. He was charged last week. His lawyer couldn't be reached for comment.

In early May, Mr. Dawkins, the sports agent, was fired from ASM Sports after an investigation by the NBA players' union found he had misused a client's credit card. Mr. Sood told Mr. Dawkins he would help him start his own management company, according to the complaints.

At a bar in Miami, Mr. Blazer offered Mr. Sood a potential partner and financial backer for Mr. Dawkins, prosecutors said. The potential partner was actually an undercover FBI agent. Another undercover agent joined the group later as a "business associate."

Mr. Blazer worked closely with the undercover FBI agents, arranging meetings at fancy hotels and expensive steakhouses, according to a person familiar with the case.

Still, Mr. Blazer sometimes

found himself on the outside as the investigation grew, according to people familiar with the matter. He knew Messrs. Sood and Dawkins were cutting him out of business meetings, and investigators were scrutinizing possible schemes that had little or no connection to Mr. Blazer.

For example, a July conversation caught on a wiretap of Mr. Dawkins's phone was the first indication of \$100,000 that Adidas had pledged to the family of a top high-school recruit, Brian Bowen. Prosecutors alleged the aim was to lure Mr. Bowen to Louisville and secure his allegiance to Adidas through an endorsement contract.

Adidas has said it was unaware of any misconduct and would cooperate with authorities. Mr. Bowen's father declined to comment. Mr. Bowen, now a Louisville freshman, didn't participate in the team's first practice on Sunday, a Louisville spokesman said.

On July 27, while in Las Vegas for meetings, Mr. Blazer met with Mr. Dawkins, an undercover FBI agent, a Louisville assistant coach and the director of an Adidas-sponsored youth basketball program in a hotel room, according to one of the complaints.

The men allegedly discussed paying the family of another high-school player to bring him to Louisville—and what Adidas would likely contribute to the cause. The Louisville coach wasn't identified in the complaint. A Louisville spokesman declined to comment on the investigation.

Hot recruit

Investigators later learned through phone records that James Gatto, an Adidas executive charged as part of the investigation, and Mr. Pitino, the Louisville head coach, spoke several times by phone in May and early June, just before Mr. Bowen decided to attend Louisville, according to a complaint. A lawyer for Mr. Gatto didn't respond to requests for comment.

When the charges were unsealed Sept. 26, acting Manhattan U.S. Attorney Joon H. Kim said they revealed "the dark underbelly of college basketball."

About 10 days earlier, Mr. Blazer had pleaded guilty to five counts in a Manhattan federal courtroom, but the court filings were sealed until last week.

Four of the counts were related to the SEC civil case, which resulted in penalties and interest totaling more than \$1.5 million. The fifth count related to wire fraud in a scheme "from in or around 2000 through 2013" to make loans and payments to college athletes, according to the court records.

It won't be clear for months what, if anything, Mr. Blazer gained in return for helping the government. According to his signed cooperation agreement, he faces from two years to 67 years in prison, though prosecutors said they would consider supporting a shorter sentence.

Martin A. Dietz, a lawyer for Mr. Blazer, said his client "fully accepts responsibility for his actions."



Goat yoga has spread nationwide since last year; above, practitioners in Glendale, Calif., in May.

inquiry from neighbor Mark Connors.

The retired businessman in August said he asked officials whether the zoning code permitted the sessions. Among other things, he was worried about the health risks of human contact with farm animals.

"It's not a goat yoga story," he said. "It's a zoning story."

Ms. Longoria appealed, and the zoning-appeals board ruled in her favor, finding the code's definitions of farming and agriculture overly vague. Mr. Connors didn't respond to

inquires after the ruling.

Goat yoga, says Gary Anderson, Manchester's Director of Planning and Economic Development, "was indeed customary to agricultural uses and not primarily a use relating to health and recreation."

Ms. Morse, the goat-yoga pioneer, locked horns with regulators after she contemplated a loan to buy a new farm that would better suit the business. When she approached Linn County officials last autumn to ensure the enterprise complied with Oregon's land-use rules,

"they just said, 'no, we wish we could help you,'" she says. "I was devastated. I quit my job and I was trying to make this work."

Aiming to preserve farmland, the county hasn't adopted Oregon's agritourism-permitting program that lets farmers host commercial events. And under state law, agritourism activities must promote the agricultural product produced on the land. Ms. Morse doesn't breed her pet goats or sell their milk, meat or hides.

"Even if we had the agrito-

urism business, which we don't, we have to be able to say this activity promotes the sale of your farm commodity," says Robert Wheeldon, director of the Linn County Planning and Building Department. "How does goat yoga promote the sale of her farm commodity?"

Ms. Morse has pressed on, holding classes at a bed-and-breakfast and a vineyard and licensing her brand. While goats present some challenges—they nibble on cellphones, purses and patterns printed on yoga mats—they offer something unique to humans, she says.

"When they chew their cud they go into this meditative state," she says. "When you're around that you soak up that energy and it's hard to think about anything else."

This spring at the Congressional Cemetery, Ms. Carnes read about goat yoga and raised the idea with participants in her "yoga mortis" classes at the cemetery. They were "crazy to try it," she says.

She spoke with Paul Williams, president of the non-profit that manages the cemetery, about trying it with the goats they had twice hired over the past several years to eat down unwanted plants.

The cemetery planned to hold goat classes in a pen in a grassy area. In June, Mr. Williams sought permission from the health department.

The "no" came that month.

The capital's health code, says

Dr. Vito DelVento, manager of the District of Columbia Department of Health's animal-services program, bans animals beyond common household pets from within district limits. People can apply for a special permit for, say, a horse show or circus. The department approved the landscaping goats after the cemetery furnished proof a veterinarian had examined them, Mr. Williams says.

In addition, Dr. DelVento says, the goats would need to be tended by a U.S. Agriculture Department-licensed animal exhibitor. Mary Bowen, the Maryland farmer who agreed to provide the goats, says she applied for a license but hasn't received it.

Then there's Washington's "no touch" policy barring direct contact between humans and animals beyond household pets.

"Baby goats are probably one of the most fun animal species—they are a blast," says Dr. DelVento, who has farm animals outside the District and has raised goats. "But the fact that we have baby goats jumping on people and interacting with people obviously violates our 'no touch' policy."

Mr. Williams says he will try again next year when Mrs. Bowen has a fresh herd of kids. He will seek a no-touch-policy exemption.

"We're really trying to offer a service," says Mrs. Bowen, "that is good for people's mental health and physical health."

GREATER NEW YORK

New York Crews Hit Puerto Rico

Hundreds of city and state employees help the crippled island recover from Maria

BY ZOLAN KANNO-YOUNGS

New York emergency workers have spent more than a week in Puerto Rico rebuilding infrastructure, delivering resources to residents and aiding volunteers after Hurricane Maria ravaged the island and left most of its 3.4 million inhabitants without basic necessities.

Over the weekend, Mr. Cuomo deployed a 77-person team from the Port Authority of New York and New Jersey to assist the island's airport and ports, and 53 state police officers to help with security and rescue operations.

New York previously deployed 60 National Guard soldiers and was preparing to send 245 military personnel to aid local law enforcement, help with debris removal and set up donation drop-off locations throughout the U.S. territory, according to Mr. Cuomo's office.

A total of 147 city employees have traveled to the island on the city's behalf, including 30 members of the fire and police departments, to assist with search-and-rescue missions. Other workers are helping manage recovery operations and set up a distribution center in San Juan, according to city officials.

Speaking about the recovery efforts days after the hurricane slammed into the island, New York City Mayor Bill de Blasio noted that thousands of New Yorkers have a personal con-

nnection to Puerto Rico.

"People are struggling for electricity, for food, for water, for all the basics," Mr. de Blasio told a crowd at a fire station in Brooklyn. "And the 700,000 New Yorkers who are proud Puerto Ricans, we will not forget what Puerto Rico is going through."

Hurricane Maria, the strongest storm to hit Puerto Rico in nearly a century, destroyed the island's electricity infrastructure and left many without phone service. Workers and volunteers have struggled to get relief supplies from cargo ships in San Juan's port to people throughout the island.

Mr. Cuomo visited Puerto Rico on Sept. 22 to see the devastation and meet with local leaders. New York has since sent more than 4,000 cans of food, 25,000 bottles of water

and four Black Hawk helicopters to the island.

New York City recently published a list of needed donation items: diapers, baby food, batteries, first-aid supplies and feminine hygiene products.

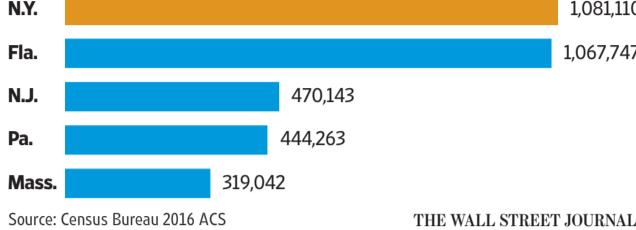
Henry Jackson, deputy commissioner for technology of the city's Office of Emergency Management, said in a phone interview from the island that his team had set up a distribution center inside the Roberto Clemente Coliseum in San Juan to handle donations from the U.S.

Mr. Jackson said he has seen progress: Stores were beginning to open and the Coliseum where he is working recently got access to electricity. But most people are still struggling.

"These folks are resilient," he said. "We've got lines of volunteers ready to do anything they're told to do."

Far-Flung

New York state has the largest Puerto Rican population outside of Puerto Rico.



Source: Census Bureau 2016 ACS

THE WALL STREET JOURNAL.

Governor's Trips To Storm Zones Aid Others and Himself

BY MIKE VILENSKY

Gov. Andrew Cuomo is known to dash to the scene of natural disasters in New York.

Now, he is taking that approach out of state, with trips to the storm-ravaged U.S. Virgin Islands and Puerto Rico that could raise his national profile ahead of the 2020 presidential election.

"He's following a standard paradigm for governors with presidential aspirations," said Gerald Benjamin, a political historian at the State University of New York at New Paltz. "You try to establish a record worthy of presidential consideration, and then find places to become a national spokesman."

Mr. Cuomo, a Democrat, was the first governor to head to the Virgin Islands and Puerto Rico after they were hit by hurricanes Irma and Maria. He has since launched a recovery fund with celebrities such as Jennifer Lopez, deployed a state rescue ship to Puerto Rico, and deputized state troopers to assist with the island's recovery.

Moreover, he has made remarks on the crisis in Puerto Rico that segued into his broader approach to governing. "We can wish people our best wishes, we remember them in our prayers, but...the job of government is to act," he said.

Mr. Cuomo has said he plans to run for re-election in 2018. Asked if the storm-recovery efforts are part of an effort to build a presidential platform, he told NBC: "I have my hands full, and I have my dream job."

There are more than one million people of Puerto Rican descent in New York. And much

of that population lives in New York City, where Mr. Cuomo has his strongest base of electoral support.

In September, Mr. Cuomo toured the Caribbean islands of St. John and St. Thomas with Virgin Islands Gov. Kenneth Mapp. He also flew to Puerto Rico to meet with Puerto Rico Gov. Ricardo Rosselló.

At home, Mr. Cuomo has long sought to project a similar image of a politician on the move. "He never misses an opportunity to don the windbreaker," said Alex Beauchamp, a New York climate activist.

The behavior has sometimes been criticized as self-serving or disingenuous, particularly because the governor's office promotes his appearances during crises on social-media and at news conferences.

Jessica Proud, a New York Republican strategist, said the governor was slower to appear at crises when his response to them already was under fire, such as during a recent water-contamination situation in up-state New York or a New York City subway derailment over the summer.

Mr. Cuomo's spokeswoman responded: "New York will always...provide support to help our fellow citizens."

It remains to be seen if the governor's trips to the storm-ravaged islands play a role in a future campaign, but his allies said the moves could be helpful.

"It's Andrew Cuomo's general operating principle that if you do a good job, the next job might follow," said Hank Sheinkopf, a Democratic strategist and former Cuomo campaign adviser.



Emotions Run High in Chelsea Ahead of Trial

BY THOMAS MACMILLAN

Life may have returned to normal in Chelsea, the neighborhood where a bomb exploded a year ago, but some residents will keep a close eye on the federal trial of the alleged bomber as it begins this week.

"It brings it all up again," said Eric Ord, the 45-year-old co-owner of the Townhouse Inn of Chelsea, which was severely damaged in the blast. "We'd be happy to see a guilty verdict and a resolution."

Defendant Ahmad Rahimi has pleaded not guilty to eight charges in Manhattan federal court, including using a weapon of mass destruction, bombing a place of public use and interstate transportation of explosives.

Prosecutors say Mr. Rahimi planted bombs in Manhattan's Chelsea neighborhood and in

Seaside Park and Elizabeth, N.J. One of the Chelsea bombs exploded on Sept. 17, 2016, on West 23rd Street, injuring more than 30 people.

Mr. Rahimi, a naturalized U.S. citizen and Elizabeth resident, was caught two days later in Linden, N.J., after a gunbattle with police.

The bombs were made from pressure cookers filled with explosives and shrapnel. The blast in Chelsea occurred at about 8:30 on a Saturday night, shattering windows and terrifying people.

One year later, the neighborhood has moved on, for the most part, said Corey Johnson, who represents Chelsea on the New York City Council.

"The remarkable thing about New York generally and this incident specifically is that 96 hours after the bombing happened, life was up and

running again," he said.

Jane Schreibman, a 67-year-old photographer who called the police after spotting an unexploded bomb in Chelsea on the night of the blast, said the experience didn't change her life significantly. The main

difference, she said, is that now she is famous among her friends, who ask her to point out the spot where she noticed the suspicious device.

For some, though, effects of the bombing linger. Joyce Carrico, 74, head of the tenants association at Selis Manor, an apartment building for the

blind and visually impaired, remembered the explosion as "huge, huge boom. Bigger than anything I've heard before." The bomb exploded in an alley right next to the building.

Ms. Carrico said that while most of the tenants have shaken off the experience, some who were closest to the blast are still dealing with anxiety.

"We were traumatized and had a severe business impact," said Mr. Ord, the innkeeper. The explosion shattered windows in his 13-room hotel, showering glass on guests as they lay in bed, he said. "Fortunately, no one in our building was injured."

At the King David Gallery, owner David Peretz, 42, said the experience has made him more wary of unattended bags left in front of his store. He is hoping for a guilty verdict. "Thank God no one got killed," he said.



"I feel very fortunate with First Republic – they make banking an enjoyable process."

SHAHIN GHADIR, M.D.
Founding Partner, Southern California Reproductive Center



FIRST REPUBLIC BANK

It's a privilege to serve you®

(855) 886-4824 | firstrepublic.com | New York Stock Exchange symbol: FRC

MEMBER FDIC AND EQUAL HOUSING LENDER

GREATER NEW YORK

FROM TOP: END ALVAREZ FOR THE WALL STREET JOURNAL; MAGNUSON ARCHITECTURE AND PLANNING



A proposed development includes rental apartments and up to 80,000 square feet of office and retail space in Spring Valley.

Project Aims to Revitalize Village

BY KEIKO MORRIS

Ariel "Eric" Jacobov has spent the past seven years assembling small parcels of land around the worn surroundings of a suburban PROPERTY train station just north of New York City. His goal: to create a hopping downtown with vibrant streets, apartments, shops and connections to mass transit in the village of Spring Valley.

Mr. Jacobov's blueprint for a mixed-use development bears the familiar trademarks of other projects developers have built in the past several years along suburban rail lines in the metropolitan area, aiming to capitalize on the idea of walkable downtowns with convenient transportation options.

One improvement that he says would be a boon for his Rockland County project is a direct train line and a shorter commute into New York City. That idea, however, has been on the drawing board for years and faces an uncertain future, transit experts said.

"Rockland has been growing at a fierce pace," said Mr. Jacobov, chief executive of Concord Capital New York. "It's only fair for us to have a direct train to New York City."

Mr. Jacobov's \$175 million development proposal doesn't hinge upon securing a direct line, he said. Demand for housing in the area continues to grow, and he believes that the existing train service and access to local buses at the development site make his project attractive. But a one-seat ride from Spring Valley to New York Penn Station could mean a 50-minute commute, possibly reducing the trip by nearly 30 minutes, he said. Now, many area commuters take direct buses to Manhattan



Train Expansion Has Many Hurdles

NJ Transit's Pascack Valley line, which serves Spring Valley in Rockland County, runs to Hoboken and Secaucus, where riders heading to Manhattan have to switch to the PATH train or another NJ Transit line.

A loop track connecting train lines such as the Pascack Valley service to tracks going into New York City is part of the later phase of the larger \$30 billion regional Gateway Project.

That proposal would build a new Hudson River tunnel, repair the existing one and ex-

pand New York Penn Station so it could handle more trains.

Efforts have been underway to secure funding for the first phase, but it remains unclear where New York, New Jersey and the federal government would find the money to finance the Gateway project.

"It's a very cloudy picture right now, and anybody that is making a commercial bet on the loop and the addition of platform and track space at [New York] Penn Station is really in a prayerful mode," said Martin Robins, director emeritus of the Alan M. Voorhees Transportation Center at Rutgers University.

—Keiko Morris

from about a mile from the village train station, he noted.

Mr. Jacobov's development plan calls for 600 to 800 rental apartments and as much as 80,000 square feet of office and retail spread across six to seven buildings on 4.5 acres. Spring Valley Mayor Demeza Delhomme said he supports the plan, as does the village's Urban Renewal board, which created the urban-renewal district where the project would rise.

If completed, the development would be a boost to the revitalization efforts in downtown Spring Valley, a village of about 32,000 people roughly 37 miles north of Midtown Manhattan.

Like other villages and small cities, Spring Valley's downtown retail suffered as competition from malls increased.

Just after the financial crisis of 2008, an arm of the nonprofit multifamily housing lender Community Preserva-

tion Corp. constructed two affordable apartment buildings with ground-floor retail space in a designated urban-renewal area on North Main Street. Today the two four-story buildings stand out among the older small buildings filled with restaurants and bodegas.

The recession and its aftermath damped the pace of private development, said Tom McGrath, senior vice president and director of upstate revitalization for the Community Preservation Corp. "It would have been different had the economy not tanked," he said.

Rockland County's population increased about 3% between 2010 and 2015 to 320,688, according to the U.S. Census Bureau, topping nearby Westchester and Bergen counties with increases of 2% and 2.3%, respectively.

With a previous career as a commercial-lending broker, Mr. Jacobov began piecing together land for the Spring Valley project by primarily buying defaulted loans from lenders and acquiring the deeds to the properties at a discount. He said he owns about 70% of the proposed downtown Spring Valley site, which falls in an urban-renewal area that allows for this sort of mixed-use development. That leaves a few parcels belonging to private owners to be condemned as part of the urban-renewal redevelopment process.

The area Mr. Jacobov wants to develop has been a dead zone, said Mr. Delhomme, who chairs the urban-renewal board. The development would make improvements to the train station, which is managed by Metro-North Railroad, and a village park. "The project would remove a dilapidated area and give us the rentals we desperately need," Mr. Delhomme said.

'Interrupters' Help Reduce Violence In Neighborhoods

BY ZOLAN KANNO-YOUNGS

They have prior criminal records but now aim to resolve neighborhood conflicts before they turn violent. They walk neighborhood streets on a daily basis and use their connections to resolve disputes before they escalate, requiring the police.

These "violence interrupters" and their tactics helped to drive down crime in East New York and the South Bronx, two neighborhoods analyzed in a John Jay College of Criminal Justice report.

The city began implementing 18 such programs around the city from the global nonprofit Cure Violence in 2010, drawing funds from the U.S. Department of Justice. East New York and the South Bronx recorded steeper declines in shootings compared with two neighborhoods without the programs, the college said.

In Brooklyn's East New York, 50% fewer people were admitted to hospitals with gunshot wounds from 2005 to 2016, according to the state Department of Health.

Flatbush, a Brooklyn neighborhood with similar demographics and population, saw a 5% decline in shooting injuries during the same period.

In the South Bronx, with the Cure Violence program in place, there were 37% fewer people shot from 2005 to 2016, according to the report. There were 29% fewer people shot during the same period in East Harlem, which doesn't have the program.

"People who have previous justice system involvement and have turned their lives around to build their community...are important emissaries for violence prevention and conflict resolution," said Eric Cumberbatch, executive director of the mayor's Office

to Prevent Gun Violence.

"This program is showing us that community members are critical agents of peace," he said.

The results come as New York City has experienced an overall decline in major felony crime.

The interrupters work independently but have often been cited by the New York Police Department and Mayor Bill de Blasio as contributors to the city's crime decline. This past summer, interrupters helped patrol J'Ouvert, a Labor Day festival in Brooklyn that long was plagued by violence.

In the Bronx, participants of the program also monitor social media to resolve arguments between gang members.

'This program...shows that community members are critical agents of peace.'

Andre T. Mitchell, who heads the nonprofit Man Up! Inc. in East New York, said he deploys interrupters to address a range of conflicts, whether it be a domestic issue between family members or a potential shooting.

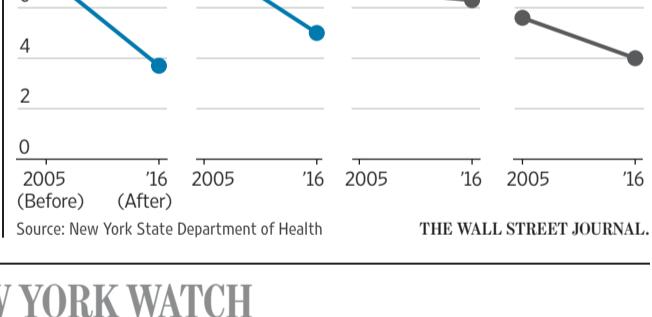
"We have our ears close to the ground," Mr. Mitchell said.

In the neighborhoods with interrupters, survey respondents said they were less likely to use violence in hypothetical "serious disputes," according to the report. In those neighborhoods, for instance, people were 33% less likely to resort to violence during a serious dispute in 2016 compared with 2014.

The neighborhoods without the interrupters were 12% less likely to use violence during the same period.

Intervening Before Crime Escalates

In two New York City neighborhoods, enlisting locals to serve as 'violence interrupters' helped to drive down gun crimes, according to a new report.



Source: New York State Department of Health

THE WALL STREET JOURNAL.

GREATER NEW YORK WATCH

STATEN ISLAND

Grimm, Out of Prison, To Run for Congress

Former Rep. Michael Grimm, who pleaded guilty to tax fraud and went to prison, said Sunday that he wants his old congressional seat back.

"Together we'll go to Washington and have our president's back," Mr. Grimm, a Republican, told a group of about 100

supporters.

Mr. Grimm plans to challenge Rep. Dan Donovan, a Republican, who won the seat after Mr. Grimm resigned in 2015.

Mr. Donovan has the backing of the local and state Republican parties and a \$300,000 campaign war chest.

"We're not really worried about a challenge from a felon," a Donovan campaign spokeswoman said.

—Associated Press

BASEBALL

Terry Collins Resigns As Manager of Mets

Mets manager Terry Collins resigned Sunday after seven seasons and said he would take a position in the team's front office.

"It's been a blast, but it's time," the 68-year-old Mr. Collins said.

He announced he was stepping down after the Mets lost

to the Phillies 11-0, finishing a 70-92 season that began with great expectations but was quickly derailed by injuries.

"It's one of those years you want to forget, and I will. Tomorrow," he said, saying this season left a "sour taste."

The Mets were 551-583 overall under Mr. Collins, reaching the World Series in 2015 and earning an NL wild-card spot in 2016.

—Associated Press

New York Bridge Is Falling Down



UP IN SMOKE: The old Kosciuszko Bridge, which opened in 1939, was taken down Sunday in a controlled demolition. The Brooklyn-Queens span is being replaced with two cable-stayed bridges. The first opened in April and the second is set to open by 2020.

NOVEMBER 17, 2017

JEAN-LOUIS CHAVE HERMITAGE DINNER

LEGACY RECORDS,
HUDSON YARDS
6:00 PM - 9:30 PM
TICKET PRICE: \$4,000

LA REBOULE: SEATED DINNER

180 MAIDEN LANE
6:00 PM - 10:00 PM
TICKET PRICE: \$600

Guest Chef: Daniel Humm
and others

SPECIAL THANKS TO THE FOLLOWING SPONSORS:

Make it Nice
Wall Street Journal

VinePair

Wine & Spirits Magazine

For tickets and information, visit RebouleDuRhone.com
Sponsor and weekend packages available.



SHARE OUR STRENGTH

LIFE & ARTS

FASHION

BY RAY A. SMITH

AS THE FASHION industry scrambles to find hit trends, some designers appear to be throwing everything at the wall in the hope that something grabs consumers.

Labels including Marc Jacobs, Coach, Prada, Marni and Gucci, whom many credit with sparking this trend, have been sending models down the runways in recent weeks wearing jackets over jackets and skirts and dresses over pants and carrying several bags and scarfs. Coco Chanel's famous maxim—"Before you leave the house, look in the mirror and take at least one thing off"—doesn't apply to these Spring 2018 collections.

Runways, of course, often showcase extreme styles and stores eventually sell toned-down versions. But the pile-on approach gives stores more options, increasing the chances that women will see something they covet when the styles arrive on racks and shelves in a few months.

The Kitchen Sink Approach to Style

Designers pile on multiple bags, coats, skirts, pants; Will something stick?

Marni's collection had a "treasure hunt" theme, in which women "scavenge into trunks full of objects, finding items that belong to different individuals and carry different stories," according to the program for the show held during Milan Fashion Week. Looks included 1950s-style bathing suits layered over a top and pant combo, as well as dresses worn over skirts.

Trend-forecasting firm WGSN refers to the eclectic, pile-on aes-

thetic as "magpie opulence." It was apparent at fashion weeks in New York, London, Milan and Paris, which ends Tuesday.

A lot of credit—or blame, depending how you feel about the trend—can be placed on Gucci. Creative director Alessandro Michele has turned the once-moribund fashion house into one of fashion's top-selling brands since his January 2015 appointment with a feverishly rococo aesthetic that spans thrift stores, grandma's

closet, nerd chic, "Grey Gardens," Walt Disney cartoons, the botanical and psychedelia.

Sometimes a trend takes getting used to. Women who swore by their skinny jeans, snug pencil skirts and fitted dresses and moto jackets two years ago eventually took to the roomier and slouchy looks being worn today.

From a sales perspective, layers of clothing, bags or jewelry in one ensemble mean more merchandising opportunities. Some consum-

ers will buy the whole look including the accessories. Some may say no to the dress but yes to the bag. Or both bags.

At Coach, the layering was about personalization, creative director Stuart Vevers said in an email. Some of the layering was inspired by trans actress Hari Nef, "who at one of our parties, as the night went on, took the top layer of her prairie dress off and carried on partying in the slip."

With women relying less on fashion magazines to dictate trends to them, the magpie trend can address women who take a DIY approach to dressing.

"It gives you multiple choices," says Lizzy Bowring, catwalks director at WGSN, who predicted "magpie opulence" would be a trend at the shows. "There is a big audience for that, it doesn't just stop with Gucci." The trend can be about expressing individuality. "Every outfit you can pull apart and take one piece and that is really relevant to the way that we dress now. For me that is key, individuality."

A Skirt With A Dress
A model at Marni's show in Milan, where the theme was 'treasure hunt,' carries two bags while wearing an oversized dress over a long silk skirt.

Five Bags
A model at Maison Margiela's show in Paris wears five bags, including a backpack and small bag on her back.

Two Coats
A model at Burberry's recent show in London wears a vintage check gabardine jacket over a hooded coat.

Two Bags
A model in Milan at Gucci carries two bags, while wearing a jacket with a skirt and slip. Gucci is credited with helping spark this trend.

◀ Gloves With A Watch

A model at Marc Jacobs show in New York carries two bags, a sport fanny pack and a sport sling, while loading up on accessories including a fringe boa, turban, brooch, gloves, necklace, and a watch.

GETTY IMAGES (5)

FILM

EARLY PRAISE FOR A TOUGH FILM ON CHILDHOOD

BY RICHARD TURNER

SEAN BAKER makes movies about poor people, a noble effort but sometimes a fraught one. Especially these days, filmmakers like him must pick their way through a political and cultural minefield—and set off the occasional explosion.

"I get attacked all the time," he says.

Mr. Baker isn't complaining. His latest independent film, "The Florida Project," about "motel kids" on the edge of homelessness in the shadow of Walt Disney World, won acclaim at the recent Cannes and Toronto film festivals. Early reviews have praised its warmth, realism and lack of stridency. It follows a flawed young mom, Halley, her daughter, Moonee, and her wild-child friends, scraping by in \$38-a-night single rooms along gaudy, rundown Route 192 in Kissimmee, Fla. The motel is close enough to the Magic Kingdom that



'The Florida Project' director Sean Baker says he worked not to romanticize the motel manager played by Willem Dafoe. The movie is about 'motel kids' on the edge of homelessness in Central Florida.

they can see the fireworks show every night in the distance.

The new film mixes professional actors, notably Willem Dafoe, with first-timers, like Valeria Cotto who plays Jancey, one of Moonee's pals,

discovered at a Target store. Mr. Baker found Bria Vinaite, who plays Halley, on her weed-promoting, tattoo-festooned Instagram account. Brooklynn Prince, who plays Moonee, had a short resume: She

was 6 when the film was shot. The movie is scripted but also improvised and filmed in documentary-style. It opens Oct. 6.

Along with this attention comes scrutiny. Recent films

about the poor have been called exploitative and sentimentalized, too gritty and not gritty enough.

"Beasts of the Southern Wild," about an imagined backwater community in Louisiana, was widely praised and Oscar-nominated. But one critic, Thomas Hackett in the New Republic, called it "patronizing and borderline racist," adding: "It sentimentalizes poverty and glosses over neglect."

That was nearly five years ago. The climate is more highly charged today, amid raging debate about race, class, inequality, free speech and cultural elites.

"We're living in an age of the think piece," Mr. Baker says. "Most filmmakers, if not all, come from a place of privilege, if only because of the expense. Now you're being thought about in a different way. It's about who can tell these stories, who has ownership of certain topics."

Mr. Baker, 46, was born in Summit, N.J., the son of a trade-

Please see FLORIDA page A14

LIFE & ARTS



JASON HENRY FOR THE WALL STREET JOURNAL

WHAT'S YOUR WORKOUT? | By Jen Murphy

Yoga Too Easy? Try It on Water

An Oakland food executive stays centered with morning yoga sessions on her paddleboard on San Francisco Bay

WHILE LISA CURTIS was getting her food startup off the ground in 2013, she learned two important lessons: She needed to find balance and she couldn't be scared to take risks. Stand-up paddleboarding seemed like the perfect workout to reinforce both.

"Paddling is like a metaphor for life," says Ms. Curtis, who is 29 years old. "It teaches you to find your center even amidst the waves. And the worst that happens is you fall in the water. It's good to do something that keeps you a bit on the edge."

Ms. Curtis's company, Kuli Kuli, makes bars, powders and teas made from moringa, a nutrient-dense plant she discovered during her time working in Niger for the Peace Corps. As Ms. Curtis went through rounds of fundraising, she found her time for workouts shrinking.

Rather than choose between yoga and stand-up paddleboarding, she combined her two fitness passions. Ms. Curtis lives a 10-minute walk from the San Francisco Bay near Oakland's Jack London Square. "It was the perfect break from the stress of getting a startup off the ground, and way more exciting than running," she says. "Trying to do downward-facing dog or side plank on a board instantly erases any work thoughts."

Now that her company has grown to 10 people, she uses stand-up paddleboarding, also known as SUP, for team-building. "It's a fun

team experience and a great confidence-builder," she says.

The Workout

Ms. Curtis likes to stand-up paddleboard in the morning, usually around 8 a.m., when the water is calm and there is less boat traffic. She starts with 15 to 20 minutes of paddling, which she says calms her mind and works her core. She then goes through a few yoga sequences.

"When you do yoga on a paddleboard, it's less about perfect form and more about feeling what is right for my body," she says. "I've practiced yoga since high school, and postures I thought I'd mastered, like warrior one and two, feel so difficult on the water."

She says mastering tree pose, where you balance on one leg while the opposite foot rests on the standing calf or inner thigh, is a new accomplishment. "If you think balancing on one foot on the ground is challenging, try it on the water," she says. "I've finally gotten used to kayakers snapping photos of me."

Ms. Curtis says practicing in the water requires her to be much more aware of her alignment and body position. "You're always asking yourself, 'If I shift my weight, will it rock the board too much and cause me to fall into the water?'"



Lisa Curtis performs tree pose, above, and upward dog, left, on her paddleboard.

says. In the morning, she makes oatmeal topped with a variety of toppings such as morning, goji berries, chia seeds and almond or sunflower butter. Salads are her go-to lunch on the road. She likes to mix salads with bell pepper, tofu and nuts.

Ms. Curtis and her husband stock up on weekly dinner ingredients each Sunday at the farmers market. Vegetable stir fries are a staple. "I'm vegetarian," she says. "So my husband might add meat to his batch, or he'll cook something like pork chops on the side."

The Gear & Cost

"I'm a big Patagonia fan," she says. "Their gear is awesome and they have a great company ethos." She likes Gaiam yoga mats, but says when it comes to apparel, she'd rather buy spandex at Costco than spend \$60 on a fancy yoga brand. She bought her Jimmy Styks stand-up paddleboard at Costco for \$200. Other than earphones, she prefers her workouts gadget-free. "People get so caught up in tracking steps and calories," she says. "I like my workouts to be more meditative and less gamified."

The Scaredy Cat's Guide to SUP Yoga

If a backbend on land sounds intimidating, then getting upside down on a stand-up paddleboard over undulating waves probably sounds bonkers.

But the challenges you'll experience on the water will actually increase your strength, stability and focus in your mat-based practice, says Shannon Paige, a SUP yoga instructor and co-owner of Earth Yoga Studio in Boulder, Colo.

"Lower postures are steadier than taller postures," Ms. Paige says. "Practice seated poses for flexibility and get used to the movement of the board beneath you before you take the same shapes upward to your feet." The more points of contact you have on the board, the less likely you are to fall, she says. "A narrower stance will be more challenging, so start with wider feet to build confidence."

Ms. Paige says if you feel wobbly, set a point for your eyes to focus on. "A steady gaze is essential for balance," she says. The worst thing that can happen is losing your balance and ending up in the water. "Take the fear out of the unknown and practice jumping off and climbing back on the board. Once you do, the fear of falling will no longer distract your focus."

FLORIDA

Continued from page A13
mark lawyer and a former preschool teacher. He went to film school at New York University and discusses Italian neorealism as easily as crystal meth. His earlier movies have looked at transgender prostitutes in Hollywood ("Tangerine"), porn actresses in the San Fernando Valley ("Starlet") and undocumented immigrants and street hustlers in New York ("The Prince of Broadway" and "Take Out").

One review of "The Florida Project" by Cassie da Costa in Film Comment complains that Mr. Baker, as a college-educated white male, is wary of assuming too much about his characters and "cannot fully fathom their inner lives."

Mr. Baker says he understands such criticism and has a few rules for trying to avoid it. Indeed, he doesn't want to assume too much about his characters, and he consciously keeps some details sketchy.

The reasons for Halley's troubled parenting aren't spelled out. It isn't clear why she is unemployed at the local theme parks, although the piercing and the resplendent tattoos may be a factor.



'The Florida Project' stars unknown child actors, from left, Christopher Rivera, Brooklynn Prince and Valeria Cotto.

Her own family appears to be out of the picture, and it isn't spelled out when she had Moonee, but one can deduce that she was 15. "Do the math," Mr. Baker says.

"I'm from outside most of these worlds I'm focusing on, and I feel there's an ethical approach to making these kinds of films. My biggest fear is that if you paint your characters in, you could be doing them wrong."

Films about overlooked communities often use a kind of guide to help the audience react to the setting—a journalist or some other kind of interloper character.

Fairly or unfairly, movies from "Dances With Wolves" to "The Help" have taken heat for featuring such "white saviors." Mr. Baker avoids them.

Mr. Dafoe's long-suffering motel manager Bobby, trying to pac-

ify his tenants and collect their bills so he doesn't have to evict them, is a case in point. Mr. Baker and his writing partner Chris Bergoch met several such managers from the strip. One in particular helped Mr. Dafoe emphasize that Bobby is no saint, just a blue-collar guy with a job to do. If he's a father figure to the children sometimes, he's a reluctant one who keeps a profes-

sional distance. "Willem knew never to get melodramatic or cheesy," says the director.

Humor is essential, but demands a careful hand. "That's the dangerous part," he says. "The minute you're laughing, some people will say you're laughing at people." He wants audiences to laugh at human behavior, not the lives of individuals.

He thinks many recent movies about people living on the margins rely too much on "shock and awe" at the expense of nuance and humor. (He won't name them.)

An innocent, kid's-eye view helps. Mr. Baker is a huge fan of "The Little Rascals." His Twitter handle is @Lifilm. When the packing of "The Florida Project" slows, it is partly to convey the monotony of children when "summer feels like forever." One minute they're languidly kicking the ground, the next they're blasting into the next delinquent adventure.

They encouraged the children to run free and be spontaneous. When Bobby kicks them out of the lobby for spilling ice cream, he dryly says, "Thank you very much" as they race away. "You're not welcome!" shouts Moonee, a laugh line which opens the film's trailer and was improvised by Ms. Prince.

LIFE & ARTS

ART REVIEW

Cosmopolitan Korea

Drawn from some 600 holdings, the exhibition reveals a rich global tradition

BY LEE LAWRENCE

Brooklyn, N.Y.

AFTER FOUR YEARS of renovations, the Brooklyn Museum is gradually reintroducing its Asian and Islamic art collections to the public, starting with "The Arts of Korea." It draws on some 600 Korean holdings, considered one of the largest and most varied museum collections of its kind in the U.S. And it is finally getting its due. Thanks to grants from the National Museum of Korea (part of a longstanding effort by South Korea's government to showcase the country's cultural heritage), the museum has more than tripled the size of its Korean installation and assigned it a prominent location: at the top of an open staircase with glass risers that connects the Great Hall off the main entrance to what will be, once completed, the new suite of Asian galleries.

Joan Cummins and Susan L. Bevington, the museum's senior and assistant curators of Asian art, have used the boost in real estate to great effect. With about 80 works, judiciously selected and thoughtfully displayed, they bring out distinctive aspects of the collection and Korean art generally.

While the adjoining galleries are still being reinstalled, we have to walk to the opposite end to find the start of the chronological sequence. Many of the fifth- and sixth-century works establish that the Korean peninsula was not isolated. Thus, reliefs adorning a bronze mirror emulate Chinese models; the makers of gold ear-rings used a granulation technique that traveled from the Mediterranean along the Silk Road. But most of the inaugural display primarily stresses Korean origi-

nality. There are, for example, none of the collection's Chinese-style or Buddhist paintings (the latter will feature in a future gallery on Buddhism). What we see instead are the portrait of an 18th-century official wearing distinctive Korean garb and an 1811 depiction of a spirit shrine that speaks of the predominance of Confucianism during the Joseon dynasty (1392-1910).

Ancestor worship was widespread in Asia, and Koreans who could not afford to build a shrine used small paintings as stand-ins, with a blank space in the center where family members affixed the name of the ancestor they were honoring. The work here, however, is 5 1/2 by 4 1/2 feet and bears a permanent dedication to the king and queen, leading scholars to believe it hung in a government office—one of many ways rulers encouraged good Confucian behavior.

In a similar vein, a lavishly embroidered bridal robe tells of 19th-century women passing down the ceremonial garment, each time making repairs and covering the sleeves with clean paper. It is one of the objects on display acquired by Stewart Culin, Brooklyn's first curator of Asian art. An ethnologist with a keen appreciation for what objects reveal about culture, he established the institution's Asian department in 1903, traveled to Korea in 1913, and created the first installation of Korean works in 1916.

A century later, his successors highlight Korea's distinctiveness by giving ceramics pride of place. One display, for example, traces the ingenuity of 12th-century potters. We start with the problem: The cloud motifs on one celadon vase are so fluid they

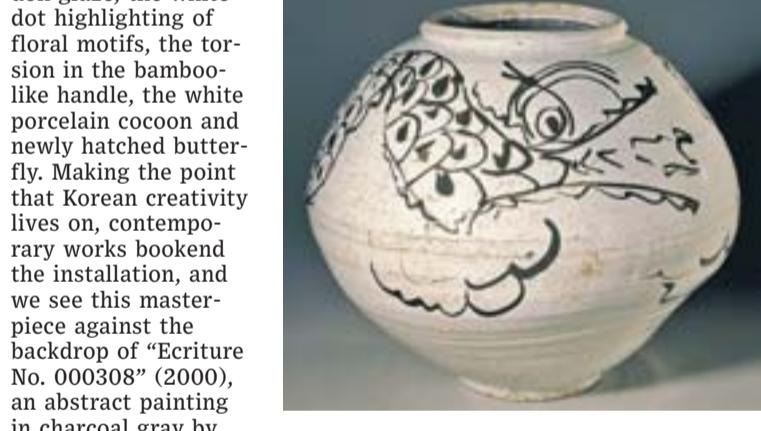
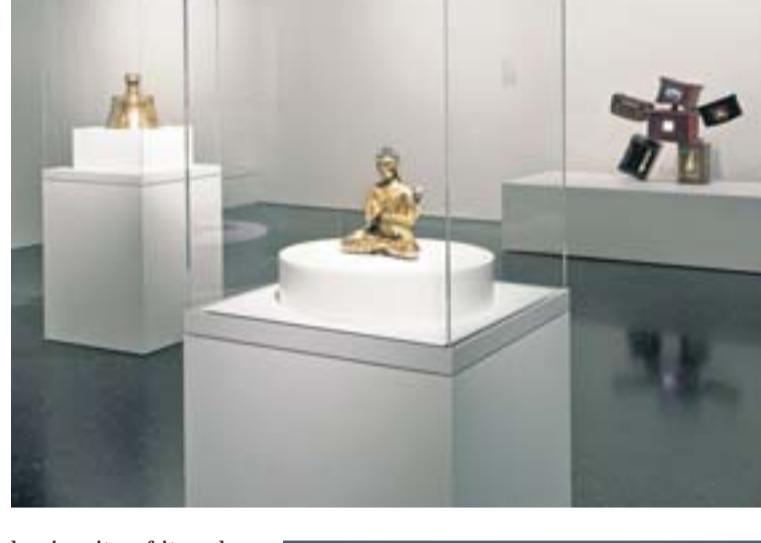


border on messy, illustrating the inability to produce crisp lines with a watery clay or slip. Potters had already learned from Chinese counterparts that, when they incised a design, the glaze pooled, creating the subtle differences in shade we see in a nearby gourd-shaped ewer. So, under the patronage of the Goryeo dynasty (918-1392), they experimented and hit upon a solution: Fill incised designs with white or black clay, wipe off the excess, buff the surface, then cover it with transparent celadon glaze. As a grouping of Goryeo ceramics shows, the range of designs exploded.

As tastes changed, so did the techniques. We are treated to, among others, 15th- and 16th-century buncheong ceramics with floral motifs made by applying a slip then scratching it off in places (a technique called *sgraffito*); the freewheeling drawing of a dragon on a 17th-century pot; a late 18th-century or early 19th-century example of the beloved, off-kilter white moon-jar; and a number of blue-and-white porcelains that borrow Chinese motifs but render them with a lighter, airier touch. (To get a sense of this, compare these with the porcelains in the exhibition at the bottom of the staircase, "Infinite Blue.")

Finally, pause at the entrance to the gallery to study one of the collection's prize possessions: an exquisite 10-inch-tall ewer from the first half of the 12th century—the lid's detailed lotus, the

'Spirit Shrine,' (1811), above; installation view of 'The Arts of Korea,' below; jar with dragon decoration (mid-17th century), bottom



luminosity of its celadon glaze, the white-dot highlighting of floral motifs, the torsion in the bamboo-like handle, the white porcelain cocoon and newly hatched butterfly. Making the point that Korean creativity lives on, contemporary works bookend the installation, and we see this masterpiece against the backdrop of "Ecriture No. 000308" (2000), an abstract painting in charcoal gray by Park Seo-Bo. The interplay between them brings out the dance of restraint and freedom, realism and abstraction that permeates this elegant presentation of Korean art.

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

The Arts of Korea
Brooklyn Museum

BROOKLYN MUSEUM (3); INSTALLATION: JONATHAN DORADO



Ewer in the shape of a lotus bud from the first half of the 12th century

STARTING TODAY
TWO POWERFUL NEW SHOWS...
ONE POWERFUL PLACE!

OUTNUMBERED OVERTIME
W/ HARRIS FAULKNER

1 PM
ET



THE DAILY BRIEFING
W/ DANA PERINO

2 PM
ET

SPORTS

FOOTBALL | By Jason Gay

Did You Watch the NFL?

Daniel Berger celebrates on Sunday.

GOLF

THE U.S. ROLLS TO CUP WIN

BY BRIAN COSTA

AN AFTERNOON formality at Liberty National Golf Club ended in the only way it conceivably could Sunday, with the U.S. winning the Presidents Cup for the seventh time in a row. President Donald Trump attended and saw the Americans rout the international-except-Europe team, 19 to 11.

The match-play event, which the U.S. has won 10 of 12 times since it began in 1994, was so non-competitive that the Americans nearly clinched it on Saturday. Only a late point by the international team Saturday made Sunday more than a mere accounting exercise, and it was barely more than that.

With 15 1/2 points required to win the four-day event, the U.S. began Sunday ahead 14 1/2 to 3 1/2. Daniel Berger secured the clinching point for the U.S. when he won his match against Si Woo Kim of South Korea, ahead by two with one hole to play.

To some extent, the outcome reflected the state of American golf, which has been boosted by the influx of dynamic young talent. The last three majors of 2017 were won by Americans between the ages of 24 and 27. The U.S. also won the Ryder Cup, the biennial competition against Europe, in 2016 for only the second time in this century. It will likely enter next year's Ryder Cup, to be held near Paris, as the favorite.

But the lopsided nature of the U.S. win Sunday also reflected the poor and listless play of the international team. The Presidents Cup has long struggled to find 12 non-Europeans to beat the 12 best Americans, which is just one reason it lacks the verve of the Ryder Cup. But that was made even more difficult this year because some of the most accomplished international players, notably Jason Day and Adam Scott of Australia, were coming off middling seasons.

Did you watch the NFL—or did you skip it?

If you skipped it, for whatever reason—anger, conscience, boredom or because you're a New York Giants fan, and simply can't take it anymore—please tell me you had a wondrous Sunday.

Tell me you realized how sweet and productive the human existence can be without pro football. Tell me you carved a walking stick, and took your loved ones on a brisk hike in the autumn air. Tell me you read all of "Moby-Dick." Tell me your lawn is mowed, the kitchen is renovated, and you built that IKEA bookshelf without weeping into the instruction manual.

Maybe you didn't do any of that. Maybe you watched the...golf. Or fell asleep watching golf.

Please don't tell me you skipped the NFL and just ate sour cream and onion potato chips on the couch. (Not that there's anything wrong with eating sour cream and onion potato chips on the couch.)

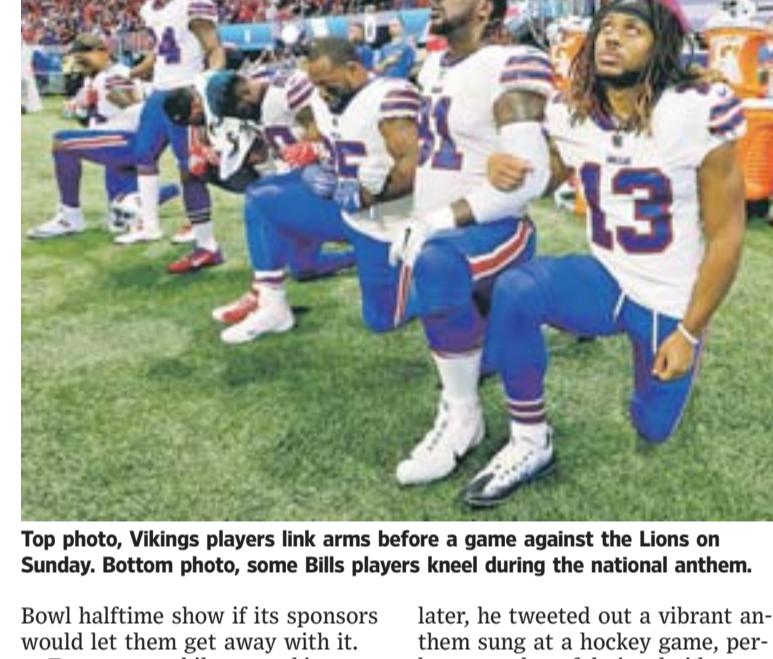
I watched the football. A lot of the football. It may have been a mistake. Not because of anything political, but because I accidentally watched some of the Browns-Bengals game. Watching the 0-4 Browns is like watching a golden retriever try to make Thanksgiving dinner. Enthusiastic, yes—but not very successful.

So here we are, friends, almost done with NFL Week IV, or Trump vs. NFL Week II. I think we can agree this Sunday was more subdued. As of early evening, there had been a bit of anthem kneeling, a bit of pre-anthem kneeling, some raised fists, and a bunch of arm-locking for "unity"—or whatever vague message that is supposed to be. But it was not the red siren blast of last week, when the president of the United States turned his wrath at the small protests that had been happening for more than a year during the "Star-Spangled Banner" at NFL games.

Does this mean the controversy is over? Of course not. Are there unresolved questions? Lots. Does the NFL have a clear plan moving forward? Errrrr...

This is going to take a while to settle, if it ever does. The league is trying to figure out how to balance some players' legitimate concerns about social justice—and their desire to use their pre-game platform to make a statement calling attention to it—against a rage that blasted open amid Trump's sports radio-style Twitter outburst.

It's a tricky needle to thread, and historically, the NFL isn't good at threading tricky needles. Pro football is a conservative business, emphasis on the business, and turning into a cultural hot button is ownership's nightmare. This is a league that would probably hire Seals and Crofts to play the Super



Top photo, Vikings players link arms before a game against the Lions on Sunday. Bottom photo, some Bills players kneel during the national anthem.

Bowl halftime show if its sponsors would let them get away with it.

Fans, meanwhile, are taking sides. We've heard from people who find the protests disrespectful and now say they don't want anything to do with the NFL. We've also heard from fans who are boycotting because they believe original protester Colin Kaepernick has been blackballed from the league.

Then there are those who want to just watch the RedZone channel, see their fantasy team combust, and drink a beer.

As for President Trump, he will almost surely declare victory here, interpreting the smaller protests as evidence of his might. Currently amid another uproar concerning his response to hurricane-ravaged Puerto Rico, Trump wasn't as locked in on the NFL. On Saturday he tweeted it was "very important" for players to stand during the anthem. A couple of hours

later, he tweeted out a vibrant anthem sung at a hockey game, perhaps as a hopeful visual aid.

On Sunday, he went to watch the...golf.

Even with the volume turned down—and who knows if Trump will start going at the protesters who kept at it this week—the whole episode still feels surreal. In less than a week, a president used a profanity to describe an NFL anthem protester, disinvited Steph Curry from the White House, and watched as Cowboys owner and pal Jerry Jones took a pre-anthem knee (it's now a new ritual; Jerry probably wishes he could get a royalty on it.) Sports Illustrated photoshopped Curry locking arms with Roger Goodell on a cover that didn't include Kaepernick. "That was terrible," Curry said, bluntly.

That was terrible. But we're so accustomed to the bizarre, the bizarre doesn't feel bizarre anymore.

Even with the protest volume turned down—the whole episode still feels surreal.

It was stunning to watch Trump zero in on the protests and confront owners who have been his political allies. It's cuckoo to see how quick we are to forget—or, worse, ignore—the history of protest across sports, and airbrush the anger which greeted activists we now hail as courageous. Context is for wimps, I guess; shouting's the currency that matters.

Similarly, it was odd—but predictable—to see Kaepernick's protest about racial inequality seized by owners and turned into something corporate and amorphous, stripped of its clarity and edges.

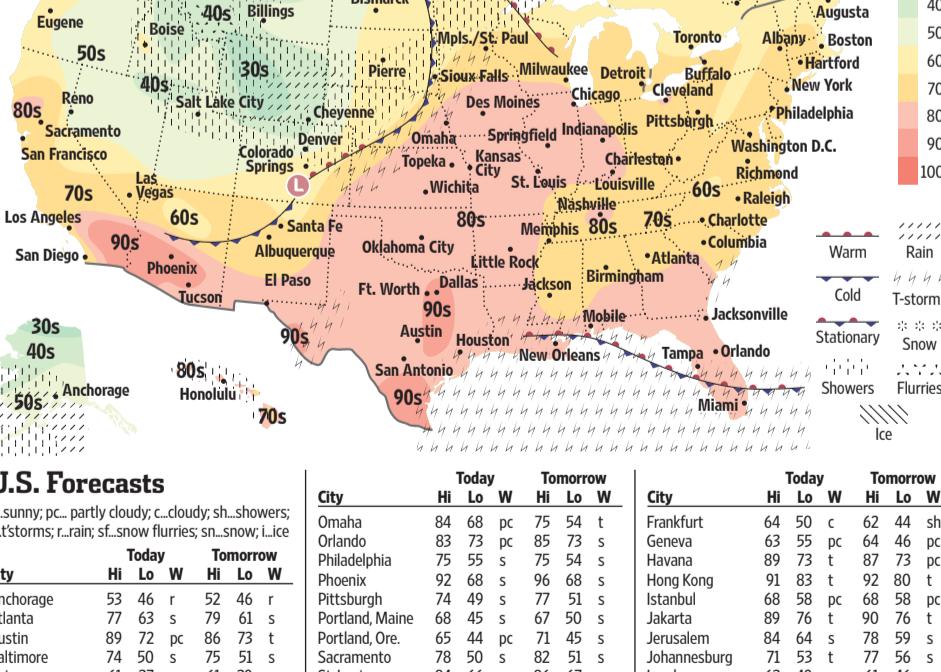
Maybe that's what life is in 2017. One day, you're marching in the street; the next day you're watching Kendall Jenner hand a Pepsi to a police officer.

Despite it all, there was football. Right: football. If you didn't watch, do you want to know what happened? Spoiler: the Patriots lost to the Panthers and the 3-1 Bills now lead the AFC East. The Falcons fell, too. Deshaun Watson might be the real deal for the Texans. The Saints shut out the Dolphins. (After six points over the last two weekends with Jay Cutler, shouldn't the Fish give Kaepernick a call?) The Rams are 3-1 after stopping Jerry's Cowboys. If you set fire to your Jared Goff jersey, you may be feeling some regret.

Other than the fact that the Jets are riding a two-game winning streak, I can report it still looks like the football we know and (some Americans still) love.

We'll see if it stays that way.

Weather



U.S. Forecasts

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

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

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 53 46 r 52 46 r

Atlanta 77 63 s 79 61 s

Austin 89 72 pc 86 73 t

Baltimore 74 50 s 75 51 s

Boise 61 37 pc 61 39 pc

Boston 65 51 s 66 52 s

Burlington 69 47 s 73 53 s

Charlotte 75 53 s 78 54 s

Chicago 82 64 pc 83 68 s

Cleveland 80 54 s 83 60 s

Dallas 91 73 pc 86 72 t

Denver 58 37 pc 56 45 c

Detroit 75 54 s 80 64 s

Honolulu 87 75 pc 88 76 pc

Houston 88 76 pc 85 73 r

Indianapolis 80 59 s 83 63 s

Kansas City 84 68 pc 81 65 t

Las Vegas 78 57 s 81 61 s

Little Rock 82 68 pc 85 68 c

Los Angeles 76 63 pc 75 58 pc

Miami 86 79 t 86 77 t

Milwaukee 78 63 pc 79 65 s

Minneapolis 72 67 t 74 48 sh

Nashville 80 62 s 85 59 s

New Orleans 84 76 r 86 74 t

New York City 72 56 s 72 56 s

Oklahoma City 84 68 pc 80 66 t

International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 62 54 r 60 52 r

Athens 73 61 pc 74 59 s

Baghdad 96 69 s 98 71 s

Bangkok 89 74 t 85 76 t

Beijing 62 44 r 68 47 pc

Berlin 60 51 r 59 49 r

Brussels 63 49 r 60 47 sh

Buenos Aires 65 50 c 69 54 c

Dubai 101 86 s 99 83 s

Dublin 59 45 pc 56 45 pc

Edinburgh 58 47 sh 56 47 pc

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



MAKING THE BED | By Theresa Schmidt

Across

- 1 Does well on a hole
5 Soul mate?
9 Got together
14 Suit to ___
15 Butter alternative
16 Rock concert venue
17 Carpet type
18 Rudely disturbs, perhaps
20 Burglars may escape under it
22 Unconcerned with ethics
23 Most embittered
27 "Ben-Hur" writer Wallace
28 Fog's kin

- 31 "Accio!" and "Lumos!" in Harry Potter's world
32 Trusted adviser
34 In a frenzy
35 Winter wonderland feature
39 Unacceptable
40 Lisa Simpson wears them
41 Gut courses
44 Number between zwei and vier
45 Cat coat
48 Picked up the dinner tab
50 Los Angeles neighborhood near Bel Air
52 Window makeup

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

33 Outburst of laughter

35 Sow's mate

36 Misplace

37 It ends when the parachute opens

38 David's weapon

39 Nonhuman member of the family

42 Acropolis setting

43 Taken in

45 Humiliating failure

46 Deal with, as a clogged drain

47 Violin bow applications

49 Sandwich shops

51 Assertion

53 London art museum

54 Simple toy train layout

55 Target of the feds

32 She played Brigid O'Shaughnessy in "The Maltese Falcon"

56 Count start for example

57 Whopper, for example

Previous Puzzle's Solution

PENA PEERSABEL
ALAS ALLAYLIRA
BOBHOISKINSISNT
LIBYA LIBYATHEQUE
USE KATEHEPBURN
MEDS GYM MARIST
TROPEZ RACES
GREGORYPECK
SIRED SINISE
CLAWAT STOP SOFA
ROYSCHEIDER HUM
AVATTEL UNITE
WERE JAMESMASON
LIEN OTTERSEND
STAG BEGAN HESS

The contest answer is ARGO. Each of the characters in these films rode on a famous vessel: Smee was in the Jolly Roger, Rose Sayer on the African Queen, Tolly on the Sawfish, Chief Brody on the Orca and Captain Nemo on the Nautilus. The first letters of these five vessels spell JASON, who sailed on the Argo.

OPINION

FEMA's Foul-Up in Puerto Rico



AMERICAS
By Mary Anastasia O'Grady

Hurricane Katrina taught the Federal Emergency Management Agency some harsh lessons in 2005. FEMA used what it learned to prepare and respond better when Harvey and Irma hit the U.S. mainland earlier this year. Now Maria has taken the bureaucrats back to school in Puerto Rico, and they're not getting passing grades.

Ahead of the Category 4 storm that hit with 155 mile-an-hour winds on Sept. 20, the FEMA team in Puerto Rico said it was ready. But a week later much of the island was still in dire need of food, water and fuel—the basics of humanitarian relief.

The most immediate needs centered on the sick and elderly. About 97% of the island lost electricity in the storm. Diesel-run generators were supposed to fill the void in hospitals and dialysis centers and provide refrigeration for medicines like insulin. But the diesel fuel did not arrive, and by midweek family members began to panic. Tearful Puerto Ricans begged for help.

FEMA will no doubt learn again from Maria. But so too should the rest of us, about the folly of relying on government to deal with a disaster even as predictable as the aftermath of a hurricane.

Under pressure, he finally said he would suspend the Jones Act for Puerto Rico—but only for 10 days, a meaningless gesture.

For more than a week the island's ports have been piled

high with containers waiting to be hitched up to cabs and their contents delivered to supermarkets, restaurants, home-building supply stores and medical centers. In other words, much of the merchandise needed in an islandwide triage is already on Puerto Rican docks.

What the island does not yet have but will have to import in the months and years ahead are billions of dollars in materials for rebuilding

electricity monopoly—presents special challenges.

Yet this was common knowledge before Maria landed. So too was the high probability that cellphone service would be extremely limited in the wake of the storm.

Nevertheless, FEMA was caught off guard.

The emergency plan centered on the use of diesel generators to replace lost electricity for hospitals and to pump drinking water. But a week after the storm 44% of the island was still without *aguas potables* and public-health services were deteriorating.

Amid the chaos, Alejandro de la Campa, the local head of FEMA, tried to explain away the agency's responsibility. "We have no control over diesel in Puerto Rico," he said. "We have contracts with certain companies that are giving us service."

Right. And the fire department has no control over water.

The troubles went beyond diesel and turned into a supply-chain nightmare in which chaos reigned. Gasoline lines stretched miles. Merchandise at the port couldn't be delivered due to driver shortages and the collapse of the communications infrastructure.

Emergency management is all about anticipating disruptions and establishing contingencies. The failure of the local FEMA office to do so is organizational negligence, not a mainland plot against our Spanish-speaking brethren.

Write to O'Grady@wsj.com.

How Politics Stalls Wireless Innovation

By Thomas W. Hazlett

The Federal Communications Commission received a homework assignment in 2009—and an extra \$13 million for school supplies. Congress ordered the agency to write a "National Broadband Plan" to stimulate the economy. The report, issued in March 2010, focused on opening up dormant radio spectrum for new uses. Citing the tsunami of mobile data usage, the study set a goal: The FCC should set free another 300 megahertz of prime bandwidth, more than used by Verizon and AT&T combined, for wireless broadband by 2015. That move would juice competition, unleash innovation and expand networks coast-to-coast.

With time, the FCC's program to move television band frequencies into mobile phone and data markets was scaled back and the timeline stretched out. Another big chunk of spectrum slated for mobile was undone. This continues a long, sad saga depriving the U.S. economy of the bandwidth to accommodate new technologies.

The story also involves satellite phone licenses in the FCC's L Band, frequencies prime for cellular services but largely walled off for satellite links. Companies like Globalstar and TelexStar went bust operating these satellite networks.

The FCC unveiled its National Broadband Plan in 2010—but couldn't stick to it.

being made, and sharing frequencies with cellular devices made eminent sense. By 2010, L-Band licensee LightSquared was ready to build a state-of-the-art 4G network, and the FCC announced that the 40 MHz bandwidth would become available. LightSquared quickly spent about \$4 billion of its planned \$14 billion infrastructure rollout. Satellite calls would continue, but few were

reached "co-existence agreements" with Ligado when it agreed to reduce its emission levels. But thousands of parties use the GPS band, which has no owner or band manager, and complaints can be raised by virtually anyone. Fending them off has become a game of Whac-A-Mole. Even if the reality is that new services deliver vastly improved mobile broadband at little risk to existing radios, regulators are frozen.

This familiar impasse in the political spectrum begs for correction. The FCC should let Ligado use satellite licenses for cellular services. It should also permit competitors, including Ligado, to bid for new L-Band spectrum rights. Remaining border disputes should be consigned to binding arbitration, not allowed to sandbag progress in opened-skirmishing. This would move radio spectrum out of oblivion and into the mobile broadband networks craved by consumers, innovators and the U.S. economy. Just like the National Broadband Plan called for in 2010.

Yet regulatory impediments continue to block progress. Years after the L-Band spectrum was slated for productive use in 4G, it lies fallow—now delaying upgrades to 5G.

To use radio spectrum, parties must stay in their lanes. Ligado, to enter the market, seeks to control spillovers. Three major GPS makers—Deere, Garmin and Trimble—

could cause interference with Global Positioning System devices, since they are tuned to adjacent frequencies. Yet cheap remedies—such as a gradual roll-out of new services while existing networks improved reception with better radio chips—were available. In reality, the costliest spectrum conflicts emanate from overprotecting old services at the expense of the new. With its licenses snatched away, LightSquared instantly plunged into bankruptcy.

Five years on, the company has recapitalized and re-emerged with a new name, Ligado. It has hired deft policy players and is making deals to mitigate conflicts. Notably, it has lowered the power of its emissions and has volunteered to leave its frequencies neighboring the GPS band quiet. To offset this capacity loss, it seeks to gain access to other spectrum now set aside for sparsely used and easily replaced applications. Ligado has asked the FCC to sell those rights to the highest bidder.

Yet regulatory impediments continue to block progress. Years after the L-Band spectrum was slated for productive use in 4G, it lies fallow—now delaying upgrades to 5G.

To use radio spectrum, parties must stay in their lanes. Ligado, to enter the market, seeks to control spillovers. Three major GPS makers—Deere, Garmin and Trimble—

The facts belied Leroy Powell's claim. Under cross-examination at the trial, he testified he'd had one drink that day, then stopped, knowing he had to be in court. He was addicted yet able to make a reasoned choice to control his behavior when there were foreseeable consequences.

A state court takes up a case that could set a dangerous precedent.

In 1968 there was no consensus that alcoholism was a medical condition. Since the 1990s, the medical community has largely accepted the view that addiction is a "chronic and relapsing brain disease," as Ms. Eldred claims in her appeal. Nora Volkow, director of the National Institute on Drug Abuse, has written that in addiction "a person's brain is no longer able to produce something that is needed for our functioning, namely 'free will.'

That's an oversimplification.

Addiction is behavior: the persistent seeking and using of drugs despite negative consequences. True, changes in the brains of addicts make it difficult to resist using. But a large majority quit voluntarily and permanently without treatment when they fully recognize the alternatives and the negative consequences of using drugs. By contrast, Alzheimer's disease progresses no matter what.

Addicts respond to incentives, such as the sanctions employed by treatment programs in drug courts. These programs give nonviolent defendants an alternative to jail and significantly reduce recidivism rates.

A ruling in Ms. Eldred's favor would cast doubt on the legality of such programs in Massachusetts—and elsewhere, since the defense bar and the supporting organizations will surely bring test cases in other states. That won't be good for addicts. If diversion programs demanding abstinence are unavailable, trial judges may be more inclined to sentence defendants to incarceration rather than probation.

Mr. Morse is a law and psychiatry professor at the University of Pennsylvania. Dr. Satel, a psychiatrist, is a scholar at the American Enterprise Institute. They are co-authors of a brief supporting Massachusetts.

BOOKSHELF | By Daniel Akst

Life and Work, Codified at Last

Principles

By Ray Dalio

(Simon & Schuster, 567 pages, \$30)

Nobody can call Ray Dalio unprincipled. In fact, the founder of Bridgewater Associates, who built it from scratch into the world's largest hedge fund, may be just as well known for creating a somewhat controversial set of principles aimed at systematizing the firm's decision making and codifying its values. In 2010, he posted them online, leading to more than three million downloads.

Mr. Dalio has now brought forth a sizable book titled "Principles," in which he has expanded his precepts and vows to explain how he has used them to create "an idea meritocracy that strives to deliver meaningful work and meaningful relationships through radical truth and radical transparency" (author's emphasis). The metaphor at the heart of Mr. Dalio's thinking is a machine, a term that appears over and over. "Think of yourself as a machine," he writes at one point, "operating within a machine."

The first principle, reasonably enough, is: "Think for yourself to decide 1) what you want, 2) what is true, and 3) what you should do to achieve #1 in light of #2." From there the book offers two sets of overlapping precepts, one for life and one for work, both designed to cope with the chronic difficulty that humans have in comprehending reality. Again and again the author stresses the blind spots that afflict all of us and the need for humility in the face of how little we know. "You can never be sure of anything," Mr. Dalio writes, echoing the first commandment of Bertrand Russell's classic dialogue ("Do not feel absolutely certain of anything") and placing himself squarely in a virtuous tradition stretching back to Socrates.

Despite these promising beginnings, ultimately Mr. Dalio's principles are a disappointing mix of the hardheaded and starry-eyed, the insightful and inconsistent, the sensible and clueless. Most of all, they are obvious. He emphasizes embracing change, staying open-minded and facing up to reality, all sound notions that will surprise no thinking adult. Useful nuggets include work principle 10.6c, which suggests having subordinates spend a few minutes writing a daily report on what they did that day—and, really, couldn't all of us benefit from keeping a journal? But we also get such chestnuts as "Beware of fiefdoms," "Use checklists" and "Allow time for rest." Life principle 4.1a says, in all seriousness: "We are born with attributes that can both help us and hurt us, depending on their application."

Some of Mr. Dalio's ideas are more alarming than anodyne. Seeing complex human systems as machines seems dangerously reductive, and "radical transparency" is naive. Its pitfalls were painfully evident to Winston Smith in "1984" and should be clear to the rest of us by now: that command of Bertrand Russell's classic dialogue ("Do not feel absolutely certain of anything") and placing himself squarely in a virtuous tradition stretching back to Socrates.

From atop a hedge fund, nuggets of wisdom arguing for radical transparency and for thinking of yourself as a machine.

Skeptical readers will find little need to contradict Mr. Dalio, since he's so good at the job himself. He extols humility and simplicity yet offers a vast, clanking engine of tenets—and a book of nearly 600 pages, the first of two planned volumes, to convey just some of them. He insists on evidence-based decision making yet categorizes people in part on the dubious Myers-Briggs psychological typing system. In one place he advocates focusing on even the smallest problems yet attributes apocryphal quotes to Churchill and Einstein. Not to worry—elsewhere he urges us to "be imprecise," the better to think conceptually.

Mr. Dalio says that his staff is like "my extended family" yet stresses getting rid of people who don't measure up or who resist Bridgewater's unusual culture—by exercising tact, presumably. And while he urges close attention to the way people are wired, he flouts the most rudimentary understanding of human nature with the assertion that "when you enter into relationships with others, your principles and their principles will determine how you interact."

The author's account of his own life suggests otherwise. "Principles" begins with a 125-page memoir in which the author recounts his rise from a modest middle-class background. After Harvard Business School he worked in commodities until, for reasons unstated, he punched out his boss. He leveraged his knowledge of futures markets to start Bridgewater in 1975, and it mostly flourished. But in 1993 his chief lieutenants told him in writing that he was making people at the firm feel "incompetent, unnecessary, humiliated, overwhelmed, belittled, oppressed, or otherwise bad."

This intervention evidently spurred him to develop the principles as "agreements for how we would be with each other and my reflections on how we should handle every situation that came up." Mr. Dalio's principles are now embedded in a megalomaniac-sounding project to automate a great deal of management at Bridgewater, whose detractors have called its environment cultlike. The company maintains so-called Baseball Cards, which capture data points about its employees to make the strengths and weaknesses of each evident to all. Mr. Dalio writes that "everyone's believability is tracked and measured systematically" using such tools in order to "actively record and weigh their experience and track records." Most meetings are recorded.

Although it's hard to argue with success—Mr. Dalio has earned some \$49 billion for investors—there is no proof that his remarkable results flow from what's on offer here. Apple, Amazon and other enterprises have flourished under similarly brilliant and driven founders with demanding management styles even absent hundreds of pages of principles or any pretenses about radical transparency. Bridgewater might be even more successful if its founder and his minions were less consumed by process—and put away their Baseball Cards.

Mr. Akst is the author of "We Have Met the Enemy: Self-Control in an Age of Excess."

OPINION

REVIEW & OUTLOOK

Tax Policy Center Propaganda

Republicans face an uphill battle on tax reform, not least because opponents are willing to invent evidence to stop it. Take Friday's Tax Policy Center report claiming to be clairvoyant about details of the Republican reform "framework" that haven't been proposed.

The Tax Policy Center is a joint project of the left-leaning Brookings Institution and the Urban Institute that the media routinely labels "nonpartisan." Its record of hostility to any GOP tax reform that cuts tax rates shows the opposite. And the latest evidence of bias is its willingness to jump to conclusions about the GOP plan before crucial details are known.

The center's progressive economists released a "preliminary" estimate of the GOP tax plan that claimed the proposal would "reduce federal revenues by \$2.4 trillion over the first ten years and \$3.2 trillion over the subsequent decade." Also: The top 1% of taxpayers would "receive about 50 percent of the total tax benefit." The press immediate broadcast this with headlines like "Republican Tax Cut Would Benefit Wealthy and Corporations Most, Report Finds." Political mission accomplished.

Yet the analysis is impossibly specific, given that last week's blueprint excluded the income ranges for the individual brackets of 12%, 25% and 35%; the value of the expanded child tax credit, and when that would phase out; rates for pass-through businesses, or safeguards for abuse that may limit who can claim the income or how much; the discount rate at which cash and other corporate assets will be invited back to the United States; which deductions will be eliminated; and many other details that would be essential for any honest score.

The report says it based its guesses on the

The media's go-to think tank trashes GOP reform without evidence.

assumptions of the House GOP's "Better Way" blueprint from 2016, yet that campaign document will certainly differ from any bill that emerges this year. Last week's GOP framework explicitly included discretion for committees in Congress to iron out details. Case in point: The paper doesn't assume a fourth tax-rate bracket for high earners that the framework left as an option.

The larger issue concerns economic assumptions. The Tax Policy Center assumes almost no growth impact from tax cuts, whether on capital or income. When growth increases or revenues rise after a tax cut, as they did after the 2003 tax cut, the center's progressives attribute it to something else.

The tax center is essentially consigning the U.S. economy to a fate of slow growth as far as the Obama "secular stagnation" crowd can see. Yet if the rate of GDP growth speeds up from the Obama pace of 2% a year to 3%, incomes would rise and revenues would increase to the Treasury by some \$2.5 trillion.

Partisans can honestly debate economic assumptions, but the Tax Policy Center betrays its bias by making premature guesses based on partisan assumptions. The center did a similar sandbag job on Mitt Romney's tax reform proposal during the 2012 campaign, claiming it would have to raise taxes on the middle-class and poor because it wouldn't reduce certain loopholes. But those loopholes were very much on the table in the Romney plan.

The lesson for Republicans is that they had better be prepared to fight back—early and often. House Ways and Means Chairman Kevin Brady called the report "misleading, unfounded, and biased," and they shouldn't hesitate to describe the Tax Policy Center as the anti-reform propaganda shop that it is.

Trump's Excellent Judges

The start of a new Supreme Court term is a good moment to note some under-reported news: President Trump is rapidly remaking the federal appellate and district courts, with highly qualified nominees who fulfill his campaign promise to pick "constitutional conservatives."

The White House announced its eighth batch of judicial nominees on Thursday, including four excellent choices for the Fifth Circuit Court of Appeals. They include a pair of Texans: Don Willett, who is now on the Texas Supreme Court and is well known for his witty Twitter feed; and James Ho, a Gibson, Dunn partner in Dallas who clerked for Justice Clarence Thomas and was Texas solicitor general.

The other two Fifth Circuit nominees have notable legal achievements to their credit. Stuart Duncan was solicitor general of Louisiana and general counsel for the Becket Fund for Religious Liberty. He was counsel of record in *Burwell v. Hobby Lobby Stores*, the landmark 2014 decision allowing closely held companies to be exempt from regulations they object to on religious grounds.

Kurt Engelhardt is chief judge for the federal district court for eastern Louisiana. In 2013 he wrote a withering 129-page opinion documenting misconduct by the Justice Department's Civil Rights Division and the U.S. Attorney in prosecuting New Orleans police. Prosecutors attempted to inflame the potential

His four latest nominees highlight his biggest political success.

jury pool against the officers with prejudicial public comments, including the use of a fake name on the website of the Times-Picayune. Justice appealed, but Judge Engelhardt was upheld by the Fifth Circuit he will join if he's confirmed.

The speed of the nominations and the quality of the nominees is a result of the close ties between White House judicial vetters and the Federalist Society that is a national clearinghouse for conservative legal talent. Judicial nominations are arguably the most successful part of the Trump Presidency.

By our count—and we may have missed a name or two—Mr. Trump has made 18 nominations to appellate courts, 39 to district courts and three to the U.S. Court of Federal Claims. The Senate has confirmed only four for the appellate courts as Democrats use every possible delaying tactic. They're even trying to disqualify Amy Coney Barrett, a nominee for the Seventh Circuit, because she's an "orthodox Catholic," as Senator Dick Durbin put it in a question at a Senate hearing.

With confirmation politics increasingly polarized, Mr. Trump and Republicans are wise to move quickly to take advantage of this moment of Senate and White House control. If Democrats take the Senate in 2018, Chuck Schumer will try to block the confirmation of any conservative nominee. Mr. Trump deserves more credit than he's getting for his judicial-nominating operation.

Arbitration Is Back at the Supreme Court

The Supreme Court is back in session this week, and so are the trial lawyers with repeated legal rebukes. On Monday the Justices will get a chance to reinforce their rulings when they hear challenges to an Obama National Labor Relations Board (NLRB) opinion that bars arbitration class-action waivers in employment contracts.

At issue is the NLRB's 2012 *D.R. Horton* decision that opened the door to labor class-action lawsuits. Three appellate courts differed over whether an NLRB interpretation of the National Labor Relations Act overrides the Federal Arbitration Act. (The cases are *NLRB v. Murphy Oil*, *Epic Systems v. Lewis*, and *Ernst & Young v. Morris*.)

The labor board held in *D.R. Horton* that arbitration class-action waivers violate Section 7 of the NLRA, which protects workers' ability "to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection." According to the NLRB, class actions constitute a "concerted activity" even though this section of the law doesn't mention litigation.

But the Supreme Court ruled in *AT&T Mobility v. Concepcion* (2011) that the Federal Arbitration Act makes arbitration agreements "valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." The Supreme Court has construed these exceptions narrowly to include violations of law and contract principles such as fraud.

Trial attorneys have time and again tried to convince the Supreme Court to strike down ar-

Obama's labor board ignored precedent to promote class actions.

bitation agreements that conflict with state laws. Yet the High Court has repeatedly ruled—notably in *Concepcion* and *DirecTV v. Imburgia (2015)*—that the FAA preempts state laws and court rulings that prejudice arbitration.

The Obama NLRB in *D.R. Horton* attempted to end-run the High Court's rulings by holding that arbitration class-action waivers in employment contracts conflict with federal labor law and therefore are invalid. But the Supreme Court held in *CompuCredit Corp. v. Greenwood* (2012) that a federal statute supersedes the FAA only when there is a "contrary congressional command." Yet the NLRA—enacted before the era of class-action torts—contains no such command.

Unions argue that mandatory arbitration requires workers to renounce their substantive rights under federal law, but class actions are a procedural mechanism. The NLRA doesn't confer a right to engage in collective litigation, and workers may pursue claims for violations of federal labor law in arbitration. Workers are more likely to vindicate their rights in arbitration where claims can be considered and resolved on an individual basis.

An eclectic coalition of Justices has upheld arbitration. Justice Stephen Breyer wrote the *DirecTV* 6-3 majority opinion while Justices Elena Kagan and Sonia Sotomayor concurred in *CompuCredit Corp.* Although Justice Clarence Thomas has held that the FAA doesn't apply to proceedings in state courts, none of the cases on Monday present a tension between federal and state law. What's really at stake is whether a federal agency can impair valid contracts and override federal law as well as Supreme Court precedent.

Obama's labor board ignored precedent to promote class actions.

high-risk homes (accounting for 30% of flood claims) still insured is 3,828 (Calif.), 1,899 (Texas), 2,060 (N.J.) and 917 (Fla.). From this information alone, Florida is not among the top beneficiaries of repeated flood claims.

LETTERS TO THE EDITOR

Doctors, Not Bureaucrats, Make Innovations

As men and women of science, we agree with Centers for Medicare & Medicaid Services Administrator Seema Verma ("Medicare and Medicaid Need Innovation," op-ed, Sept. 20) that Medicare could use a jolt of innovation. Physicians have long viewed innovation as a way of helping our patients.

Ms. Verma's vision is spot on when it comes to harnessing the work of innovators from across the country. Physicians believe the Center for Medicare & Medicaid Innovation (CMMI) has the potential to be an innovation lab by embracing transparent model design and evaluation.

When the CMS follows through on its outreach to the medical field, it will find that physicians have been focusing on how to better serve their patients. Small-scale testing will help develop the most promising ideas. Physicians are eager to highlight their ideas.

DAVID O. BARBE, M.D.
President
American Medical Association
Chicago

In no other market sector is the claim made that people paying cash (a fee) for goods or services results in cost inflation or lack of innovative competition.

Ms. Verma forgets to mention that physicians will not be paid unless agreeing to be gatekeepers loyal to corporate profit-driven cost-control outcomes. The scandal will be when profiteering payment schemes and the coercion of physicians into a gatekeeper role are legalized.

ROBERT W. GEIST, M.D.
North Oaks, Minn.

Perhaps Ms. Verma can explain why Medicare Advantage HMOs don't have to report actual patient outcomes for things like acute heart attacks, heart catheterizations and surgeries to bypass arterial blockages to the heart and brain. Every study published in the leading medical journals looks at the volume and outcome of such procedures and surgeries only in fee-for-service (FFS) Medicare. The results of Medicare HMO care are never available for review. So how can consumers make the "better" clinical decisions she desires?

Why has Medicare HMO care consistently been shown by the GAO and other CMS-funded analyses to cost billions more than comparable FFS care? Why have studies shown that

those Medicare enrollees with high cost and complex care exit Medicare HMOs for FFS practices? Why did it take the government so long to join the current whistleblower lawsuits that allege that Medicare HMOs have padded their diagnostic codes to up-code risk and rip off taxpayers for billions?

The Medicare and Medicaid managed-care lobbies have convinced everyone—except doctors and patients on the front lines—that insurance companies can do the harsh rationing necessary to balance the budget. They always want to start with capitated care so they can pit doctors against patients for a fixed sum of money.

BRANT S. MITTLER, M.D., J.D.
San Antonio, Texas

Would you buy a house or a car without knowing the complete price and condition of the item? CMS calls for innovation in the way we run both Medicare and Medicaid. How about leading with price transparency? Publish the mean and median for the top 100 services reimbursed by CMS.

Lehigh University
Lehigh, Pa.

The pioneering cardiovascular surgeon at the medical school I attended had less than average results because he had less than average surgical candidates who otherwise had little help or hope. In Ms. Verma's world he might have found work washing windows. She refers to practitioners as health-care providers, but the term health-care provider is an Orwellian disguise improvised by HMOs to have doctors build Model Ts, or else. No wonder so many are demoralized.

MICHAEL O'BRIEN, M.D.
Vero Beach, Fla.

We strongly endorse CMMI's approach in which "health-care providers . . . compete for patients in a free and dynamic market." In a market-based system that pays for value over volume, patients will receive better care; providers will be rewarded for doing the right things for their patients; purchasers will be paying for what works; and our businesses will no longer have to siphon money from investments in innovation and job creation to pay for rising health-care costs.

WILLIAM E. KRAMER
Pacific Business Group on Health
San Francisco

Florida Not Leader in Flood Insurance Claims

In "Let's Get Rational About Disaster Risk" (Business World, Sept. 16), Holman Jenkins claims that the value of Florida coastal property is inflated due to artificially low insurance costs, particularly for flood. Furthermore, he asserts that this status quo is maintained by politically influential Northeasterners with beach homes in Florida.

Surprisingly, page one of the same issue shows a figure under the caption "Repeated Claims Flood Insurance Program," which provides data that is incompatible with Mr. Jenkins's point of view. It shows the number of homes with severe repetitive losses due to flooding in five selected states between 1978 and 2015: Louisiana, Texas, New Jersey, New York and Florida. The number of

high-risk homes (accounting for 30% of flood claims) still insured is 3,828 (Calif.), 1,899 (Texas), 2,060 (N.J.) and 917 (Fla.). From this information alone, Florida is not among the top beneficiaries of repeated flood claims.

Now consider total flood insurance payments for those same selected states. Again, Florida trails the pack. This is particularly striking considering Florida has a relatively huge coastline of 1,350 miles, greater than the four other states combined. Relative to length of coastline, New York and New Jersey receive far more total compensation for floods than Florida. Perhaps the influential Northeasterners are subsidizing flood insurance far closer to home.

DERK BERGSMA
Port Charlotte, Fla.

The Excess of Lawyers Is a Burden on Society

Jonathan Adler's review of Benjamin H. Barton and Stephanos Bibas's "Rebooting Justice" ("Why We Need Fewer Lawyers," Bookshelf, Sept. 7) is a welcome and insightful analysis of a serious problem in America that needs to be corrected. The likelihood of that happening is very slim.

In 2014, the population of attorneys in the U.S. surpassed 450,000 and law schools add more than 34,000 new lawyers yearly. About 12% of them are government employed, including 59% of the Senate and 42% of the House in the 113th Congress who had law degrees. This is three times as many as any other common law nation. These attorneys significantly contribute to the ubiquitous, unclear and voluminous government regulations that guarantee a vast number of potential lawsuits and their potential income when they leave government. Trial lawyers are a major source of Democratic Party funding. Couple this with the inefficiency of the courts causing trials to be frequently delayed and to go on for years, the legal system has become a tremendous burden to Americans, especially the taxpaying middle class.

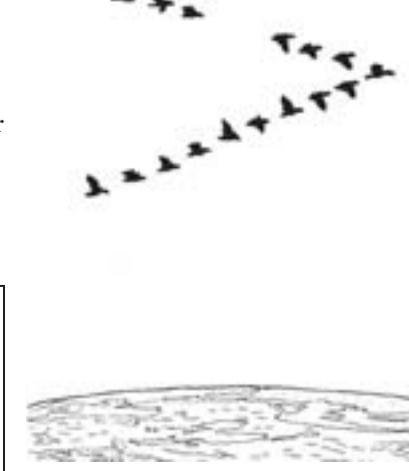
I was named in a medical malpractice suit. The plaintiff's medical ad-

vise documented I had no involvement in the client's poor outcome. Since there were multiple defendants, my attorney went to a high number of depositions and meetings over the next three years, being paid \$500 per hour. When it came to trial, as I predicted, the judge dismissed me from the case, "with prejudice," but my attorney made tens of thousands of dollars for attending meetings, knowing that I would be dismissed from the case when the trial started.

RYAN SEARLE, M.D., ABEM
Newburyport, Mass.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Harry's going to Uber this year."

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Campus Speech and Anti-Klan Laws

By Jay Weiser

A brawl broke out in an "Empathy Tent" at the University of California, Berkeley last week, marking the official start of college riot season. Last week Attorney General Jeff Sessions braved protesters at Georgetown Law Center, where he promised to intervene in campus free-speech cases and urged students and universities to "stand up against those who would silence free expression by violence or other means." The targets of suppression have ways to hold colleges and rioters to account using civil-rights statutes and common-law torts.

Administrators often "coddle" and "encourage" censorship, Mr. Sessions observed. That's nothing new. After the Civil War, white students at what is now Washington and Lee University in Virginia attacked blacks associated with the Freedmen's Bureau.

Have you been censored or shouted down? You may have legal recourse. Here's a handy guide.

The college president, Robert E. Lee, offered pieties and looked the other way. In response to similar incidents, Congress safeguarded civil rights with legislation known as anti-Ku Klux Klan acts.

Public universities are subject to the full sweep of the anti-KKK laws, as well as more recent civil-rights statutes. At San Francisco State University, Jewish students have filed suit under Section 1983 of the federal civil-rights law, alleging disruption of their events violates the First Amendment and the Equal Protection Clause of the 14th Amendment.

The First Amendment requires public universities to treat speech neutrally, regardless of the message. Administrators may not tell police to stand down in the face of a "heckler's veto."

In 2013 at New York's University at Buffalo, police let counterprotesters shut down a pro-life demonstration. This June the university settled, paying the plaintiffs' attorney fees and promising to refrain from viewpoint

discrimination in the future.

But universities are responsible only for taking reasonable precautions. A target of last semester's antispeech riots, Bret Weinstein, was mobbed and hounded out of Evergreen State College after refusing to comply with a college-sponsored "Day of Absence" in which white people were "asked" to stay off campus. While Mr. Weinstein claimed that Evergreen State violated his right of free speech, the college could have argued that it acted reasonably because violent antispeech protests were still novel and Mr. Weinstein was physically threatened in class only once. He and his wife, also an Evergreen professor, settled their claim for \$500,000 and an agreement to resign.

Public universities now have notice of their duty to provide security, which UC Berkeley and the University of Utah just fulfilled for conservative writer Ben Shapiro.

Private universities have no First Amendment obligation to provide a forum for speech. But many riots purport to attack white "supremacy" or "privilege," and if private universities act with deliberate indifference to racially motivated attacks, they may be liable to students or speakers. Colleges are subject to antidiscrimination statutes such as Section 1981, an anti-KKK act that would cover student and speaker contract rights. If they accept federal funding—and all but a handful do—they are also subject to Title VI of the Civil Rights Act of 1964.

Institutions are not the only prospective defendants. Campus rioters themselves may be liable under



Section 1985(3), which covers private conspiracies and targets those who, like masked Antifa attackers, go in disguise—"a common tactic also used by the detestable Ku Klux Klan," as Mr. Sessions noted. The statute applies most clearly to racially motivated physical attacks or efforts to exclude persons. Evergreen State is a classic case: After disrupting Mr. Weinstein's class, students detained the college president and apparently posted photos of themselves brandishing baseball bats on Facebook. Some faculty members demanded disciplinary action against Mr. Weinstein and later assembled with masked Antifa members who attacked counterprotesters.

Section 1985(3) may also apply to

racially motivated "no-platforming"—group intimidation to suppress speakers. Middlebury College demonstrators violently disrupted social scientist Charles Murray's talk, pursued him, and physically attacked a Middlebury professor, giving her a concussion. Even without violence, Section 1985(3) makes protesters liable for racially motivated conspiracies at public universities and perhaps private ones. In contrast to the usual American rule, prevailing plaintiffs under civil-rights statutes are eligible for attorneys' fees.

At both public and private universities, regardless of racial or religious motivation, state tort law allows people who are physically attacked, threatened or detained to bring civil lawsuits for damages. Businesses suffering property damage, such as the \$100,000 attributed to February's protests against Milo Yiannopoulos at Berkeley, can sue, too. Tort law can also make antispeech rioters liable for the loss of public-speaking contracts, as when DePaul University barred Mr. Shapiro because his appearances had been disrupted elsewhere.

While Section 1985(3) covers only conspiracies, state common law covers everyone who acts in concert to deprive victims of their rights, whether or not they conspired beforehand. Many college riots are planned in advance, but some participants just show up, like the Berkeley undergraduate who told Newsweek he wanted the safety of an anonymous mob. Liability for intentional torts is joint and several: Each member of the group is responsible for all damages caused by any member.

Unlike garden-variety street thugs, antispeech rioters often have substantial assets and potential earnings: 23% of Middlebury students come from households earning more than \$630,000 a year. Plaintiffs can subpoena colleges to expose the perpetrators, unsealing disciplinary information that would otherwise be confidential under the Family Educational Rights and Privacy Act. And although criminal convictions require a "beyond a reasonable doubt" standard, civil cases apply the easier "preponderance of the evidence" standard.

Nonviolent, nondisruptive protests are crucial to American civic life, and conspiracy and action-in-concert lawsuits cannot suppress protesters' right of free expression. In *NAACP v. Claiborne Hardware Co.* (1982), the U.S. Supreme Court struck down a conspiracy lawsuit by white merchants against a boycott. The justices held 8-0 that the defendants were merely exercising their First Amendment rights.

Students retain the right to advocate illegal acts, such as the demands for segregated facilities at several colleges. "Cultural appropriation" advocacy, which seeks to enforce Jim Crow-style identity etiquette, is also protected, including the Yale Halloween protests over whether blondes could costume themselves as Disney's Chinese heroine Mulan. But success in obtaining segregated facilities or cultural-appropriation penalties (such as Bowdoin College's reported sombrero sanctions) could result in Section 1985(3) liability for students and colleges. One civil-rights-era case held theater-company managers potentially liable for conspiring with the local sheriff to enforce segregation. Police could also be liable under a related statute, Section 1986, which imposes a duty on law-enforcement agents to prevent Section 1985(3) conspiracies.

Like homecoming, political intimidation is a college tradition. With many college administrators seemingly seeking an empty plinth for one of those Robert E. Lee statues coming down elsewhere, civil lawsuits may save free speech from becoming a lost cause.

Mr. Weiser is an associate professor of law at Baruch College.

The U.S. Can No Longer Afford Deficit-Increasing Tax Cuts

By Jason Furman

During the debt-ceiling crisis of 2011-12, I frequently heard from business leaders about the need for a grand bargain to raise revenue and cut spending in the manner proposed by the Simpson-Bowles fiscal commission. The tax-reform proposal announced by the White House and Republican leaders last week would do the opposite, adding trillions of dollars to the debt. If the business community still believes in fiscal responsibility, now would be the time to speak up.

Compared with 1981 and 2001, revenue is down and the debt is way up as a share of GDP.

The tax-reform effort started on a different track. The House Republicans' 2016 "Better Way" plan called for revenue-neutral tax reform that would bring down rates while closing loopholes and broadening the base. Senate Majority Leader Mitch McConnell said tax reform "will have to be revenue-neutral" so as not to add to the debt. The Business Roundtable has also stated that tax reform should "be achieved in a revenue-neutral manner." Though the Trump administration has been inconsistent in its public pronouncements, the president's budget proposed an even more fiscally

responsible stance, calling for revenue-neutral tax reform under so-called static scoring with any additional revenue generated by growth used for deficit reduction instead of offsetting even more tax cuts.

The wide consensus on the need for revenue-neutral reform reflected a recognition that the 1981 and 2001 model of tax cuts makes no sense in today's fiscal environment. Tax revenue as a percentage of gross domestic product is lower today than it was when Presidents Reagan and George W. Bush cut taxes. Moreover, the ratio of debt held by the public to GDP is now 77% and rising—more than twice the level of 1981 or 2001.

After much fanfare, Republican leaders have announced the latest iteration of their tax-reform plan. Even being generous and assuming the plan will include offsets that have never explicitly been proposed or defended, the cost would exceed the \$1.5 trillion in proposed cuts Senate Republicans are considering. That would balloon the debt to 98% of GDP in 10 years. It is as if I sent my children off to perform chores in exchange for a candy bar, but instead they discussed doing chores for six months, did none of them, asked for \$1.50, and tried to use it to buy five \$1.50 candy bars.

Defenders of large unpaid-for tax cuts argue that we cannot bring our deficit down without higher growth. Growth has been too low for too long and raising it should be a top priority, but no serious analyst has ever claimed that tax cuts generate enough growth to

A Growing Burden

Revenue and debt as a share of GDP at time of previous and proposed tax cuts

	1981	2001	2017
Revenue	19.1%	18.8%	17.3%
Debt	25.2%	31.4%	76.7%

Source: CBO THE WALL STREET JOURNAL

pay for themselves. Estimates by a wide range of economists and the nonpartisan scorekeepers at the Joint Committee on Taxation have found that the additional growth associated with well-designed tax reform may offset 20% to 30% of the gross cost of tax cuts—not counting dynamic feedback. It is simply illogical to claim that we will make progress on the deficit with a \$1.5 trillion tax cut even if the true cost of the tax cut after factoring in account growth is a mere \$1 trillion.

Moreover, the 20% to 30% offset

applies only to a well-designed tax reform. Reducing rates can help the economy, but sustained higher deficits hurt it. The net effects may be positive at first. Over time increased deficits will outweigh the benefits from rate reductions, resulting in lower growth and a smaller economy. The Penn-Wharton Budget Model, run by Kent Smetters, a respected economist who served in the George W. Bush administration, found that over two decades dynamic scoring would add to the cost of the Trump tax cuts.

In addition, Republicans are proposing to allow businesses to expense their investments—but only temporarily. The budget-reconciliation procedures will likely require the rest of the tax cuts to be temporary as well—hardly the reduction in uncertainty for which so many in the business community have been clamoring.

Another weak defense of deficit-increasing tax cuts is that Congress

can cut taxes by an additional \$450 billion without counting the cost because this would simply be replacing a set of temporary stimulus measures and low-priority tax breaks that it deliberately phased out just two years ago. Does anyone believe Congress will not come back and extend these tax cuts again even after crediting itself twice with the savings from ending them?

The economy needs a fiscal plan that combines an increase in revenues with entitlement reforms that protect the poor à la Simpson-Bowles. I do not expect such a plan anytime soon, but the business community could do us all a service by telling Congress not to make the problem worse.

Mr. Furman, a professor of practice at the Harvard Kennedy School, was chairman of the White House Council of Economic Advisors, 2013-17.

Close Calls for Big-League Leaders

By Fay Vincent

In my time as the commissioner of Major League Baseball, I often recalled Franklin D. Roosevelt's support for the continuation of professional baseball games after the U.S. entered World War II. In the aftermath of the 1989 San Francisco earthquake, I decided not to cancel the World Series—played between the Oakland Athletics and the San Francisco Giants—because I thought the games would demonstrate the community's resiliency. Sports are often an escape from daily life, but they don't exist in a vacuum. The idea that American sports can avoid becoming enmeshed in major events and the hot-button issues of the day is a myth.

Sports have always had a political dimension, and politicians have long tried to use them for parochial purposes. Similarly, sports leaders realize there are times when athletic competitions must take a back seat to current events. Commissioner Bud Selig canceled Major League games for a week after 9/11. Pete Rozelle, the National Football League commissioner when President Kennedy was assassinated, did not cancel the games on the weekend after the killing. He regretted the decision for the rest of his life. The art of determining when to step back and when not to requires the

ability to predict the public's reaction. Not all sports commissioners have that political acumen: I was roundly criticized for my decision not to cancel the World Series.

The often ignored aspect of this interplay between sports and public issues is the reality that the sports commissioners work for the owners

Sports have always had a political dimension, and commissioners often face difficult decisions.

of the teams. The economic dimensions of their decisions cannot be ignored. In 1989, I knew that if I was able to keep the World Series going, the owners would benefit handsomely. In 1963, Rozelle was influenced by the pressure not to hurt the team owners and others whose income would have been affected by a cancellation.

For any top executive in sports or elsewhere, the ability to make fine distinctions is vital—but even more important is the ability to sell the final decision. For instance, former Major League Baseball Commissioner Bart Giamatti carefully explained to the public why Pete Rose was being banished from baseball

for life. Sports decision makers seldom sell a tough decision as well as Giamatti did.

How should executives and other officials deal with the recent spate of protests at NFL games? There is an ancient legal maxim that the person who defines the issue can command the decision, but the NFL situation already has become a raucous mess. It cries out for a balanced and measured statement of governing principles by people who can command respect. Perhaps former Secretary of State Condoleezza Rice or James Baker.

In sports management, as in the political world, there is no skill more valuable than the ability to state what has to be decided. Even as private businessmen, professional sports commissioners must respond to public pressure and define what constitutes tolerable behavior on the part of the players. They must move quickly to explain that disrupting games or offending paying customers is out of bounds. After all, the ultimate authority is the customer, whose commercial support pays everyone's salaries.

Accommodation is possible when good leaders meet fuzzy protests with focused responses. Unfortunately, that hasn't happened yet.

Mr. Vincent was commissioner of Major League Baseball, 1989-92.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

DOW JONES

News Corp

EDITORIAL AND CORPORATE HEADQUARTERS:
1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES



I CAN SPOT TROUBLE FROM 18,600 MILES DOWN THE TRACK.

With IBM Cloud and Watson IoT, railway COOs can spot potential issues before they have a chance to cause a problem. By tracking data from thousands of sensors in real time, they can deliver a smoother customer experience—every mile along the way. Find out more at ibm.com/you
This is transportation to the power of IBM.

you^{IBM}



IBM®

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* *

THE WALL STREET JOURNAL.

Monday, October 2, 2017 | B1

Last Week: S&P 2519.36 ▲ 0.68% S&P FIN ▲ 1.51% S&P IT ▲ 0.99% DJ TRANS ▲ 2.16% WSJ\$IDX ▲ 0.90% LIBOR 3M 1.334 NIKKEI 20356.28 ▲ 0.29%

See more at WSJMarkets.com

Google Offers Hand to News Publishers

Search engine to end 'first click free' policy that upset industry; new subscription tools

By JACK NICAS

Google is rolling out a package of new policies and services to help news publishers increase subscriptions, a move likely to warm its icy relationship with some of the

biggest critics of its power over the internet.

Google said it will end this week its decade-old "first click free" policy that required news websites to give readers free access to articles from Google's search results. The policy upset publishers that require subscriptions, believing it undercut their efforts to get readers to pay for news.

Google, a unit of Alphabet Inc., said it also plans tools to

help increase subscriptions, including enabling users to log in with their Google passwords to simplify the subscription process and sharing user data with news organizations to better target potential subscribers.

With billions of people using its search, YouTube and other web properties, Google has an outsize influence on a wealth of industries and modern society. The Wall Street Journal reported Fri-

day that the company is investigating whether Russian-linked entities used its ads or services to sway opinion ahead of last year's U.S. presidential election, following similar moves by Facebook Inc. and Twitter Inc.

The new publisher rules are good news for the print industry, which has largely struggled to convert its business model to the internet as print advertising sales have plummeted in the digital age.

Google and Facebook dominate the internet ad industry, and news organizations are increasingly reliant on those two tech giants for web traffic. Google says it drives 10 billion clicks a month to publishers' sites.

Some newspapers even asked Congress this year to exempt them from antitrust laws so they could negotiate collectively with the tech giants.

Those challenges have

caused years of budget cuts and staff reductions at news organizations, which Google says led it to act.

"We really recognize the transition to digital for publishers hasn't been easy," Google Chief Business Officer Philipp Schindler said in an interview. He said a strong news industry boosts the utility of

Please see GOOGLE page B2

◆ S.I. Newhouse Jr., Condé Nast powerhouse, dies at 89..... B9

The Market's Hottest Videogame Isn't Even Finished Yet



SNEAK ATTACK: The industry was caught off guard by the success of Bluehole Studio's 'PlayerUnknown's Battlegrounds,' a multiplayer survival game that has raked in hundreds of millions of dollars in sales without even being a finished product. B4

Emerging Markets Have a Torrid Year, But Investors Wary

By CARMEN CUI

Emerging-market stocks are on pace for their best year since 2009, but more investors are seeking protection against a possible downturn.

Stocks in emerging markets rose 6.6% in the third quarter. That brings this year's gains to 25%, which—if the level holds—would be its best annual performance since a 75% return eight years ago. The MSCI Emerging Markets Index has yet to post any significant losses this year, a rare tranquility for an asset class that routinely experiences sharp selloffs.

The rally reflects faster earnings growth, a weaker dollar and easy global monetary policies that make riskier investments more attractive.

But as the gains pile up, many investors are taking steps to hedge themselves as they worry about a pullback.

Rising demand for this protection has pushed the cost of buying options against declines in the iShares MSCI

Emerging Markets exchange-traded fund to the highest level since January 2016, according to Trade Alert.

These investors have been buying options as a hedge against any downturn in emerging-market stocks, rather than exiting positions and giving up the ability to benefit from additional gains. Still, the higher cost of hedging reflects how investors are becoming concerned that the forces that have supported this year's rally may be giving way.

In August, China's factory output, retail sales and fixed-asset investment all slowed from the prior month, raising concerns that the world's second-largest economy might have cooled down again. In the U.S., rising business confidence, a recovery in economic growth and the onset of the Federal Reserve's balance-sheet reduction efforts all pointed toward higher U.S. interest rates, which could help stabilize or even strengthen the dollar.

INSIDE

WSJ Dollar Index



Source: WSJ Market Data Group

DOLLAR BREAKS LOSING STREAK, OTHER QUARTERLY HIGHLIGHTS

MARKETS REVIEW & OUTLOOK, B5-B8

How to Control a Self-Driving Car

Manufacturers wrestle with the challenge of safely meshing autopilot with driver

By TIM HIGGINS
AND MIKE COLIAS

This summer, Audi held an elaborate media event in Spain to celebrate a new sedan that would allow drivers to let go of the wheel and pedal while in traffic jams and pay attention to something else.

The driverless technology heralded a new era for mainstream auto makers in their pursuit to create fully autonomous vehicles. But the rollout by Volkswagen AG's luxury unit—with production for the U.S. originally planned to begin this year—is now uncertain, as the car

maker continues to wait for Congress to pass legislation paving the way for autonomous vehicles,

"It's not a matter of needing permission, it's more a matter of wanting to introduce the car when we know what the ground rules are," said Brad Stertz, Audi's director of government affairs, who acknowledged a shift in timing.

Audi's predicament reflects the challenge for auto makers as they plunge into an awkward phase of development years before fully driverless cars are ready: how exactly to pass control back and forth between

driver and machine.

Congress is still deliberating how to establish rules governing driverless cars, for now leaving it to a patchwork of state laws. Last week, senators said they reached a bipartisan deal on a draft of a bill that would help speed development, but the outcome is uncertain.

"This legislation proposes common sense changes in law to keep pace with advances in self-driving technology," Sen. John Thune, the Republican chairman of the Commerce Committee, said in a statement when announcing the deal.

Some developers, such as

Waymo, the driverless-car unit of Google parent Alphabet Inc., are planning to skip the interim step, convinced there isn't a reliable way to hand off the wheel.

Others are devising semi-autonomous vehicles that rely on humans when driving conditions exceed the computer's abilities.

General Motors Co. is marketing the new Cadillac CT6 sedan, due out this fall, which lets drivers go hands-free on the highway—but the car also features eye-tracking technology that forces the driver to look at the road or the robot pilot will disengage.

Please see CARS page B2

KEYWORDS | By Christopher Mims

Facebook's Impact Mystifies Users, and Possibly Facebook

It's a good time to re-examine our relationship with Facebook Inc.

Over the past month, it has been revealed that Facebook hosted a Russian influence operation that might have reached between three million and 20 million people on the social network, and that Facebook could be used to microtarget users with hate speech. It took the company more than two weeks to agree to share what it knows with Congress.

Increased scrutiny of Facebook is healthy. What went mainstream as a friendly place for loved ones to swap baby pictures and cat videos has morphed into an opaque and poorly understood metropolis rife with influence peddlers determined to manipulate what we know and how we think. We have barely begun to understand how the massive social network

shapes our world. Unfortunately, Facebook itself seems just as mystified, providing a response to all of this that has left many unsatisfied.

What the company's leaders seem unable to reckon with is that its troubles are inherent in the design of its flagship social network,

which prioritizes thrilling posts and ads over dull ones, and rewards cunning provocateurs over hapless users. No tweak to algorithms or processes can hope to fix a problem that seems enmeshed in the very fabric of Facebook.

On a network where article and video posts can be spon-

sored and distributed like ads, and ads themselves can go as viral as a wedding-fail video, there is hardly a difference between the two. And we now know that if an ad from one of Facebook's more than five million advertisers goes viral—by making us feel something, not just joy but also fear or outrage—it will cost less per impression to spread across Facebook.

Keeping people sharing and clicking is essential to Facebook's all-important metric, engagement, which is closely linked to how many ads the network can show us and how many of them we will interact with. Left unchecked, algorithms like Facebook's News Feed tend toward content that is intended to arouse our passions, regardless of source—or even veracity.

Will Facebook solve this problem on its own? The company has no immediate economic incentive to do so,

Please see MIMS page B4

which prioritizes thrilling posts and ads over dull ones, and rewards cunning provocateurs over hapless users. No tweak to algorithms or processes can hope to fix a problem that seems enmeshed in the very fabric of Facebook.

On a network where article and video posts can be spon-

STATE STREET
GLOBAL ADVISORS.
SPDR

BECAUSE _____ HAPPENS.

Gridlock in Congress can cause volatility. The SPDR S&P 500 ETF (SPY) is the only ETF with an average trading volume of 15 million shares per hour, for unmatched liquidity. Learn why it matters at spdrs.com/SPYliquidity

Source: Bloomberg Finance LP, average trading volume year to date as of 4/30/17.

ETFs trade like stocks, are subject to

investment risk, fluctuate in market

value and may trade at prices above

or below the ETFs net asset value.

ETF shares may not readily trade in

all market conditions.

Before investing, consider the funds' investment objectives, risks, charges and expenses.

To obtain a prospectus or summary prospectus, which contains this and other information, call 1.866.787.2257 or visit www.spdrs.com. Read it carefully.

SPY

Liquidity
Resiliency
Performance

and have been licensed for use by State Street Corporation. No financial product offered by State Street or its affiliates is sponsored, endorsed, sold or promoted by S&P, ALPS Distributors, Inc. (fund distributor); State Street Global Advisors Funds Distributors, LLC (marketing agent).

IBG-2396

Not FDIC Insured • No Bank Guarantee • May Lose Value

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	F
Activision Blizzard.....B4	Facebook.....B1
Adidas.....A1	Ford Motor.....B2
Advance Publications.....B9	G
Airbnb.....B3	Nestle.....B13
Alphabet.....B1,B2	News Corp.....B2
Altair BioScience.....B3	New York Times.....B2
Amazon.com.....A4	Norwegian Air Shuttle.....B13
Anhui Zotye Automobile.....B2	H
Apple.....B13	Ryanair Holdings.....B13
ASM Sports.....A12	S
B	Hershey.....B13
Barclays.....B13	Hormel Foods.....B13
Bluehole Studio.....B4	J
Brahman Capital.....A4	J.P. Morgan Chase.....B5
C	K
Chongqing Casin Enterprise Group....B12	Kase Capital Management.....A4
CHX Holdings.....B12	Kellogg.....B13
Citadel.....A4	L
Coca-Cola.....B13	Lyft.....B2
E	M
Electronic Arts.....B4	Mahindra & Mahindra.....B2
Eurostat.....A2	Microsoft.....B2,B4
Exchange Capital.....B12	Mondelez International.....B1
Expedia.....A4	YouTube.....B1

.....B13	N
General Mills.....B13	Nestle.....B13
General Motors....B1,B2	News Corp.....B2
GoldenTree Asset Management.....A4	New York Times.....B2
Google.....B1	Norwegian Air Shuttle.....B13
H	R
Hershey.....B13	Sonset Strategies.....B12
Hormel Foods.....B13	SpaceX.....B3
J	Steelcase.....B2
J.P. Morgan Chase.....B5	T
K	TOTE Maritime Puerto Rico.....A3
Kase Capital Management.....A4	Toyota Motor.....B2
Kellogg.....B13	Twitter.....B1
L	U
Lyft.....B2	Uber Technologies.....B2
M	W
Mahindra & Mahindra.....B2	Waymo.....B1
Microsoft.....B2,B4	Y
Mondelez International.....B1	YouTube.....B1

INDEX TO PEOPLE

B	P
Baker, Sean.....A13	Gray, C. Boyden.....B3
Benkler, Yochai.....B4	Griffin, Kenneth.....A4
H	Harris-Dawson, Marquece.....B3
Bhar, Robin.....B12	J
Blazer, Marty.....A1	Johnson, Brian.....B2
C	K
Cher.....B3	Kelley, David.....B2
Clayton, Jay.....B12	Kemery, Ebele.....B6
Cohen, Steven A.A4	Kerin, John.....B12
Curtis, Lisa.....A14	Kuflik, Mitchell.....A4
D	M
Dalio, Ray.....A4	Middleton, Fred.....B3
F	Musk, Elon.....B3
Flanagan, Troy.....B3	O
G	Olsen, Adam.....B12
Gingras, Richard.....B2	P
	Papas, Nick.....B3
S	S
	Schindler, Philipp.....B1
	Sitrick, Mike.....B3
	Sobel, Robert.....A4
	Soon-Shiong, Patrick.....B3
	Staley, Jes.....B13
T	T
	Thomas, Chas.....B12
	Thomson, Robert.....B2
	Throsby, Tim.....B13
	Thune, John.....B1
	Tilson, Whitney.....A4
W	Waldman, Adam.....B3
	Wilson, Kinsey.....B2
	Wong, Hing C.....B3

Uber CEO Heads for London

BY SAM SCHECHNER
AND WIKTOR SZARY

Uber Technologies Inc.'s new chief executive plans to meet Tuesday with London's top transport regulator to plead for a reversal of the city's decision to strip the ride-hailing company of its operating license.

The agency, Transport for London, recently cited what it called a lack of corporate responsibility as the reason for not renewing Uber's license to operate a private-hire car service in the city.

Uber plans to appeal the ruling in court.

But the San Francisco-based company is also turning on the charm. Chief Executive Dara Khosrowshahi, who took the reins at Uber in early September, plans at Tuesday's meeting with the agency's commissioner, Mike Brown, to ask about specific complaints and how the company could resolve them, an Uber spokeswoman said.

"We want to work with London to make things right," the spokeswoman said.

A spokesman for Transport for London confirmed it is arranging the meeting "following an approach from Uber."

Under Mr. Hackett, the company's leadership team set up several mini war rooms in conference spaces at Ford's Dearborn, Mich., headquarters, according to people familiar with the matter. Executives have huddled there to sketch out new concepts—often on sticky notes and sheets of paper stuck to the wall—in an effort to shake up the company's thinking on everything from its culture to branding.

"We expect Ford's next strategy to be more open to partnerships, new structures, new entities, and far greater

emphasis on all-electric" vehicles, a Morgan Stanley auto analyst, Adam Jonas, wrote in a recent research note. "We are not convinced investors are prepared for the required sacrifice to near-term profit."

Mr. Hackett is expected to show how Ford is streamlining its core business while pursuing futuristic ideas. The 114-year-old company survived the recession last decade far better than its Detroit competitors, but now feels growing pressure from tech companies and traditional rivals in the emerging era of self-driving cars and ride-sharing services.

Wall Street has yet to fully embrace Ford's leadership change at a time when U.S. car sales are softening. Ford's stock has risen 10% since Mr. Hackett took charge, but investors are still looking for a firmer strategic road map.

Under Mr. Hackett, the company's leadership team set up several mini war rooms in conference spaces at Ford's Dearborn, Mich., headquarters, according to people familiar with the matter. Executives have huddled there to sketch out new concepts—often on sticky notes and sheets of paper stuck to the wall—in an effort to shake up the company's thinking on everything from its culture to branding.

Mr. Hackett's hiring came after Ford's board grew concerned about how the company would maintain high profits while competing with tech firms such as Google parent **Alphabet** Inc. that are edging in on the car industry.

Associates say Mr. Hackett, a former CEO of Michigan-based **Steelcase** Inc., is likely to place big bets and push for

BUSINESS & FINANCE

Ford's Boss Gets Ready to Tinker

BY CHRISTINA ROGERS

DETROIT—**Ford Motor** Co.'s new boss spent the summer touring the auto maker's global operations, brainstorming with his executives on new business concepts and even paying a visit to an electric-car maker in Silicon Valley that his predecessor had considered buying.

Now, he is ready to start tinkering under the hood. Jim Hackett was promoted in May to chief executive after the board ousted then-CEO Mark Fields, amid concern about the company's strategy. After spending several months asking questions and strategizing, the 62-year-old former office-furniture executive is set to provide an update on Ford's progress at an investor meeting Tuesday.

Mr. Hackett is expected to show how Ford is streamlining its core business while pursuing futuristic ideas. The 114-year-old company survived the recession last decade far better than its Detroit competitors, but now feels growing pressure from tech companies and traditional rivals in the emerging era of self-driving cars and ride-sharing services.

Wall Street has yet to fully embrace Ford's leadership change at a time when U.S. car sales are softening. Ford's stock has risen 10% since Mr. Hackett took charge, but investors are still looking for a firmer strategic road map.

Under Mr. Hackett, the company's leadership team set up several mini war rooms in conference spaces at Ford's Dearborn, Mich., headquarters, according to people familiar with the matter. Executives have huddled there to sketch out new concepts—often on sticky notes and sheets of paper stuck to the wall—in an effort to shake up the company's thinking on everything from its culture to branding.

"We expect Ford's next strategy to be more open to partnerships, new structures, new entities, and far greater

emphasis on all-electric" vehicles, a Morgan Stanley auto analyst, Adam Jonas, wrote in a recent research note. "We are not convinced investors are prepared for the required sacrifice to near-term profit."

Other analysts say Mr. Hackett needs to rekindle Ford's competitiveness with certain peers and boost its profit margin. **General Motors** Co., for instance, has shown a greater willingness to make bold cost-cutting moves, including exiting its unprofitable European operations, while also focusing more sharply on future technologies.

Barclays analyst Brian Johnson said Mr. Hackett needs to take a "bold course of action" to revive interest on Wall Street. "In the past few years, Ford simply hasn't had a compelling narrative that investors could latch onto," Mr. Johnson wrote in a research note.

Mr. Hackett's hiring came after Ford's board grew concerned about how the company would maintain high profits while competing with tech firms such as Google parent **Alphabet** Inc. that are edging in on the car industry.

Associates say Mr. Hackett, a former CEO of Michigan-based **Steelcase** Inc., is likely to place big bets and push for

quick action.

This past week, Ford announced a deal with ride-hailing service **Lyft** Inc. to test its self-driving cars on Lyft's network and co-develop software to connect Ford vehicles with the San

Francisco-based company's app.

Ford also is studying a partnership with India's **Mahindra & Mahindra** Ltd. that could cover a swath of ideas,

from electric vehicles to connected-car services, and is pursuing a joint venture with China's **Anhui Zotye Automobile** Co. to form a new electric-car brand in the world's largest vehicle market.

Mr. Hackett also needs to address concerns dealers have had about the company shifting too much attention away from its current product portfolio.

The issue arose during Mr. Fields's tenure when he emphasized future projects such as car-sharing services with no

near-term profit potential for

At one point he walked into a planning meeting and declared that any furniture the company made that stood "below the belt line"—low filing cabinets, desks, etc.—should be put on wheels, said David Kelley, the founder of IDEO. That would allow office workers with laptops and cellphones, who no longer are tied to desks, to reconfigure their workspaces. "This was huge," Mr. Kelley said. "Everyone was thinking, 'How are we going to do this?'" But Steelcase figured a way, increasing its focus as a purveyor of open-plan workplaces.

Ford CEO Jim Hackett is likely to place big bets and push for quick action at the auto maker.

Francisco-based company's app.

Ford also is studying a partnership with India's **Mahindra & Mahindra** Ltd. that could cover a swath of ideas,

from electric vehicles to connected-car services, and is pursuing a joint venture with China's **Anhui Zotye Automobile** Co. to form a new electric-car brand in the world's largest vehicle market.

Mr. Hackett also needs to address concerns dealers have had about the company shifting too much attention away from its current product portfolio.

The issue arose during Mr. Fields's tenure when he emphasized future projects such as car-sharing services with no

near-term profit potential for

At one point he walked into a planning meeting and declared that any furniture the company made that stood "below the belt line"—low filing cabinets, desks, etc.—should be put on wheels, said David Kelley, the founder of IDEO. That would allow office workers with laptops and cellphones, who no longer are tied to desks, to reconfigure their workspaces. "This was huge," Mr. Kelley said. "Everyone was thinking, 'How are we going to do this?'" But Steelcase figured a way, increasing its focus as a purveyor of open-plan workplaces.

Ford CEO Jim Hackett is likely to place big bets and push for quick action at the auto maker.

Francisco-based company's app.

Ford also is studying a partnership with India's **Mahindra & Mahindra** Ltd. that could cover a swath of ideas,

from electric vehicles to connected-car services, and is pursuing a joint venture with China's **Anhui Zotye Automobile** Co. to form a new electric-car brand in the world's largest vehicle market.

Mr. Hackett also needs to address concerns dealers have had about the company shifting too much attention away from its current product portfolio.

The issue arose during Mr. Fields's tenure when he emphasized future projects such as car-sharing services with no

near-term profit potential for

At one point he walked into a planning meeting and declared that any furniture the company made that stood "below the belt line"—low filing cabinets, desks, etc.—should be put on wheels, said David Kelley, the founder of IDEO. That would allow office workers with laptops and cellphones, who no longer are tied to desks, to reconfigure their workspaces. "This was huge," Mr. Kelley said. "Everyone was thinking, 'How are we going to do this?'" But Steelcase figured a way, increasing its focus as a purveyor of open-plan workplaces.

Ford CEO Jim Hackett is likely to place big bets and push for quick action at the auto maker.

Francisco-based company's app.

Ford also is studying a partnership with India's **Mahindra & Mahindra** Ltd. that could cover a swath of ideas,

from electric vehicles to connected-car services, and is pursuing a joint venture with China's **Anhui Zotye Automobile** Co. to form a new electric-car brand in the world's largest vehicle market.

Mr. Hackett also needs to address concerns dealers have had about the company shifting too much attention away from its current product portfolio.

The issue arose during Mr. Fields's tenure when he emphasized future projects such as car-sharing services with no

near-term profit potential for

At one point he walked into a planning meeting and declared that any furniture the company made that stood "below the belt line"—low filing cabinets, desks, etc.—should be put on wheels, said David Kelley, the founder of IDEO. That would allow office workers with laptops and cellphones, who no longer are tied to desks, to reconfigure their workspaces. "This was huge," Mr. Kelley said. "Everyone was thinking, 'How are we going to do this?'" But Steelcase figured a way, increasing its focus as a purveyor of open-plan workplaces.

Ford CEO Jim Hackett is likely to place big bets and push for quick action at the auto maker.

Francisco-based company's app.

Ford also is studying a partnership with India's **Mahindra & Mahindra** Ltd. that could cover a swath of ideas,

from electric vehicles to connected-car services, and is pursuing a joint venture with China's **Anhui Zotye Automobile** Co. to form a new electric-car brand in the world's largest vehicle market.

Mr. Hackett also needs to address concerns dealers have had about the company shifting too much attention away from its current product portfolio.

The issue arose during Mr. Fields's tenure when he emphasized future projects such as car-sharing services with no

near-term profit potential for

At one point he walked into a planning meeting and declared that any furniture the company made that stood "below the belt line"—low filing cabinets, desks, etc.—should be put on wheels, said David Kelley, the founder of IDEO. That would allow office workers with laptops and cellphones, who no longer are tied to desks, to

BUSINESS NEWS

Pop Star Cher Sues Over Sale Of Stock

BY JOSEPH WALKER

Pop star Cher alleges she was duped into selling her shares in a small biotechnology company to billionaire entrepreneur Patrick Soon-Shiong "at a fraction" of their real value, according to a civil complaint filed in Los Angeles Superior Court on Friday.

The complaint says Cher sold her stake in privately held **Altor BioScience Corp.** for \$1.50 a share, or \$450,000, to Dr. Soon-Shiong in January 2016. Her lawsuit targets Altor, Dr. Soon-Shiong, Hing C. Wong, Altor's former chief executive, and Fred Middleton, its former vice chairman, accusing them of conspiring to conceal promising clinical trial data of the company's drugs, in an effort to help Dr. Soon-Shiong take control of the Miramar, Fla.-based company for a cheap price.

"The lawsuit has no merit and we intend to vigorously defend against it," Mike Sitrick, a spokesman for Dr. Soon-Shiong, said in an email. Mr. Sitrick declined to respond to specific questions regarding Cher's allegations, citing the litigation.

Mr. Wong denied that he or Altor concealed information from Cher or any other shareholders. "We did not hide any information," Mr. Wong said in an interview on Saturday. "There was never a question of Cher asking for information and the company not responding." Mr. Middleton also denied the allegations.

Cher's is the second lawsuit filed by Altor shareholders making similar allegations against Dr. Soon-Shiong and Messrs. Middleton and Wong. A June lawsuit filed by two Altor shareholders and former directors alleges that Dr. Soon-Shiong and Messrs. Middleton and Wong conspired to help Dr. Soon-Shiong acquire Altor at an "egregiously low ball" price. In court filings, the three men have denied the allegations.

Cher's lawsuit claims promising test data from Altor BioScience was kept from her.

Dr. Soon-Shiong was named Altor's chairman in April 2016, after his January 2016 purchase of stock from Cher and other minority shareholders, according to court records.

The June suit was filed by C. Boyden Gray, an ambassador to the European Union under President George W. Bush, and Adam Waldman, an attorney who has represented Cher in the past in an unrelated matter. Messrs. Gray and Waldman introduced Cher and other "high net worth investors" to Altor, according to an amended complaint filed by the men in July.

Musk Looks to Superfast Airliners

Proposed vehicle could take passengers anywhere around globe in less than hour

BY ANDY PASZTOR

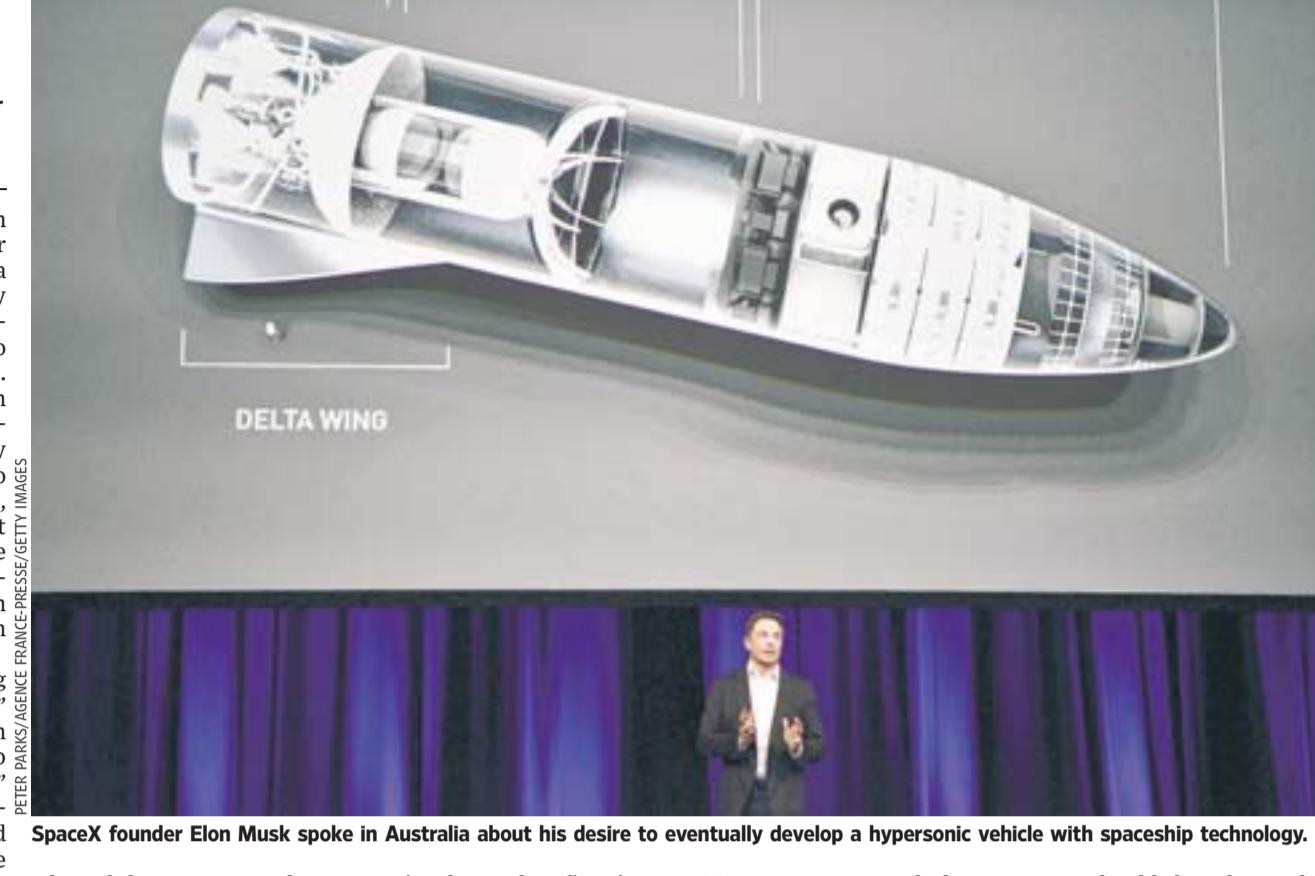
Renowned for seeking fresh challenges, **SpaceX** founder Elon Musk has revealed a vague hankering to eventually expand his pioneering space-transportation company into the superfast airliner business.

Capping off a presentation about proposed Mars exploration plans, Mr. Musk on Friday sketched out possible ways to use the proposed spacecraft, equipped with small wings at the rear and weighing more than 1,200 tons, to whisk passengers to any destination around the globe in less than an hour.

"If we're building this thing to go to the moon and Mars," he told a space conference in Australia, "then why not go to other places on earth as well."

The references lacked technical and financial details, and Mr. Musk never indicated he was committed to pursuing the notion. There was no mention of even a preliminary project timeline for the initiative by SpaceX, formally called Space Exploration Technologies Corp.

But his comments at a prominent venue—coupled with a futuristic animation video depicting rocket planes taking off and landing vertically from floating launchpads—marked the first time Mr. Musk has publicly talked at length about such possible uses for hypersonic vehicles



PETER PARKS/AGENCE FRANCE PRESSE/GETTY IMAGES

adapted from space exploration.

Intended to reach speeds around 18,000 miles an hour, the vehicles potentially could blast off, cruise outside the atmosphere and then rely on advanced maneuvers and cutting-edge heat shields to make pinpoint landings. Presumably, most of the propulsion, navigation and safety systems would be derived from versions intended to explore deep space.

Hypersonic technology—which encompasses anything

moving faster than five times the speed of sound—is increasingly being looked at for military and civilian applications world-wide. The Pentagon, for instance, is actively pursuing prototypes for planes and weapons that could travel from the U.S. to prospective battlefields in Asia or the Middle East in less than 30 or 40 minutes. China and Russia also are aggressively developing and testing their own prototypes.

For travel to Mars, SpaceX's vehicle would carry roughly

100 passengers and large amounts of cargo. For airline applications, it might be possible to accommodate a larger number of passengers, though Mr. Musk didn't elaborate.

"Once you are out of the atmosphere, you will go as smooth as silk" because there is no turbulence or weather, Mr. Musk said.

He didn't discuss potential ticket costs during his address.

After Friday's session, Mr. Musk indicated the cost for a potential hypersonic airliner

seat "should be about the same as full fare economy" in a conventional aircraft. "Forgot to mention that," he wrote on Instagram, the Huffington Post reported.

For decades, entrepreneurs, researchers and federal scientists have unsuccessfully sought to uncover the secrets of reducing temperatures during such speedy flights. Mr. Musk didn't delve into that issue or other technical hurdles that historically have blocked development of hypersonic airliners.

U.S. Hotel Industry Locks Horns With Airbnb

BY CHRIS KIRKHAM

Airbnb Inc. and the hotel industry have waged a shadow war in cities and states across the U.S. that are grappling with how to regulate the popular short-term rental market.

The stakes are high: Closely held Airbnb has a \$31 billion valuation, according to people familiar with the matter, and has more than doubled its world-wide listings over the past two years.

The industry stands to lose market share as Airbnb continues to grow. A **Morgan Stanley** report last year found that nearly half of Airbnb users surveyed had substituted Airbnb for a traditional hotel during their travels in the past year.

While many hotel executives have sought to play down the threat, the industry's lobbying group has sharpened its attack and developed campaigns with affordable housing advocates and other neighborhood groups. Meanwhile, Airbnb has organized residents who show up at hearings, where they stress how it provides supplemental income.

"As far as the resources going toward this issue, I've never seen anything quite like this," said Los Angeles City Councilman Marqueece Harris-Dawson.

Los Angeles is the latest battleground, with its city

Lobbying Efforts Focus on Initiatives In States, Cities

Airbnb spent at least \$1.5 million lobbying state governments across the U.S. including California, Florida and New York last year, up from roughly \$800,000 in 2015, according to data from the National Institute on Money in State Politics.

council expected to begin crafting regulations this fall that could limit the number of days Airbnb hosts can rent out homes. Mr. Harris-Dawson has been impressed with how Airbnb has organized hosts, who he said approach him at events to discuss rental rules.

AirbnbWatch is an example of a hotel industry-funded effort that doesn't look like one. Internal board meeting documents from the American Hotel & Lodging Association last year say the trade group "stood up" AirbnbWatch as a way of "gathering stories of short-term rental's harms" and "highlighting Airbnb's lack of transparency."

Another AHLA document from August, reviewed by The Wall Street Journal, outlines a strategy for the next year intended to create partnerships

Hotel industry associations, corporations and hotel unions spent at least \$2.8 million on state government lobbying last year, but industry officials point out the short-term rental issue is just one of many industry priorities.

Airbnb has also poured significant resources into lobbying cities that are considering new restrictions. Over the past year in Los Angeles, Airbnb has spent nearly \$1.9 million on lobbying there, compared with

about \$288,000 for a coalition of hotel industry groups, labor unions and other groups.

Airbnb's growth has slowed over the last year as some major markets have tackled short-term rentals, and its big spending has had mixed results. In 2015, the company successfully lobbied against a voter initiative in San Francisco that would have restricted short-term rentals, outspending opponents 16 to one.

city and state government with professional lobbyists.

On its website, AirbnbWatch advertises itself as a project of American Family Voices, a communications firm that wants to "fill gaps in the progressive movement."

Mike Lux, a former Clinton administration staffer who is president of the group, said he has often opposed the hotel industry on wage and workplace issues, but "on this particular issue, they obviously are in alignment."

Troy Flanagan, vice president of state and local government affairs for the American Hotel & Lodging Association, said its relationships with local advocates are "partnerships in a coalition setting," while Airbnb's approach is to flood

A Penn State spokeswoman said an investigation concluded he was "in compliance with university policy." Mr. O'Neill said the research was presented at a hospitality academic conference this year.

The group similarly targeted a professor at Florida International University who was considering a grant from the hotel association to study safety issues in short-term rental properties. Mike Hampton, dean of FIU's hospitality school, said the university decided not to pursue the study because of disagreements about the grant contract, but he viewed the group's campaign as "an intimidation process" to "stall or stop the study."

Scott Peterson, the executive director of Checks and Balances Project, didn't respond to requests for comment, but his site acknowledges it accepts funding from Airbnb.

Airbnb spokesman Nick Papas said the company has "absolutely been public" about its support of Checks and Balances and efforts to "expose secret relationships between academics and the big hotel industry."

He added that the platform's approach is through lobbying and campaign expenditures, as opposed to funding pseudo-grassroots efforts that can't be tracked through public records.

—Greg Bensinger contributed to this article.

MEET THE SECURITY TEAM OF THE FUTURE

Our machines have traveled over 100,000 miles autonomously and are already making an impact on crime across the United States.

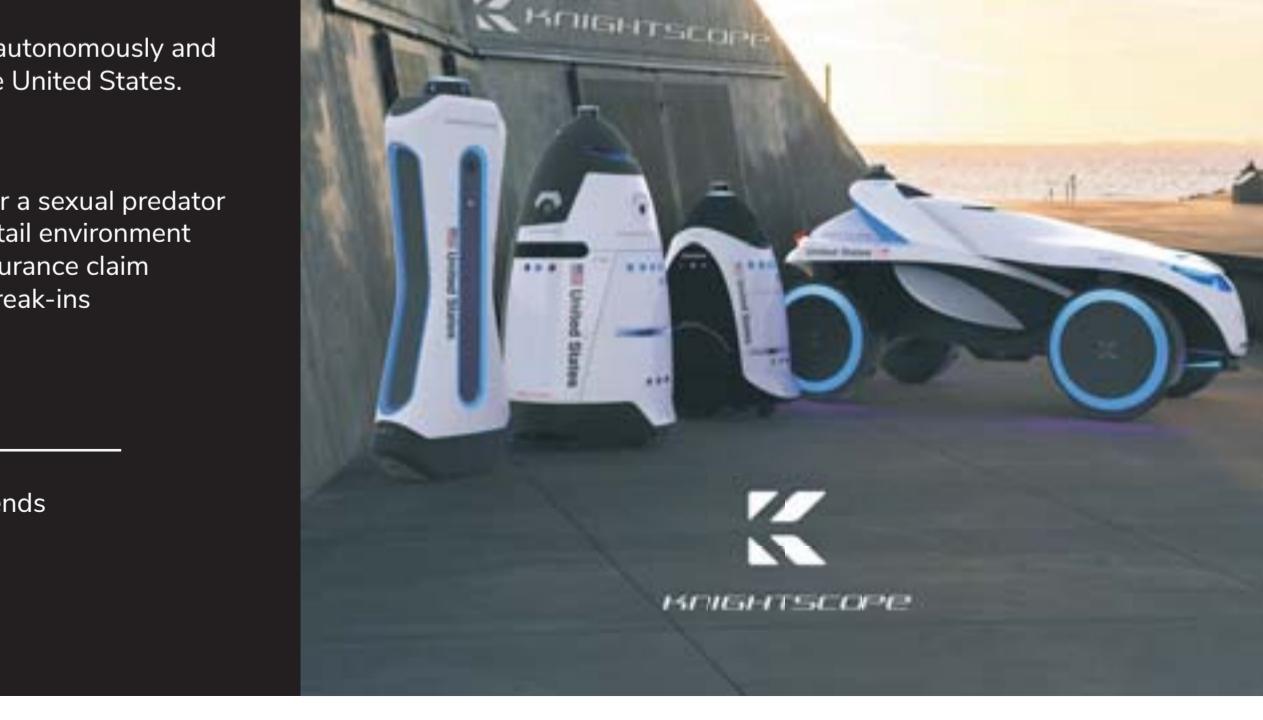
We've assisted:

- law enforcement in issuing an arrest warrant for a sexual predator
- a security officer in apprehending a thief in a retail environment
- a real estate owner in stopping a fraudulent insurance claim
- a healthcare organization in deterring vehicle break-ins
- a corporation in tracking down a vandal

How Can We Help You?

Don't miss out. Your opportunity ends
OCTOBER 10TH

Visit knightscope.com TODAY



TECHNOLOGY

WSJ.com/Tech

An Upstart Upends Videogame Market

'Battlegrounds' proves a hit, and it isn't even a finished product yet; Xbox One still to come

BY SARAH E. NEEDLEMAN

The hottest videogame right now spends no money on marketing, has raked in hundreds of millions of dollars in sales and isn't fully developed.

"PlayerUnknown's Battlegrounds"—or "PUBG," as fans call it—caught the videogame industry off guard this year with its twist on the shooter genre. Rather than rack up the highest kill count, 100 players parachute onto an island with nothing and do whatever it takes (hiding included) to be the last one alive.

It resembles "The Hunger Games," and players are snapping up the \$30 game. More than 13 million copies have sold world-wide since March, according to its publisher, Bluehole Studio Inc., a privately held company in South Korea.

That puts "Battlegrounds" in a league with blockbusters such as Electronic Arts Inc.'s "Star Wars Battlefront" and Activision Blizzard Inc.'s "Overwatch."

The rise of "Battlegrounds"



'PlayerUnknown's Battlegrounds' from Bluehole Studio has raked in millions of dollars in sales without any marketing expenses.

since the release of "Battlegrounds" release. On Sept. 12, Epic Games Inc. added a battle royale mode to its exploration game "Fortnite" and mentioned "Battlegrounds" in its marketing, prompting criticism from Bluehole. Epic and Bluehole declined to comment.

"Battlegrounds" came up several times in conversations at Goldman Sachs Group Inc.'s telecom and media conference in New York in September, according to Strauss Zelnick, chief executive of Take-Two Interactive Software Inc., publishers of the Grand Theft Auto franchise. Take-Two pays close attention to its rivals, he said.

"Battlegrounds" was the second-most-watched game as of August this year on Twitch, Amazon.com Inc.'s video-streaming service, behind Tencent Holdings Ltd.'s "League of Legends." That is a strong indicator of buying interest, analysts say.

Because "Battlegrounds" was released as an early-access game on Valve Corp.'s Steam service, players expect significant changes and glitches. They haven't minded: On Sept. 16, "Battlegrounds" reached a record 1.3 million concurrent players on Steam, putting it ahead of established games such as "Grand Theft Auto V."

from a constant work in progress to the buzziest title of the year challenges the conventions of how modern blockbuster videogames are made.

An early version was created in a year for less than \$5 million by a team of 40 developers and sold at a discount since March on a site for "early access" games that aren't polished. The only marketing came from players on live-streaming sites such as YouTube.

A tentpole game from a big publisher, meanwhile, often takes hundreds of employees years to make and can cost tens of millions of dollars if not more, plus additional spending for marketing.

"Battlegrounds," available for personal computers, is to be launched on Microsoft Corp.'s Xbox One consoles later this year. Big publishers should take heed, industry watchers said. Bluehole "effectively disrupted the market,"

Benchmark Co. analyst Mike Hickey said. The game's success shows developers don't need deep pockets to create a blockbuster, he said.

Last year, Bluehole recruited Brendan Greene, an acclaimed "modder" who tinkers with the open-source code of popular games, to create "Battlegrounds" despite his lack of formal industry experience. He says "Battlegrounds" is likely here to stay.

"If this was a flash in the

pan, a month or two into it we would've seen [player] numbers drop," said Mr. Greene.

For much of his childhood in Ireland, Mr. Greene lived on an army base where his father served as an officer. "I did obstacles courses and played war games with friends," an inspiration for "Battlegrounds," the 41-year-old said.

Games where a scrum of players fight to be the lone survivor, a genre known as battle royale, are heating up

Mark Zuckerberg recently said his company will do more to combat illegal and abusive misuse of the Facebook platform. The primary mechanism for vetting political and other ads will be "an even higher standard of transparency," he said, achieved by, among other things, making all ads on the site viewable by everyone, where in the past they could be seen only by their target audience.

"Beyond pushing back against threats, we will also create more services to protect our community while engaging in political discourse," Mr. Zuckerberg wrote.

This move is a good start, but it excuses Facebook from its responsibility to be the primary reviewer of all advertising it is paid to run.

Why are we, the users, responsible for vetting ads on Facebook?

By default, most media firms vet the ads they run and refuse ones that might be offensive or illegal, says Scott Galloway, entrepreneur, professor of marketing at NYU Stern School of Business and author of "The Four," a book criticizing the outsized growth and influence of Amazon, Apple, Facebook and Google.

Mr. Zuckerberg acknowledged in a recent Facebook

post that the majority of advertising purchased on Facebook will continue to be bought "without the advertiser ever speaking to anyone at Facebook." His argument for this policy: "We don't check what people say before they say it, and frankly, I don't think our society should want us to."

This is false equivalence. Society might not want Facebook to read over everything typed by our friends and family before they share it. But many people would feel it's reasonable for Facebook to review all of the content it gets paid (tens of billions of dollars) to publish and pro-

mote.

"Facebook has embraced the healthy gross margins and influence of a media firm but is allergic to the responsibilities of a media firm," Mr. Galloway says.

Mr. Zuckerberg has said it would hire 250 more humans to review ads and content posted to Facebook.

For Facebook, a company with over \$14 billion in free cash flow in the past year, to say it is adding 250 people to its safety and security efforts is "pisssing in the ocean," Mr. Galloway says. "They could add 25,000 people, spend \$1 billion on AI technologies to help those 25,000 employees

sort, filter and ID questionable content and advertisers, and their cash flow would decline 10% to 20%."

Of course, mobilizing a massive team of ad monitors could subject Facebook to exponentially more accusations of bias from all sides. For every blatant instance of abuse, there are hundreds of cases that fall into gray areas.

The whole situation has Facebook between a rock and a hard place. But it needs to do more, or else risk further damaging its brand and reputation, two things of paramount importance to a service that depends on the trust of its users.

MIMS

Continued from page B1
says Yochai Benkler, a professor at Harvard Law School and co-director of the Berkman Klein Center for Internet and Society.

"Facebook has become so central to how people communicate, and it has so much market power, that it's essentially immune to market signals," Dr. Benkler says. The only thing that will force the company to change, he adds, is the brewing threat to its reputation.

Facebook Chief Executive

Critical Data
Connect to the markets in real time with a redesigned data center.

Find It Easier
Search is always right at your fingertips.

Save and Share
Easily share stories or save them for offline reading.

Easier Navigation
A cleaner navigation bar gets you where you want to go faster.

What's News
A streamlined What's News feed brings you the day's top stories.

Upwardly Mobile

Introducing the new WSJ iPhone app for iOS. With an enhanced data center, easier navigation, save and share functionality and more, the new WSJ app keeps you moving.

DOWNLOAD NOW

Download on the App Store GET IT ON Google Play

THE WALL STREET JOURNAL.
Read ambitiously

MARKETS REVIEW & OUTLOOK

Third Quarter



Rates Drive Bank Stocks

S&P financials end period at highest level since crisis but still trail broader market

BY TELIS DEMOS
AND DAVID REILLY

Interest rates whipsawed bank stocks in the third quarter and are likely to be the dominant force for shares through the end of the year, despite investor optimism around a tax-code overhaul.

The S&P financials closed the quarter at a post-financial-crisis high, bringing their year-to-date rise to about 11%. But that fell short of the S&P 500's gain of 12.5%.

The performance reflected that banks stocks, after surging in the wake of last November's election, have struggled at times this year to maintain their momentum.

In late August and early September, for example, bank stocks tumbled. That mirrored a drop in the yield of the 10-year Treasury, which fell to 2.04% from 2.39% in July, amid mounting hurricane concerns and rising geopolitical tensions.

As hurricane damage proved to be less than the most dire projections, the yield reversed course and climbed to 2.33% by the end of the month. Bank

stocks rose along with it.

After dropping about 5% between early August and early September, J.P. Morgan Chase & Co. bounced back by nearly 8%. The bank, the biggest in the U.S. by assets and market value, ended the quarter at a record close of \$95.51 a share.

The Trump administration's unveiling of a tax-overhaul plan near the end of September gave bank stocks an added fillip.

The tax "proposal is a tailwind for the sector," said Jason Benowitz, senior portfolio manager at Roosevelt Investment Group, a New York-based asset manager with \$3 billion under advisement. "The banking sector depends on economic growth, and to the extent we get tax reform that flows through to better growth, that supports the stocks."

Clarity on tax policy could also spur merger activity. "So we could see a pickup in activity that would support the advisory business of the banks," Mr. Benowitz added.

Still, bank stocks remain tethered to interest rates; lending and trading conditions might also prove short-term drags on their performance.

Some analysts have ratcheted back their expectations for banks' growth over the rest of the year. Nomura Instinet said last week that it lowered its third-quarter forecasts for big banks.

Executives at the biggest firms have already signaled that trading revenue for the third quarter is likely to decline from 15% to 20% versus a year earlier.

And Federal Reserve loan data also point toward softening loan growth, particularly in U.S. banks' commercial and industrial lending, which was down 0.1% from the beginning of the quarter through Sept. 20, according to analysts at Jefferies. Several analysts also noted possible declines due to Hurricanes Harvey and Irma.

Analysts also aren't yet giving any credit for the tax proposal, even if it holds the promise of quickly boosting banks' bottom lines.

"Some difficult special interest battles are ahead, suggesting Congress's true timeline for passage is longer than their currently stated goal of passage by year-end," wrote analysts at Morgan Stanley in a note last week.

The result is that banks may be even more dependent on what is happening with interest rates. On that front, bankers expect further, gradual rises, rather than any abrupt upward lurch that could disrupt markets.

"Any sort of planning starts with the environment and...the key word is measured," said Citigroup Inc. Chief Financial Officer John

Gerspach, speaking to analysts in September. "It's not that we're talking about crazy increases in interest rates."

Yet plans by the Federal Reserve to begin whittling down its balance sheet have cast uncertainty over how long-term yields will behave. More immediately, short-term yields have risen at a faster pace than long-term ones as the Fed has increased its benchmark rate.

That has led to a flattening of the yield curve, which can weigh on bank profits. Banks typically generate higher profits when there is a bigger difference between short-term rates, which more closely track how much it costs for banks to gather deposits, and long-term rates, which track how much banks earn when they lend out money to home buyers or corporations.

The difference, or spread, between yields on the two-year and 10-year Treasurys is one proxy for this. Wells Fargo & Co. Chief Executive Tim Sloan told analysts in September that the rate of the bank's growth in the second half of the year will depend in part on "the level and slope of the yield curve."

Unfortunately for banks, the spread remains low; it was under 1 percentage point throughout the third quarter, although it did tick up a bit toward the end of September.

0.7%

The dollar's gain in September against basket of currencies

ing rates.

At the close of its September meeting, the Fed penciled in one more rate raise for 2017 and three for next year. Markets now forecast a 78% chance of another U.S. rate increase this year, up from about 34% a month ago, according to CME Group data.

Expectations that rates will rise typically support the value of the dollar by making U.S. assets more attractive to yield-seeking investors.

"We're back in the mode where the U.S. is going to go outperform," Mr. Bechtel said.

BY CHELSEY DULANEY

After a bruising year, the strong-dollar trade is staging a comeback heading into the final stretch of 2017.

The dollar edged up about 0.7% against a basket of major peers tracked by The Wall Street Journal in September, snapping a six-month losing streak that had been the currency's longest in a decade. The currency's dramatic slide this year—driven by investor concerns about the U.S. economic and political outlook—confounded a broad consensus that the dollar would strengthen heading into 2017.

Now, signs that the Federal Reserve will maintain a steady pace of U.S. interest-rate increases, along with Republicans introducing plans for a tax overhaul, are leading investors to re-evaluate bets built up against the dollar in recent months.

"It was really hard to justify the speed with which the dollar had weakened this year," said Daniel Katzive, head of foreign-exchange strategy for North America at BNP Paribas.

Even with September's recovery, the dollar remains down 7.1% for the year and on Friday notched its third consecutive quarter of declines. Yet the recent rebound gives some investors hope for a resurgence. BNP is forecasting that the dollar will gain more than 2% against

both the Japanese yen and euro by year-end.

"We've seen a big shift in momentum," said Brad Bechtel, a managing director in foreign-exchange trading at Jefferies Group.

One factor boosting the dollar: Federal Reserve officials have signaled they will continue to tighten monetary policy, easing worries among investors that weak inflation would prevent the central bank from rais-

ing rates.

At the close of its September meeting, the Fed penciled in one more rate raise for 2017 and three for next year. Markets now forecast a 78% chance of another U.S. rate increase this year, up from about 34% a month ago, according to CME Group data.

Expectations that rates will rise typically support the value of the dollar by making U.S. assets more attractive to yield-seeking investors.

"We're back in the mode where the U.S. is going to go outperform," Mr. Bechtel said.

Republicans have released their plans for a sweeping tax overhaul, helping to revive hopes that the Trump administration will enact an agenda that could boost U.S. growth and accelerate U.S. interest-rate increases.

Some analysts say any rebound in the dollar will be short-lived. Hedge funds and other speculative investors are holding a net \$17.9 billion in bets against the dollar, the highest level in five years, according to data from the Commodity Futures Trading Commission.

"The big picture is that the dollar rally has still topped out," said Mr. Katzive, who expects the dollar to resume its slide next year. "Once we get closer to the end of the year, it will be time to think about the down-sides for the dollar."

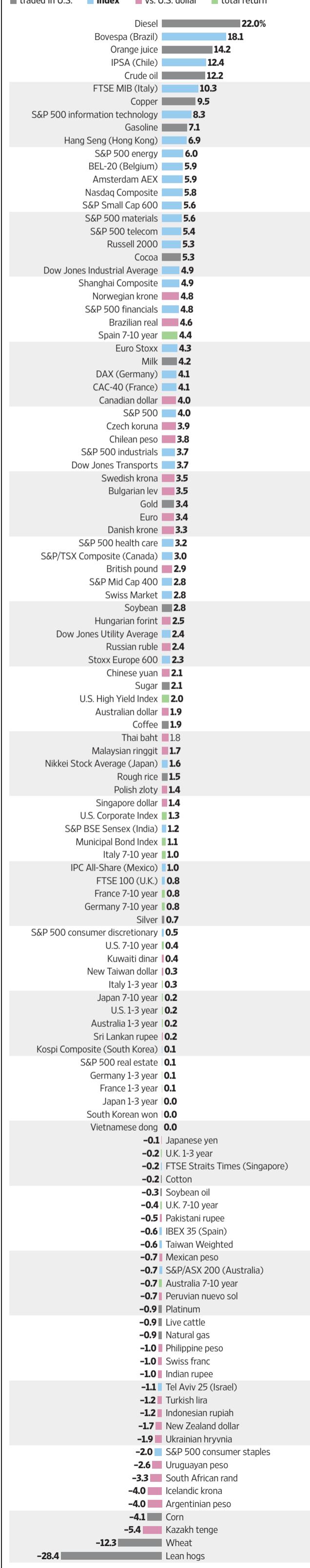
Chris Gaffney, president of EverBank World Markets, said the currency faces several threats. Continued weak U.S. inflation could stymie the Fed's plans for raising rates, while tensions between the U.S. and North Korea could favor currencies such as the Japanese yen and Swiss franc over the dollar.

NEXT WEEK

The Investing in Funds & ETFs quarterly report will be published on Oct. 9.

Third Quarter Winners & Losers

Frozen concentrated orange juice futures soared partly because of hurricane-related disruptions, while crude oil rose as investors regained faith that the global oil glut would ease.



*Continuing most-active contract

Sources: FactSet (indexes, commodities); Tullett Prebon (currencies); Bloomberg Barclays (bonds)

THE WALL STREET JOURNAL

MARKETS REVIEW & OUTLOOK | THIRD QUARTER

Bitcoin Sets Record in a Wild Quarter

Digital currency finishes up near 70% during quarter while coin offerings boomed

BY PAUL VIGNA

Bitcoin more than doubled in price, then plunged by one-third in what was a hectic three-month period even by the virtual currency's Wild West standards.

Bitcoin surged to an intraday record of \$5,014 on Sept. 2, about twice the price on July 1 and 158% above its intraday low for the quarter, set July 16, according to news and research site CoinDesk. Sept. 2, a Saturday, also marked the top of a furious yearlong rally, as bitcoin would then slide more than \$2,000 before finishing Friday at \$4,182, up 67% over the three-month period.

During the quarter, new crowdfunding vehicles backed by bitcoin and the newer Ethereum currency drove en-

thusiasm, as did growth in investor interest in Japan and South Korea. But new restrictions on bitcoin trading in China drove prices down in September.

Trading was lively not just for the original cryptocurrency but for hundreds of smaller tokens as well.

The early-September highs marked the turning point. While bitcoin trades 24 hours a day, seven days a week, The Wall Street Journal's market-data group also measures a once-a-day closing price weekdays at 5 p.m. Eastern time. By that count, bitcoin peaked on Sept. 2 at \$5,014. Bitcoin traded as low as \$1,837 on Sunday, July 16, before closing the next day at \$1,939.

In all, the virtual currency spanned a range of \$3,100 in less than two months, a volatile quarter that followed a calmer period in 2016.

The entire cryptocurrency market—a burgeoning cluster of more than 1,000 digital currencies and token-like "alt-coins"—rose to a total market

value of \$177 billion during the quarter, according to website coinmarketcap, driven by the almost manic boom in the new-age crowdfunding vehicles called initial coin offerings, or ICOs.

For the crypto sector in total, there were more than 105 offerings that closed in the quarter, raising a record \$1.32 billion, according to research firm Token Report. Ethereum, the second largest digital currency by total dollar value, and the basis for many of the initial coin offerings, ended Friday at \$294, up 3.1% for the quarter after surging more than 30-fold during the first half of the year.

The coin-offering phenomenon has created vast wealth for hundreds of startups, many of which don't even have working products. It also has produced its share of risky investments and outright scams.

That combination of promise and peril compelled the U.S. Securities and Exchange Commission to declare July 25 that some coin offerings

Another Crazy Ride

Bitcoin price



Source: CoinDesk

at the time. The record lasted for less than a month. Another startup called Filecoin raised \$257 million in August.

The most chaotic developments, though, came out of China. On Sept. 4, China declared that coin offerings were illegal and ordered them to "cease immediately."

Chinese businesses had raised about \$400 million via coin offerings in the first half of the year, and the move basically shut down the burgeoning business overnight. The country went a step further. Without formally announcing it, the government essentially shut down digital-currency exchanges in the nation, a huge blow for bitcoin in once vibrant Chinese markets.

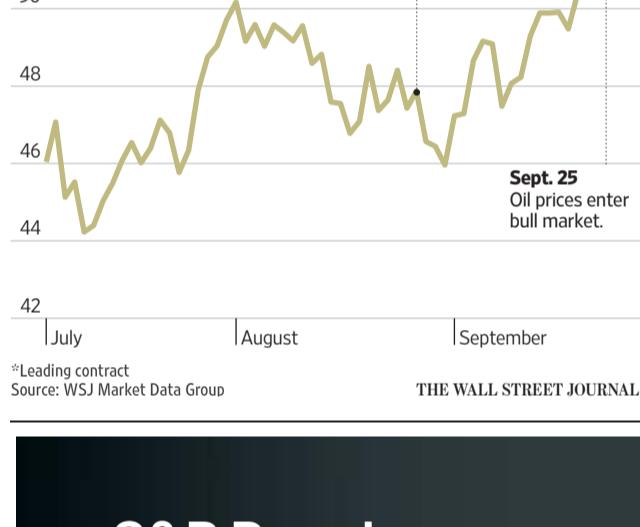
While China was trying to slow down the bandwagon, celebrities were jumping on it. First, boxer Floyd Mayweather promoted two coin offerings through his social media accounts. Socialite Paris Hilton did the same. Oscar-winning actor Jamie Foxx added his name to yet another.

Strong Demand Drives Oil Prices to Bounce Back

Oil's Comeback

Strong demand and signs of slowing U.S. production helped oil prices rebound in the third quarter.

Nymex crude-oil price*



*Leading contract

Source: WSJ Market Data Group

BY ALISON SIDER
AND AMRITH RAMKUMAR

Oil investors got a reprieve from falling oil prices in the third quarter, thanks to unexpectedly strong demand for crude and signs of ebbing U.S. production.

West Texas Intermediate, the U.S. crude benchmark, ended the quarter 12.2% higher, snapping a two-quarter losing streak and marking the biggest quarterly gain since the second quarter of 2016. U.S. crude futures re-entered a bull market in September and are up nearly 21.5% from the lows in June. A gain of 20% or more signals the start of a bull market.

Demand was a bright spot, even amid worries that damage from major hurricanes in

the southern U.S. would crimp consumption. The International Energy Agency raised its forecast for demand growth for next year. At the end of March, global fuel demand was just 1.3% higher than the previous year, according to J.P. Morgan Asset Management.

By the end of July, demand grew by 3.2% from the previous year—the biggest year-over-year increase since 2010.

"Everyone was concerned that global demand for oil was weakening. As we've moved through the year, it's actually strengthening again," said Rob Thummel, managing director at Tortoise Capital Advisors.

There also were signs U.S. output hasn't increased as quickly as some expected, as producers contended with ris-

ing costs, slowing oil-field activity. That boosted sentiment for oil investors, who had earlier feared output from shale producers would cancel out the impact of cuts by members of the Organization of the Petroleum Exporting Countries and other producers.

The number of rigs drilling oil wells in the U.S. fell by six during the quarter, compared with an increase of 94 rigs during the second quarter.

"The entire first quarter and into the second, shale was the dominant factor," said Ebele Kemery, head of energy investing at J.P. Morgan Asset Management. Now, "we've seen the trajectory of U.S. shale production growth slow."

The U.S. Energy Information Administration's monthly

figures show U.S. output has increased but hasn't been as high recently as preliminary weekly data had indicated.

Some remain skeptical the rebound in oil prices will continue. The rig count could begin to rise again if prices stay above \$50, analysts said.

One reason is producers are looking to take advantage of the recent rally to lock in higher prices, analysts said. Beyond that, OPEC's compliance with its deal has been high in recent months, and the group has discussed extending its production cuts further into 2018. But the cartel has yet to commit to such a move.

"I don't think we're on some fast track" to higher prices, said John Saucer, vice president of research and analysis at Mobius Risk Group.

U.S. Bond Yields Increase as Inflation Shows Signs of Life

BY DANIEL KRUGER

Bond investors are starting to believe in inflation again.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.328% Friday and posted its first quarterly gain of the year, buoyed by an uptick in consumer prices that lent support to some policy makers' insistence that inflation will soon make a long-anticipated return to the central bank's 2% target.

Yields soared into the end of 2016 as investors bet that Trump administration policies would spark a surge of growth and inflation. The reflation trade petered out, however, after inflation remained tepid and the administration's legislative agenda stalled, with the 10-year yield posting declines in each of this year's prior quarters.

Now, investors are beginning to revive some post-election wagers. A rebound in consumer prices and the prospect of tax cuts spurred bond selling in recent weeks, with the 10-year yield falling just twice in the past 15 sessions.

"It's a hopeful sign of better things to come for the economy," said Thomas Roth, managing director in the rates trading group at MUFG Securities Americas Inc.

The 10-year government yield has spent the past six months locked in a range near 2.25% as the economy has maintained a slow and steady pace and as consumer prices showed few signs of gathering momentum. In September, it hit its lowest close since the election, 2.061%, as investors sought the safety of government debt as tension escalated between the U.S. and North Korea and investors worried about recent hurricanes.

The yield rebounded later in the month, however, after the Fed's decision to push ahead with an aggressive schedule for rate increases, penciling in one more this year and three for 2018. And while some analysts still harbor doubts about the prospects for the passage

Edging Higher

The yield on the 10-year Treasury note posted its first quarterly gain of 2017, while the two-year yield continued to climb.



Source: Ryan ALM

of tax overhaul, or other elements of the Trump administration's agenda, several said they are starting to anticipate more stimulative fiscal policy.

The Fed's persistent advocacy for a brisk pace of rate increases has helped drive up yields on two-year Treasuries, which are more reactive to expectations for Fed policy, to their highest level since November 2008, before the nadir of the financial crisis. And as the Fed has raised rates, it also has succeeded in boosting inflation expectations, even as the failure of higher prices to materialize remains, in Fed Chairwoman Janet Yellen's words, a "mystery."

Fed-funds futures, which investors use to bet on central-bank policy, late Friday showed the chances that the Fed will boost rates for a third time this year at 78%, up from 34% a month ago, according to the CME Group.

Those expectations were key to the climb in yields, as prices for oil stabilized and the dollar continued its slide, boosting prices for commodi-

ties and making imports more expensive. Inflation is one of the biggest threats to the value of long-term government bonds because it erodes the purchasing power of their fixed payments.

Yields in the government-bond market indicate that investors are now forecasting inflation will average 1.8% during the next five years, approaching the 2% level reached in the wake of the election.

Some analysts suggest that the Republican tax proposal could present investors with an opportunity to revisit the reflation trade. But the difficult policy makers have had in producing gains in wages and prices, even as the unemployment rate has fallen to 4.4%—below the level at which the Fed expects it to produce inflation—makes some investors skeptical.

"Even if you get decent growth, the assumption that it will lead to inflation is something that you have to question now," said Krishna Memani, chief investment officer at OppenheimerFunds Inc.

S&P Dow Jones Indices

A Division of S&P Global



S&PDJ I can factor in more

Fine-tune your portfolio by combining factor indices that enhance returns and manage risk. S&P DJI provides tools so you can dial your exposures up or down and mix factors with systematic precision. Set your own levels and factor in more.

indexology®
syncs up factors
spdj.com/indexology

© S&P Dow Jones Indices LLC, a division of S&P Global 2017. All rights reserved. S&P® and Indexology® are registered trademarks of Standard & Poor's Financial Services LLC. Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. It is not possible to invest directly in an index. S&P Dow Jones Indices LLC receives compensation for licensing its indices to third parties. S&P Dow Jones Indices LLC does not make investment recommendations and does not endorse, sponsor, promote or sell any investment product or fund.

MARKETS REVIEW & OUTLOOK | THIRD QUARTER

Most Sectors Share in Broad Rally

Technology in the third quarter preserved its place as the stock market's best-performing sector in 2017. Energy stocks, still down this year, staged a rebound as oil prices stabilized. Of 11 sectors, only consumer staples declined for the quarter.

30%

Performance, year to date



Third-quarter performance

Category	Technology	Energy	Materials	Telecom	Financials
Technology	8.3%	-1.0	-1.0	-1.0	-1.0
Energy	6.0	8.0	-1.0	-1.0	-1.0
Materials	5.5	-1.0	8.0	-1.0	-1.0
Telecom	5.4	-1.0	-1.0	8.0	-1.0
Financials	4.8	-1.0	-1.0	-1.0	8.0
S&P 500	4.0	-1.0	-1.0	-1.0	4.8
Industrials	3.7	-1.0	-1.0	-1.0	4.0
Health care	3.2	-1.0	-1.0	-1.0	3.7
Utilities	2.0	-1.0	-1.0	-1.0	3.2
Consumer disc.	0.5	-1.0	-1.0	-1.0	2.0
Real estate	0.1	-1.0	-1.0	-1.0	0.5
Consumer staples	-2.0	-1.0	-1.0	-1.0	0.1

Industrials

Boeing Co. led the sector, and a takeover deal for airplane-parts maker Rockwell Collins Inc. boosted the group.

Health care

Strong gains in biotech lent a boost, though the group faded into quarter-end as big stocks including Regeneron Pharmaceuticals Inc. stumbled.

Utilities

A jump in rates in September ate into gains as utilities' dividends can look less attractive when rates rise.

Consumer discretionary

The sector ended up slightly. But that result masked some big movers in retail, such as Gap Inc., up 34%, and Foot Locker Inc., down 29%.

Real estate

Shares trended higher for much of the summer, but a September jump in bond yields left the rate-sensitive sector flat.

Consumer Staples

It was a rough quarter for these companies, especially food-products makers. J.M. Smucker Co. and Campbell Soup Co. each lost more than 10%.

Technology

Technology shares continued to top the market. Even after brief hiccups in September, shares of microchip companies fared best.

Energy

A drumbeat of positive oil data in September helped U.S. crude return to bull-market territory and lifted many stocks in the sector.

Materials

Specialty chemical company Albemarle Corp. was the top performer in one of the market's smallest groups.

Telecom

The tiny telecom sector seesawed but the two big names in the group, Verizon Communications Inc. and AT&T Inc., ended in the green.

Financials

Financial stocks tracked bond-market yields, suffering in August and rising in September. T. Rowe Price Group led the pack.

Source: FactSet

Reporting by Chris Dieterich, Ben Eisen and Erik Holm; Graphic by Peter Santilli/THE WALL STREET JOURNAL.

\$4.95

Online U.S. Equity Trades

Fidelity cut the price of trades
to give you even more value.

Online U.S. Equity Trades

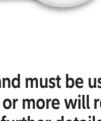
	FIDELITY	TD AMERITRADE	SCHWAB	E*TRADE
Online U.S. equity [†] and option trades	\$4.95	\$6.95	\$4.95	\$6.95
Online options (per contract rate)	\$0.65	\$0.75	\$0.65	\$0.75
Lowest margin rates ^{††}	4.25%	6.50%	6.00%	5.75%
Leader in displaying price improvement on trades	Yes	No	No	No
Barron's Best Online Broker in 2016 & 2017 [‡]	Yes	No	No	No

Table compares pricing for retail investors.

OPEN AN ACCOUNT GET 500 FREE TRADES[§]

Visit Fidelity.com/AlwaysBe or call 800.Fidelity

Where smarter investors will always be.



Fidelity
INVESTMENTS

*Sell orders are subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal). Trades are limited to online domestic equities and options and must be used within two years. Options trades are limited to 20 contracts per trade. Offer valid for new and existing Fidelity customers opening or adding net new assets to an eligible Fidelity IRA or brokerage account. Accounts receiving \$100,000 or more will receive 500 free trades. Account balance of \$100,000 must be maintained for at least nine months; otherwise, normal commission schedule rates may be retroactively applied to any free trade executions. See Fidelity.com/ATP500free for further details. Fidelity reserves the right to modify these terms and conditions or terminate this offer at any time. Other terms and conditions, or eligibility criteria may apply.

†\$4.95 commission applies to online U.S. equity trades in a Fidelity retail account only for Fidelity Brokerage Services LLC retail clients. Certain accounts may require a minimum opening balance of \$2,500. Sell orders are subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal). Other conditions may apply. Employee equity compensation transactions and accounts managed by advisors or intermediaries through Fidelity Clearing & Custody SolutionsSM are subject to separate commission schedules. See Fidelity.com/commissions for details.

‡Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read *Characteristics and Risks of Standardized Options*, and call 800-544-5115 to be approved for options trading. Supporting documentation for any claims, if applicable, will be furnished upon request.

There is an Options Regulatory Fee from \$0.04 to \$0.06 per contract, which applies to both option buy and sell transactions. The fee is subject to change.

^{††}4.25% rate available for debit balances over \$1,000,000. Fidelity's current Base Margin Rate, effective since 6/16/2017, is 7.325%.

Among listed competitors, Fidelity is the only broker to display price improvement. Price improvement details provided for certain domestic stock and single-leg option orders entered during market hours after the primary opening, provided there is a National Best Bid and Offer (NBBO) at the time the order is placed. Price improvement details are provided for informational purposes only and are not used for regulatory reporting purposes. See Fidelity.com for more details.

Commission comparison is based on published website commission schedules for retail accounts, as of 03/13/2017, for E*Trade, Schwab, and TD Ameritrade for online U.S. equity trades. For E*Trade: \$6.95 per trade for 0 to 29 trades per quarter and \$4.95 per trade for 30 or more trades per quarter. For TD Ameritrade: \$6.95 per market or limit order trade for an unlimited amount of shares. For Schwab: \$4.95 for up to 999,999 shares per trade, though orders of 10,000 or more shares or greater than \$500,000 may be eligible for special pricing. Employee equity compensation transactions and accounts managed by advisors or intermediaries through Fidelity Clearing & Custody SolutionsSM are subject to different commission schedules. Commissions are subject to change without notice. See each provider's website for any additional information and restrictions.

[‡]Barron's, March 20, 2017 and March 19, 2016 Online Broker Surveys. 2017: Fidelity was evaluated against 15 others and earned the top overall score of 35.6 out of a possible 40. The firm was also named best online broker for Long-Term Investing (shared with 2 others), Best for Novices (shared with 1 other), and Best for Investor Education (shared with 2 others). Fidelity was also ranked 1st in the following categories: Trading Experience & Technology (shared with 2 others), Mobile (shared with 1 other), Research Amenities, and Portfolio Analysis and Reports (shared with 2 others). 2016: Fidelity was evaluated against 15 others and earned the top overall score of 34.9 out of a possible 40.0. Fidelity was also named Best Online Broker for Long-Term Investing (shared with one other), Best for Novices (shared with one other), and Best for In-Person Service (shared with four others), and was ranked first in the following categories: trading technology; range of offerings (tied with one other firm); and customer service, education, and security. Overall ranking for both years based on unweighted ratings in the following categories: trading experience & technology; usability; mobile; range of offerings; research amenities; portfolio analysis and reports; customer service, education, and security; and costs.

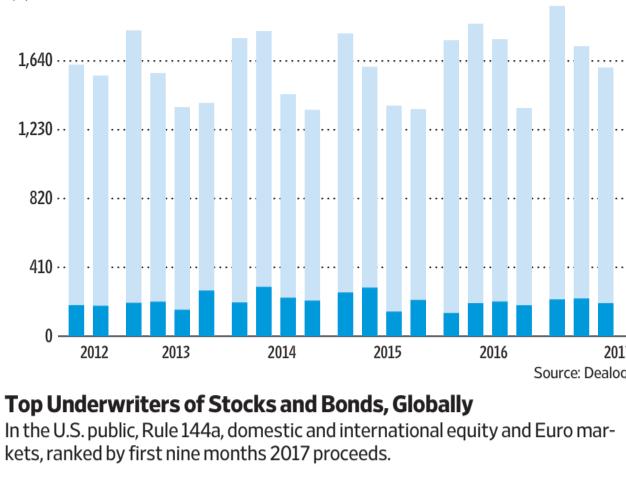
Fidelity Brokerage Services LLC, Member NYSE, SIPC. © 2017 FMR LLC. All rights reserved. 791958.60

MARKETS REVIEW & OUTLOOK: THIRD QUARTER MARKETS DIGEST

Scoreboard of Wall Street Underwriting:

First Nine Months

Quarterly Volume of New Global Stocks and Bonds, in billions



Top Underwriters of Stocks and Bonds, Globally

In the U.S. public, Rule 144a, domestic and international equity and Euro markets, ranked by first nine months 2017 proceeds.

	First 9 Months 2017			First 9 Months 2016		
	Proceeds (\$billions)	Market share (%)	No. of Issues	Proceeds (\$billions)	Market share (%)	Rank
Citi	416.8	7.0	2,037	359.5	6.1	2
J.P. Morgan	396.7	6.7	1,965	408.9	6.9	1
BofA-Merrill Lynch	384.5	6.5	1,633	337.2	5.7	3
Goldman Sachs	305.6	5.2	1,377	278.7	4.7	5
Morgan Stanley	281.7	4.7	1,619	249.2	4.2	6
Barclays	263.9	4.4	1,204	294.1	5.0	4
Deutsche Bank	222.2	3.7	1,072	236.7	4.0	7
HSBC	217.7	3.7	1,043	231.6	3.9	8
Wells Fargo Sec	181.5	3.1	1,287	201.6	3.4	9
BNP Paribas	166.8	2.8	714	143.7	2.4	11
Total 10 Totals	2,837.4	47.8	8,108	2,741.0	46.2	
Industry Total	5,938.6	100.0	21,236	5,936.2	100.0	

Global Initial Public Offerings

Underwriters of global IPOs by global issuers, first nine months.

Manager	Amount Mkt Share (%)		(\$Millions)		Manager	(\$Millions)		
	(\$billions)	2017	2016	(\$billions)	2017	2016		
Citi	7,933.3	6.1	4.7	2,326.3	2,015.8	J.P. Morgan	1,935.6	1,403.0
J.P. Morgan	7,818.6	6.0	6.1	1,455.0	1,150.0	Credit Suisse	1,099.0	5.5
BofA-Merrill Lynch	3,090.5	13.2	16.1	1,882.4	1,658.0	Morgan Stanley	6,560.4	5.1
Morgan Stanley	6,560.4	5.1	5.8	1,822.0	1,387.5	Deutsche Bank	5,071.6	3.9
Deutsche Bank	5,071.6	3.9	4.5	1,714.1	1,409.6	Goldman Sachs	4,759.0	3.7
Goldman Sachs	4,759.0	3.7	4.7	1,245.0	1,046.7	Barclays	4,160.5	3.2
UBS	4,160.5	3.2	2.7	1,193.1	944.9	Credit Suisse	6,899.0	3.9
BofA-Merrill Lynch	3,616.5	2.8	3.4	1,085.4	1,051.2	Deutsche Bank	67.34	3.7
Barclays	2,496.1	1.9	1.7	823.8	785.5	Morgan Stanley	65.57	3.6
GF Securities Co Ltd	2,237.3	1.7	0.9	731.9	690.6	HSBC	41.17	3.6
Total 10 Totals	51,752.2	39.8	37.0	14,759.5	12,392.9	Credit Suisse	35.46	3.1
Industry Total	129,891.7	100.0	100.0	30,881.4	27,381.6	RBC Capital Markets	35.46	3.1

Syndicated Loans

Largest lead arrangers of syndicated loans in the U.S., first nine months.

Manager	Amount Mkt Share (%)		(\$billions)		Manager	Amount Mkt Share (%)		
	(\$billions)	2017	2016	(\$billions)	2017	2016		
BofA-Merrill Lynch	268.41	14.8	16.4	137.30	12.0	J.P. Morgan	4.91	8.2
J.P. Morgan	239.05	13.2	16.1	133.87	11.7	Citigroup	98.06	8.6
Citi	156.61	8.6	9.0	117.37	10.3	Goldman Sachs	95.96	8.4
Wells Fargo Sec	150.33	8.3	9.4	98.06	8.6	Morgan Stanley	87.33	4.8
Barclays	94.07	5.2	4.4	67.82	5.9	Deutsche Bank	67.34	3.7
Goldman Sachs	87.33	4.8	2.9	56.93	5.0	HSBC	41.17	3.6
Credit Suisse	69.99	3.9	3.3	46.45	4.1	RBC Capital Markets	55.59	3.1
Deutsche Bank	67.34	3.7	4.2	41.17	3.6	Credit Suisse	12.80	6.5
Morgan Stanley	65.57	3.6	2.3	35.46	3.1	Barclays	2.60	4.4
RBC Capital Markets	55.59	3.1	2.5	2.66	4.5	Credit Suisse	1.96	4.1
Total 10 Totals	1,254.30	69.1	70.7	830.39	72.6	Deutsche Bank	1.33	2.2
Industry Total	1,814.51	100.0	100.0	1,144.25	100.0	RBC Capital Markets	1.33	2.1

High-Yield Bonds

Top underwriters of corporate high-yield debt in U.S. markets, first nine months.

Manager	Amount Mkt Share (%)		(\$billions)		Manager	Amount Mkt Share (%)		
	(\$billions)	2017	2016	(\$billions)	2017	2016		
J.P. Morgan	22.11	11.2	9.5	4.91	8.2	J.P. Morgan	4.22	7.1
BofA-Merrill Lynch	18.45	9.4	9.5	4.22	7.1	Goldman Sachs	15.0	6.0
Goldman Sachs	18.05	9.2	9.5	3.83	6.4	Morgan Stanley	3.57	6.0
Barclays	15.61	7.9	9.4	3.57	6.0	Citigroup	3.32	5.6
Citi	14.68	7.5	8.6	2.66	4.5	Deutsche Bank	2.66	4.1
Wells Fargo Sec	12.80	6.5	5.2	2.60	4.4	HSBC	1.96	3.3
Credit Suisse	12.26	6.2	7.0	1.96	3.3	RBC Capital Markets	1.33	2.1
RBC Capital Markets	10.58	5.4	4.1	2.22	4.9	Morgan Stanley	10.14	5.2
Morgan Stanley	10.14	5.2	4.9	1.12	2.2	Deutsche Bank	9.60	4.9
Deutsche Bank	9.60	4.9	9.0	1.12	2.3	Credit Suisse	144.29	73.3
Total 10 Totals	144.29	73.3	76.7	29.75	49.8	Deutsche Bank	196.82	100.0
Industry Total	196.82	100.0	100.0	59.73	100.0	RBC Capital Markets	59.73	100.0

Ranking by Revenue

Includes fees from stock, bond and loan underwriting, merger-and-acquisition advice, first nine months.

|--|

MEDIA & MARKETING

Tycoon Who Built Condé Nast Into an Empire Dies at 89

By JEFFREY A. TRACHTENBERG

Samuel Irving Newhouse Jr., the publishing magnate whose passion for art, photography and popular culture transformed Condé Nast into one of the world's most distinguished magazine companies, died Sunday at age 89, according to a spokesman for the family.

He died at home following a long illness.

Mr. Newhouse, known as Si, was chairman emeritus of closely held **Advance Publications** Inc. Together with his brother, Donald, he oversaw a vast media company with investments in newspapers, magazines, cable and assorted digital properties.

Those who worked for Si Newhouse described him as an introverted but rigorous businessman whose zest for magazines reshaped the publishing landscape. Although he had command of even the smallest details, he gave top staffers the freedom to make their own editorial decisions.

Otherwise, Mr. Newhouse was very much hands-on. "He was a brilliant kingmaker who knew how to pick winners, be it editors or publishers," said Tom Florio, a former senior publishing executive at Condé Nast.

Top Condé Nast editors that Mr. Newhouse handpicked included Tina Brown, who edited *Vanity Fair* and then the *New Yorker*; *Vanity Fair*'s exiting editor Graydon Carter; David Remnick, who succeeded Ms. Brown as editor of the *New Yorker*; and Anna Wintour, editor of *Vogue*.

Advance was founded by Mr. Newhouse's father, Samuel I. Newhouse, a successful newspaper investor who bought Condé Nast in 1959. Si Newhouse, his oldest son, was named Condé Nast's chairman 16 years later.

As a magazine executive, Si Newhouse quickly made his mark. Condé Nast launched Self magazine in 1979 and snapped up GQ. Mr. Newhouse later bought Gourmet, relaunched *Vanity Fair* and acquired the *New Yorker*, Bon Appétit, Architectural Digest, Wired, Fairchild Publications, Golf Digest and Modern Bride.

Mr. Newhouse is survived by his wife, Victoria Newhouse, two children, and his brother, Donald.



Mr. Newhouse, seen in 2006.

majority owner of social news site Reddit Inc.

The Newhouse family said in a statement: "Today is a day of emotion, of genuine loss, for our family and for Si Newhouse's extended family at Condé Nast. Si loved Condé Nast. He was proud to publish the finest magazines in the world and to offer exceptional content on every digital platform."

Condé Nast Chief Executive Bob Sauerberg added: "Si Newhouse created the Condé Nast we know today. His entrepreneurial spirit energized the company. In the past decade, even as he was gradually stepping away from day-to-day management, his final gift to Condé Nast was to encourage its transition from a publisher of print magazines to a far more varied, digital enterprise."

Advance was founded by Mr. Newhouse's father, Samuel I. Newhouse, a successful newspaper investor who bought Condé Nast in 1959. Si Newhouse, his oldest son, was named Condé Nast's chairman 16 years later.

As a magazine executive, Si Newhouse quickly made his mark. Condé Nast launched Self magazine in 1979 and snapped up GQ. Mr. Newhouse later bought Gourmet, relaunched *Vanity Fair* and acquired the *New Yorker*, Bon Appétit, Architectural Digest, Wired, Fairchild Publications, Golf Digest and Modern Bride.

Mr. Newhouse is survived by his wife, Victoria Newhouse, two children, and his brother, Donald.

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on September 29, and year-to-date stock performance of the company

KEY: B: beneficial owner of more than 10% of a security class C: chairman CEO: chief executive officer CFO: chief financial officer CO: chief operating officer D: director DO: director and beneficial owner GC: general counsel H: officer, director and beneficial owner I: indirect transaction filed through a trust; insider spouse, minor child or other O: officer OD: officer and director P: president UT: unknown VP: vice president Excludes pure options transactions

Bigest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range (\$ in transaction	\$ Value (000s)	Close (\$)	Ytd (%)
Buyers									
Sept. 15-19	Sysco	SYF	J. Frank N. Peltz	DI DI	890 890	53.55-54.06 53.55-54.06	47,753 47,753	53.95 53.95	-2.6 -2.6
Sept. 15-19	Pulse Biosciences	PLSE	R. Duggan	B	2,000	15.02	30,040	18.61	186.3
Sept. 22	Tiffany & Co	TIF	F. Trapani R. Farah R. Farah R. Singer	DI D D D	25 5 5 1	89.34 89.37 88.24 88.13	2,234 490 399 88	91.78 18.5 18.5 88	18.5 18.5 18.5 18.5
Sept. 25-26	Revlon	REV	R. Perelman	DOI	107	20.03-21.45	2,196	24.55	-15.8
Sept. 26	Mercer International	MERC		BI	125	11.40	1,425	11.85	11.3
Sept. 26	RH	RH	G. Friedman	CEO	14	71.64	1,000	70.32	129.1
Sept. 21	L Brands	LB	A. Tessler	DI	20	37.00	740	41.61	-36.8
Sept. 5-12	Apollo Endosurgery	APEN	R. Anderson M. Crawford	DOI DOI	176 176	3.85-4.04 3.85-4.04	685 685	4.68 4.68	-61.5 -61.5
Sept. 27	Campbell Soup	CPB	L. Mignini	O	4	46.47	200	46.82	-22.6
Sept. 20	First Internet Bancorp	INBK	D. Becker J. Williams	CEO DI	5 2	30.02 30.05	150 63	32.30 0.9	32.30 0.9
Sept. 20-21	Hennessy Advisors	HNNA	B. Hennessy	D	5	15.43-15.44	77	15.44	-27.1
Sept. 26	UDR Inc	UDR	C. McDonough	D	2	38.17	76	38.03	4.2
Sellers									
Sept. 22-26	Wal-Mart Stores	WMT	S. Walton	DOI	2,000	79.13-80.02	158,933	78.14	13.0
Sept. 22-26			A. Walton	BI	2,000	79.13-80.02	158,933		
Sept. 22-26			J. Walton	BI	2,000	79.13-80.02	158,933		
Sept. 26-27	Willis Towers Watson	WTW	J. Ubben	DI	304	154.88-156.01	47,139	154.23	26.1
Sept. 25-27	McKesson	MCK	J. Hammargren	CEO	300	154.15-155.30	46,426	153.61	9.4
Sept. 20-22			J. Hammargren	CEO	225*	150.18-153.53	34,125		
Sept. 25-26	MyoKardia	MYOK	K. Starr	DOI	601	43.00	25,860	42.85	230.9
Sept. 20-21	Sysco	SYF	W. Delaney	CEO	400	54.07-54.24	21,662	53.95	-2.6
Sept. 12-13			J. Frank W. Delaney	DI CEO	372 282	53.08-53.09 53.50-53.58	19,765 15,083		
Sept. 22	Hewlett Packard Enterprise	HPE	M. Whitman	CEO	1,494	14.27	21,321	14.71	9.3
Sept. 21	NVIDIA	NVDA	H. Jones M. Stevens	DI DI	100 80	185.65 187.23	18,565 15,025	178.77 18.5	67.5
Sept. 20									
Sept. 26	CarMax	KMX	W. Wood	CO	202	73.56	14,837	75.81	17.7
Sept. 25-26	HP Inc	HPQ	D. Weisler	CEO	732	19.97	14,608	19.96	34.5
Sept. 22	Nexstar Media Group	NXST	J. Muse	D	229*	59.50	13,642	62.30	-1.6
Sept. 26-28	RealPage	RP	S. Winn	CEO	255*	38.81-40.66	10,193	39.90	33.0
Sept. 20	CBS Corp	CBS	L. Moonves	CEO	164*	59.04	9,683	58.00	-8.8

*Half the transactions were indirect **Two day transaction

p - Pink Sheets

Buying and selling by sector

Based on actual transaction dates in reports received this past week

Sector	Buying	Selling	Sector	Buying	Selling
Basic Industries	1,425,000	22,316,458	Finance	367,513	93,745,174
Business services	0	6,316,602	Health care	70,247	34,637,175
Capital goods	0	0	Industrial	0	10,342,029
Consumer durables	0	2,560,476	Media	0	56,234
Consumer nondurables	202,228	5,528,449	Technology	0	96,012,264
Consumer services	4,287,734	110,060,766	Transportation	0	4,572,625
Energy	0	10,064,561	Utilities	0	7,826,258

'It' Returns to Top Spot

By ASSOCIATED PRESS

LOS ANGELES—After dipping to No. 2 the prior weekend, "It" regained control of the North American box office in its fourth weekend in theaters.

The movie beat out the new Tom Cruise film "American Made" and "Kingsman: The Golden Circle," but it was a close race that could shift when studios report weekend actuals on Monday.

According to studio estimates on Sunday, the Stephen King adaptation and box-office juggernaut added \$17.3 million to take the top spot. The film now boasts \$291.2 million in domestic grosses.

"It" edged out the prior weekend's box-office champ, "Kingsman: The Golden Circle" and newcomer "American Made," which essentially tied for second with \$17 million apiece. Estimates have "American Made" taking a slight advantage, with around \$16,000 more than the "Kingsman" sequel.

Directed by Doug Liman, "American Made" is earning Mr. Cruise strong praise for his portrayal of a real-life TWA pilot turned drug smuggler and CIA operative, but it is also a somewhat lukewarm North American debut for the star. Mr. Liman also directed Mr. Cruise in "Edge of Tomorrow," which opened to \$28.8 million in June of 2014.

"Tom Cruise has set the bar



Sony's 'Flatliners' finished fifth at the box office this weekend with \$6.7 million in ticket sales.

Estimated Box-Office Figures, Through Sunday

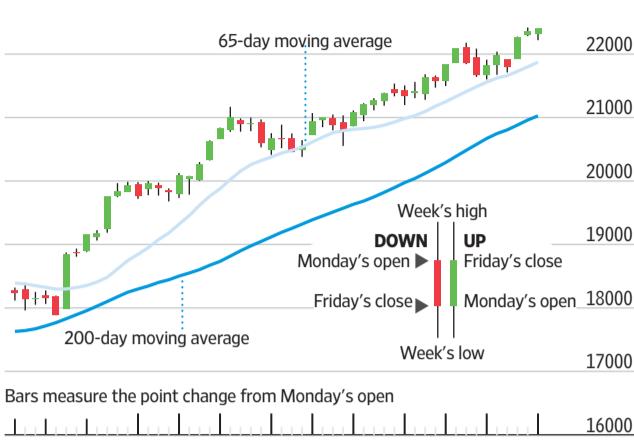
FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND*	CUMULATIVE	% CHANGE
1. It	Warner Bros.	\$17.3	\$291.2	-42
2. American Made	Universal	\$17	\$17	—
3. Kingsman: The Golden Circle	Twentieth Century Fox	\$17	\$66.7	-56
4. The Lego Ninjago Movie	Warner Bros.	\$12	\$35.6	-41
5. Flatliners	Sony	\$6.7	\$6.7	—

MARKETS DIGEST

Dow Jones Industrial Average

22405.09 ▲ 55.50, or 0.25% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 20.61 20.30
P/E estimate * 18.89 17.66
Dividend yield 2.28 2.56
All-time high 22412.59, 09/20/17



Current divisor 0.14523396877348

Bars measure the point change from Monday's open

S O N D J F M A M J J A S

16000 17000 18000 19000 20000 21000 22000 23000

200-day moving average

Week's high

DOWN UP

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

Monday's open ► Friday's close

Friday's close ► Monday's open

Week's low

17000 18000 19000 20000 21000 22000 23000

200-day moving average

MARKETS

Buyout Firms Drive Europe Deal Spree

More and bigger acquisitions expected because of sector's large cash holdings

BY BEN DUMMETT

Buyout firms showcased their deal-making prowess in the third quarter in Europe, a potential sign of bigger acquisitions to come from the cash-rich group.

Between July and the end of September, private-equity and infrastructure investors were the acquirers in half of the 10 biggest pending and completed European domestic deals, according to Dealogic, a data provider. Those include last week's Hellman & Friedman LLC-led pact to acquire Danish online payments processor Nets A/S for \$6.42 billion; Blackstone Group LP's \$6 billion pact to acquire a majority stake in the real-estate portfolio of Spanish lender Banco Popular Español SA; and the \$4.29 billion sale of German generic-drug company Stada Arzneimittel AG to Bain Capital L.P. and Cinven Ltd.

For Dealogic, acquiring private-equity firms take on the nationality of the target for compiling merger data.

That appetite for acquisitions comes as private equity attracts a flood of new money amid efforts by investors to diversify from bonds and public equities to boost returns through alternative investments. The average buyout fund would have more than quadrupled an investor's money since the end of December 2000, according to Preqin. An equivalent investment in the S&P 500 index would have more than doubled it, the data provider says.

At the end of June, the private-equity industry had a total of \$916 billion of capital to invest, including the \$23.5 billion raised by Apollo Global Management this summer in the biggest buyout fund ever.

That weighty cash pile is pushing some private-equity firms to seek bigger deals, in part to avoid greater competition among buyers for midsize companies, some bankers say. Larger acquisitions also are a more efficient way to deploy funds over a reasonable

Hungry for Big Deals

Largest European deals from July 1 through Sept. 30 that were backed by private equity

Target	Acquirer	Deal value, in billions
Nets A/S	Hellman & Friedman consortium	\$6.42
Banco Popular*	Blackstone	\$6.01
Copenhagen Airports	Ontario Teachers, ATP	\$6.01
Stada Arzneimittel	Bain Capital, Cinven	\$4.29
Paysafe Group	Blackstone, CVC	\$4.05

*Blackstone is acquiring a majority stake of the bank's real estate portfolio, not the entire bank.

Source: Dealogic

amount of time to start generating returns.

"Given the capital private equity has to deploy, we expect an increase in larger deals," said Dirk Albersmeier, co-head of European mergers and acquisitions for J.P. Morgan.

Unilever PLC's planned sale of its margarine and spreads business, and the potential sale of the specialty chemicals business by Akzo Nobel NV, the big Dutch paints maker, over the coming months are two large assets that buyout firms will likely pursue, M&A bankers and lawyers say. Carve-outs from larger busi-

nesses appeal to private-equity firms because of the opportunity they offer to boost returns from cost cutting and other efficiency measures. Some analysts have suggested that Unilever's spreads business could fetch up to \$8.5 billion in a sale, while Akzo's specialty-chemicals business could be worth a similar amount.

Overall in the third quarter, M&A activity was solid as deal value and volumes involving a European company rose year over year. That trend also was evident over the nine-month period, which bankers consider a more accurate mea-

surement of M&A activity because of the longer time frame. In the year to date, the value and number of deals are up almost 12% and 6.8%, respectively, according to Dealogic, as activity continues to benefit from the availability of cheap financing, stronger equity markets and improving economic conditions.

Indeed, interest rates remain near record lows and the broad-based Stoxx Europe 600 index is up 7.4% so far this year. Meanwhile, the European Central Bank in September projected the eurozone economy to grow by 2.2% in 2017, which would be the fastest

since 2007.

"With the region's economies stabilizing, companies are now looking closer to home to drive costs savings and efficiencies through M&A," said Tariq Hussain, European M&A head for Jefferies International.

Still the pace of large transactions—those valued at \$10 billion or more—involving a European company has slowed through 2017 from four in the first quarter to one in the latest period, according to Dealogic. That was Vantiv Inc.'s \$10 billion-plus pact in July to acquire U.K. payments processor Worldpay Group PLC, the most high-profile of a recent flurry of consolidation in the payments sector.

Severin Brizay, head of M&A for Europe, the Middle East and Africa, at UBS Group AG, said it was too early to draw conclusions about the slowdown. But if the trend continues it could signal boards and CEO unease over the rising risk of overpaying for targets.

"Prices are high, which may [become] an impediment to doing deals," Mr. Brizay said.



A smoggy street in Shengfang. A series of environmental regulations in February led to a reduction in Chinese smelting capacity.

Metal Prices Hinge on China Congress

BY DAVID HODARI

The price at which industrial metals such as copper and zinc will trade for the rest of this year will likely be set in October, at the Chinese Communist Party's National Congress.

Optimism over Chinese economic growth helped power metals to multiyear highs in early September, but prices have since given up some of those gains, as the dollar perked up and investors questioned whether demand would be enough to justify the rally.

Now market players will be monitoring the twice-a-decade congress, where China's governing body is expected to lay out its economic aims and growth forecasts for the year ahead.

China consumes about half of global metal production, and some analysts are concerned that top party officials could cut the country's

growth target.

"The key issues the market will be watching for at the congress will be to see if [President Xi Jinping] lowers China's growth target below 6.5%" and whether he will further reduce capacity of metals smelters, said Robin Bhar, head of metals research at Société Générale.

In February, the Chinese government announced a raft of environmentally driven regulations aimed at limiting the smog that plagues the country's cities during the winter. Those directives included cuts to the capacity of metals smelters, and they have been a major factor in pushing up base metals prices—especially those of aluminum and zinc.

China's GDP growth target is seen as a proxy for the health of the country's construction and auto industries, both of which use large amounts of base metals.

A cut to China's growth tar-

get would come in the wake of a recent spate of lackluster economic data. Chinese growth decelerated for a second consecutive month in August, and it was on course for a 0.2% deceleration in the third quarter of 2017 from the year's first two.

Key activity indicators—such as industrial production, fixed-asset investment and retail sales—all slipped more than expected in August, Morgan Stanley said in a note.

For some analysts, metals had already traded beyond the fundamentals that should set their price.

London Metal Exchange copper futures gained 10.5% between the end of July and Sept. 7, while over the same period, aluminum gained by 10.2% and zinc rose 12%.

"We see slowing growth in China towards the end of the year and lower prices for most of the base metals complex," said Caroline Bain, senior

commodities economist at Capital Economics.

Capital Economics predicts that copper will end this year at \$5,800 a ton, a drop of more than 10% from its price Friday. French banks BNP Paribas and Société Générale also have bearish price targets: Both predict further drops of at least 4%.

Some analysts also don't believe that China will follow through on cutting production capacity.

"The way things often work is that policies like this one have one angle which conflicts with the growth objective of another policy," said Nitesh Shah, a commodities strategist at **ETF Securities**.

"You might get a shifting of capacity from one smelter to another—production may pop up elsewhere at another, more efficient smelter," he added, which would leave production mostly unchanged and weigh on prices.

Chicago Exchange Bid Has Competition

If political opposition sinks the efforts of a Chinese-led group to buy the Chicago Stock Exchange, one suitor who has stirred up some of the controversy is looking to swoop in.

A firm called **Exchange**

By Dave Michaels,

Kate O'Keeffe

and Alexander Osipovich

Capital LLC, which has lobbied Congress for months to put pressure on regulators to block the deal, is interested in buying the Chicago bourse if the bid led by China's **Chongqing Casin Enterprise Group** Co. falls through, according to lobbyists and others familiar with the matter.

Exchange Capital has since last year paid \$170,000 to **Sconset Strategies** LLC, a Washington firm run by Adam Olsen, who would be among

the investors in a bid by his client to buy the Chicago market, a person familiar with the matter said. Mr. Olsen first called Chicago exchange executives with a competing bid in December and mentioned that congressional opposition would likely sink Casin's offer, people familiar with the matter said.

"I and Sconset Strategies represent a very substantial group of American investors who are interested in potentially purchasing the Chicago Stock Exchange," Mr. Olsen said in a Friday interview. "We have been actively highlighting the flaws of the Casin Group's bid."

Exchange Capital's bid, should it proceed, would include around a dozen investors, according to Chas Thomas, a lobbyist at Thorn Run Partners, which shares an

office with Mr. Olsen in Washington and is also now lobbying alongside him. The bid would be "all American money," he said.

The Securities and Exchange Commission's review of Casin's proposal to buy the Chicago exchange has dragged on for more than nine months. SEC Chairman Jay Clayton, whose agency must approve the sale, put the agency's endorsement on hold in August after the White House cautioned against it, The Wall Street Journal reported Thursday. The SEC's three commissioners now must vote to approve or deny the transaction.

The Chicago exchange handles a sliver of U.S. equities trading, but its license to operate is valuable. Getting authority to launch a new exchange is a drawn-out process, making it attractive to buy an existing li-

cense when one goes on sale.

Chicago executives say Casin and its co-investors have satisfied the regulatory requirements to buy the exchange, but are still having to rebuff what they said are misleading allegations stirred up by the lobbying effort against them. "This costs us and our investors money in opportunity costs, legal costs and banker costs," said John Kerin, the chief executive officer of **CHX Holdings** Inc., the exchange's parent. "It's quite unfortunate that this is how business is now done."

Mr. Thomas said he began lobbying against the deal with Mr. Olsen in recent weeks. He previously worked for Rep. Robert Pittenger (R., N.C.), who has led the charge on Capitol Hill against Casin's purchase of the Chicago bourse.

said USHG Chief Investment Officer Mark Leavitt. If successful, the businesses, which must conform to what USHG calls its "enlightened hospitality" model, likely would go public or be sold to private investors, said Mr. Leavitt, who is charged with running the fund.

The private-equity fund, called Enlightened Hospitality Investments LP, will seek to further expand Mr. Meyer's business into new regions and industry sectors. The fund is being run by Mr. Meyer's Union Square Hospitality Group (USHG), and includes outside investors along with USHG itself. "This is an opportunity to step out of the restaurant world," Mr. Meyer said in an interview.

The 59-year-old restaurateur has earned a reputation as a forward-thinker. He launched Union Square Cafe in Manhattan, his signature establishment, in 1985 when the Union Square neighborhood was far from the popular locale it is today. He created the fast-casual Shake Shack burger-focused chain in 2004 before fast-casual was a dining buzzword.

Perhaps key to Mr. Meyer's reputation, however, has been his emphasis on providing his staff with compensation and benefits beyond the industry norm. To that end, he eliminated tipping at his full-service restaurants, saying he wanted to ensure all his employees, not just waiters, are properly paid.

Now, Mr. Meyer wants to bring those values and his business savvy, along with an infusion of cash, to companies that take a similar approach. That could translate into a new revenue stream for USHG.

Restaurant-industry insiders say the USHG-led fund could get favorable terms when buying a stake in other companies because the business potentially profits from the tie with Mr. Meyer.

"Danny Meyer is a brand," said Arlene Spiegel, a New York City-based restaurant consultant.

The fund, which started in 2016, will make investments in the \$10 to \$20 million range,

Shake Shack founder Danny Meyer aims to invest in firms that focus on employees.

business is a hospitality one."

While USHG has made investments in the past, such as in the fast-casual Tender Greens chain, Messrs. Meyer and Leavitt said it made more sense for the company to start a separate fund for a host of reasons. Chief among them is that it allowed USHG to tap into a large pool of money from outside investors who might not have been interested in investing in the company itself because it is more narrowly focused on fine dining.

USHG officials noted that a fund provides a less complicated structure when dealing with a large group of investors.

The fund also will generate revenue for Mr. Meyer's business because USHG will charge investors a management fee, which is a standard practice in private equity. USHG declined to identify the fund's investors or reveal the fee percentage.

—Miriam Gottfried contributed to this article.



Danny Meyer launched Union Square Cafe in Manhattan in 1985.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Barclays Loses Investors' Love

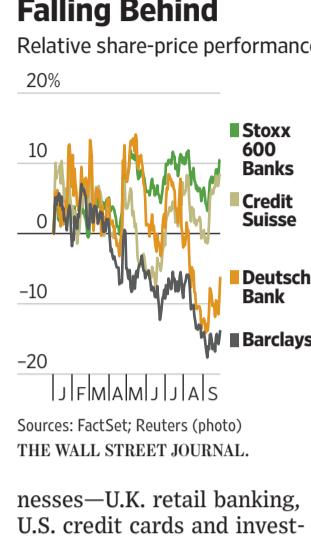
Banks need a good story to explain what they are about. **Barclays** PLC wants to tell a tale of growth, but its audience is struggling to suspend its disbelief.

The U.K. lender's stock is down 13% this year while European banks in the Stoxx 600 index are up 11%.

There are a host of issues that leave investors cold, but they could be overcome if Barclays focuses on producing income for shareholders today rather than risk wasting capital on trying to buy back market share for its investment bank while making a promise of future profits.

The bank still is fighting U.S. authorities over mortgage-bond mis-selling and faces a U.K. fraud charge. Its chief executive, Jes Staley, was a big plus point for investors, but his position could be threatened by a U.K. probe into his treatment of a whistleblower.

Alone, these might not worry investors, but together they add to concerns about the underlying business. Barclays's three main busi-



Barclays Chief Executive
Jes Staley

nesses—U.K. retail banking, U.S. credit cards and investment banking—all face growing risks or poor growth.

U.K. retail banking, which can produce strong returns, is a worry because of recent rapid growth in consumer credit. The disruption of Brexit, the threat of higher interest rates and a vanishing of real household income growth all point to worsening credit losses. Barclays has been more conservative

than some with unsecured lending, but it won't escape a downturn pain-free.

In the U.S., Barclays has increased its credit-card lending at an annual rate of 25% since 2013, according to Berenberg. The cycle there is turning and delinquencies are on the rise.

Lastly, in investment banking, one of Barclays's great strengths is high-yield loans and bonds. These markets have been booming in

the low-rate world. The market has got increasingly aggressive with cheaper pricing and looser terms. This clearly can't last. Interest-rate and currency trading, Barclays's other big strength, has been laid low by a lack of volatility and client activity.

Tim Throsby, head of the investment bank, said a modest rise in revenue would produce a huge gain in profitability. He also wants to recycle capital out of old, low-return lending relationships into more credit for clients willing to give a lot more business to the bank.

But that has been the mantra in investment banking for years already. It isn't hard to understand why investors may be skeptical.

Barclays slashed its dividend last year to help stabilize its balance sheet. With that done, the bank would do better to recycle capital into shareholders' pockets rather than chasing investment-banking market share. That would be a story investors could believe in.

—Paul J. Davies

OVERHEARD

The end of the third quarter is often a nervous time in the market with September being the weakest month of the year and October the month of epic crashes.

Now, as Merrill Lynch analysts say, the "best reason to be bearish in Q4 is there is no reason to be bearish."

Well, there are reasons, which Merrill cites. The S&P 500 hasn't lost 5% in 318 trading days and the global market cap is up \$18.5 trillion in that time, roughly the annual output of the U.S. economy.

Few analysts appear worried though. Standard Chartered went to China and expects "stronger political leadership" and "steady economic growth in the foreseeable future."

Barclays says the world is just fine.

"We do not see a plausible catalyst that could upset valuations in risky assets for the rest of 2017." That is reason enough to start looking.

Why CEOs of Food Firms Are Exiting

A cereal killer is stalking the executive offices of packaged-food companies, with **Kellogg** boss John Bryant being the latest victim.

Other companies where chief executives have left since the spring of 2016 or are on their way out include **General Mills**, **Mondelez**, **Hormel**, **Hershey**, **Nestlé** and **Coca-Cola**.

As recently as 2015, many of these companies saw strong investor demand for their shares in a "boring is beautiful" trade—a bet helped along by speculation that there would be more industry consolidation like H.J. Heinz's purchase of Kraft Foods. But industry fundamentals have been horrific.

Of the 10 largest U.S.-listed food companies by revenue, not one outperformed the S&P 500 in the past 12 months. An equal-weighted portfolio would have lagged behind by 31 percentage points before dividends. Six of those 10 companies experienced lower sales per share in the past 12 months than the previous fiscal year.

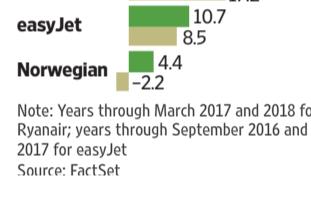
One reason is moribund food prices. Last month's U.S. consumer-price index for food eaten at home was essentially unchanged from the spring of 2014.

Food companies have reshuffled or pruned brands to appeal more to consumers and done expensive acquisitions, such as General Mills's 2014 purchase of organic-food company Annie's. To really move the needle, though, they will have to focus ruthlessly on costs. Kraft Heinz's aborted deal with **Unilever** early this year is a sign of things to come—a trend that turnover in their executive ranks may accelerate.

—Spencer Jakab

This Long-Haul Airline Disrupter Isn't Built for Turbulence

Different Flight Paths



new. In 2012 the airline astounded the industry by ordering 372 planes. Since then it has resembled a land-grabbing property company, using its profits as cash deposits for highly leveraged plane purchases. Many of these equip its trans-Atlantic long-haul business.

The company's growth model has showed signs of strain this year. Like Ryanair, Norwegian has faced crew shortages in short-haul. Whereas Ryanair has canceled flights, risking the wrath of customers, Norwegian leased planes complete with crews. This was an expensive solution: Operating cash flows for the year

through June were roughly one-quarter lower than in the comparable period.

Even so, there is little evidence of a cash crunch at Norwegian: It had 5.8 billion krona (\$720 million) at the end of June, almost double the level from a year before. The company still seems to have access to debt and could also raise cash by selling planes. The real question is whether the company's financial model can survive an economic downturn or higher oil price.

The airline operates a very different growth model to tried and tested low-cost carriers such as Southwest Airlines Co. in the U.S. and

Ryanair in Europe. These combine a disruptive approach to operations with a conservative one to finances. Crucially, strong balance sheets and fat margins have given them the muscle to expand through downturns, when rivals are in retreat and customers hungry for bargains.

With its slim margins and leveraged balance sheet, taking advantage of a downturn will be much harder for Norwegian. Frequent fliers may hope its ambitious project to disrupt the North Atlantic oligopoly thrives. History suggests they shouldn't get their hopes up.

—Stephen Wilmot

MARKETS

THE TICKER | Market events coming this week

Monday

Construction spending
July, previous down 0.6%
Aug., expected up 0.4%

ISM mfg. index
Aug., previous 58.8
Sept., expected 58.0

Gasoline
Distillates up 1.1
down 0.8

ISM non-mfg. index
Aug., previous 55.3
Sept., expected 55.2

Earnings expected*
Estimate/Year Ago(\$)

Acuity Brands 2.41/2.21
PepsiCo 1.43/1.40
RPM 0.84/0.83

Total vehicle sales
Domestically produced, at an annual rate

Aug., previous 16.1 mil.
Sept., expected 16.7 mil.

Previous change in stocks in billions of cubic feet

up 58

Initial jobless claims
Previous 272,000
Expected 265,000

EIA report: natural gas
Previous change in stocks in billions of cubic feet

up 58

Nonfarm payrolls
Aug., previous 156,000
Sept., expected 86,000

Unemployment rate
Aug., previous 4.4%
Sept., expected 4.4%

Factory orders
July, previous down 3.3%
Aug., expected up 1.0%

Wholesale inventories
July, previous up 0.6%
Aug., expected up 1.0%

Int'l trade deficit in billions
July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

EIA status report
Previous change in stocks in millions of barrels

Crude oil down 1.8%

Int'l trade deficit in billions

July, previous \$43.7 bil.

MARKETS

THE DAILY SHOT | By Lev Borodovsky and Amrith Ramkumar

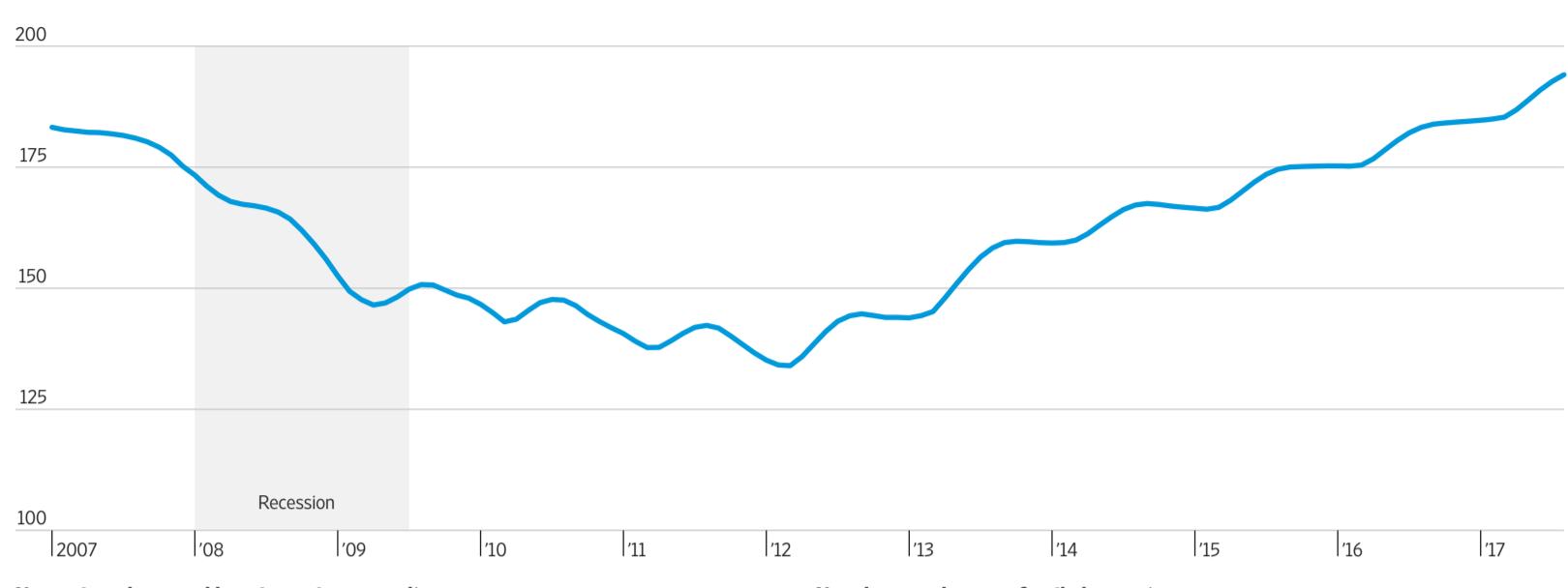
Cracks in the Housing Rally

The postcrisis home-price recovery is beginning to look vulnerable. Housing starts and sales are slowing, while new-home inventories have popped. Slumping household formation is undermining demand at a time when affordability is under pressure, reflecting soft wage growth. Interest rates are, yet again, beginning to rise, adding to concerns about pricing.

A sharp downturn appears unlikely: Inventories remain generally low, and Wall Street still is sanguine about the prospects for U.S. growth. The mortgage deduction appears to have survived this round of tax overhaul discussions. But the best days of this housing cycle appear to be behind us.

WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at wsj.com/newsletters

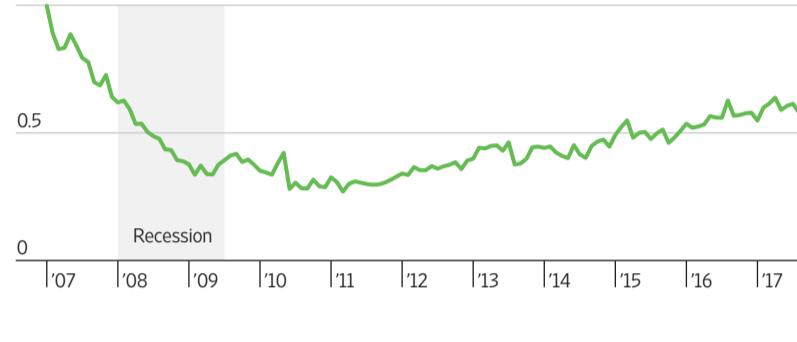
S&P/Case-Shiller U.S. national home price index



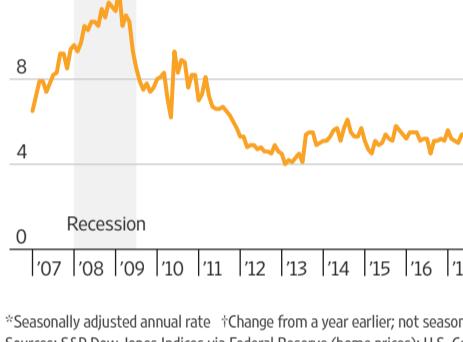
New privately owned housing units started*



New-home sales, one-family houses*



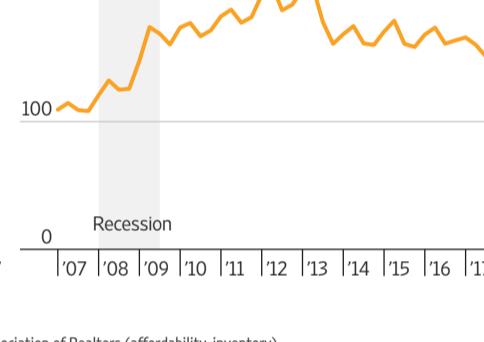
Months of supply of new houses in the U.S.



Yearly change in U.S. households†



Housing affordability index



Inventory of existing homes for sale



*Seasonally adjusted annual rate †Change from a year earlier; not seasonally adjusted

Sources: S&P Dow Jones Indices via Federal Reserve (home prices); U.S. Census Bureau via Federal Reserve (starts, sales, supply, households); National Association of Realtors (affordability, inventory)

THE WALL STREET JOURNAL.



Guidance starts with hearing you out.

TD Ameritrade's Financial Consultants take the time to understand what matters to you and why, before discussing investment strategies. To help you find the plan that works for you, we want to get to know you first.

Schedule a complimentary goal planning session today and get up to \$600 when you open and fund an account.



Call (800) 870-9668 or visit tdameritrade.com/goalplanning to learn more.

See tdameritrade.com/600offer for offer details and restrictions/conditions. All investments involve risk, including risk of loss. This is not an offer or solicitation in any jurisdiction where we are not authorized to do business. TD Ameritrade, Inc., member FINRA/SIPC. © 2017 TD Ameritrade.