

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

The tech slump turned into a stampede, with Amazon falling into bear-market territory after a two-day decline that wiped \$127 billion from its market value. The Nasdaq fell 1.6%, while the Dow and S&P 500 lost 1% and 0.7%, respectively. A1

◆ Global stocks are trading at their lowest valuations in more than two years as pessimism grows over the growth outlook. B1

◆ Two of the biggest credit-card issuers, Capital One and Discover, are tightening lending standards, an unusual move in a strong economy. B1

◆ American consumers are holding on to their smartphones for longer than ever before upgrading them, according to new data. B1

◆ Third Point's initial plan to revamp Campbell Soup includes exploring a breakup of the company as one of its central tenets. B3

◆ Musk took to Twitter on Monday with messages that sowed confusion about his official role at Tesla. B3

◆ Rometty's deal for Red Hat is a bold bet on something IBM has never done: a massive acquisition. B4

◆ The Fed's preferred inflation gauge suggested that, for now, rising prices pose little threat to the economy. A2

◆ The Fed is set to propose a new way of deciding which large banks get hit with its toughest regulations. A3

◆ Berkshire invested around \$600 million in recent months in two big fintech companies focused on emerging markets. B9

### World-Wide

◆ The U.S. military said it would send 5,200 troops to the southwest border in response to a migrant caravan that Trump has seized on as a midterm-election issue. A1

◆ Merkel will step down as chairwoman of her conservatives in a watershed moment that could quicken the end of her leadership of Germany. A1

◆ Pittsburgh prepared for funerals in the aftermath of Saturday's synagogue attack. Trump plans to travel to the city on Tuesday. A1, A6

◆ The suspect in the wave of mail bombs targeting prominent Democrats made his first appearance in federal court. A3

◆ The U.K. said it would move ahead with plans to introduce a first-of-its-kind tax on locally generated revenue by large tech firms. A9

◆ The U.S. will restrict American firms from doing business with a Chinese chip maker that Micron has accused of stealing its secrets. A5

◆ The Treasury estimates it will issue more than \$1 trillion in debt this year amid higher government spending and sluggish tax revenue. A2

◆ Brazil's new leader is set to give the military its biggest role in government since the fall of the dictatorship more than three decades ago. A10

◆ The deadly crash of an Indonesian jetliner follows a troubled history of aviation safety in that country. A8

◆ Mexico's president-elect said his government would cancel a \$13.3 billion Mexico City airport project. A10

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## U.S. NEWS

## Tame Price Growth Keeps Fed on Track

By PAUL KIERNAN  
AND SARAH CHANEY

**WASHINGTON**—A closely watched price index suggested Monday that, for now, inflation poses little threat to the economy.

The personal-consumption expenditures price index rose 0.1% in September from August, the Commerce Department said. That marked the fourth straight month in which the Federal Reserve's preferred inflation gauge fell short of the 0.165% monthly pace needed to meet its 2% annual target.

For Federal Reserve policy makers weighing how much more to raise interest rates, the data underscore an evolving view that the lowest unemployment rate in nearly five decades might not be creating excessive inflationary pressures. If inflation stays under control, it could bolster the

case for suspending rate rises at some point in the months to come.

The Commerce Department also said that Americans increased their spending in September and their incomes ticked up, a positive sign for the economy's main engine heading into the fourth quarter. Consumer spending accounts for more than two-thirds of U.S. economic activity.

Personal-consumption expenditures, a measure of household spending, rose a seasonally adjusted 0.4% in September from the prior month. Personal income, reflecting Americans' pretax earnings from salaries and investments, edged up 0.2%.

In annual terms, the personal-consumption expenditures and other price indexes are hovering around the Fed's 2% inflation target, but they have eased slightly in recent

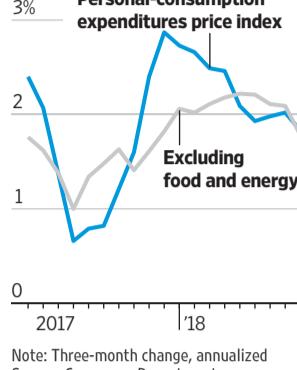
months. The trend has coincided with a strengthening dollar—the product of rising interest rates and robust economic growth in the U.S.—that has held down prices for a variety of goods, economists say. That has more than offset a steady rise in the prices of services, which are less susceptible to downward pressure from cheaper imports.

Traditional economic models suggest that inflation could accelerate as a tight labor market forces employers to raise wages and then prices, as they did in the 1960s and '70s.

But recent speeches by Fed Chairman Jerome Powell and other central-bank officials have played up the importance of inflation expectations, rather than the models. They generally believe consumers' and businesses' expectations of future inflation can become self-fulfilling. If those expecta-

## Cooling Inflation

After picking up in late 2017, inflation has slowed in recent months amid rising interest rates and a strengthening dollar.



Note: Three-month change, annualized  
Source: Commerce Department  
THE WALL STREET JOURNAL.

tions remain anchored, the thinking goes, prices shouldn't spiral upward out of control.

"As the role of [labor-market] slack in explaining infla-

tion has diminished, inflation expectations have assumed greater importance," Randal Quarles, the Fed's vice chairman for supervision, said this month.

Fed officials raised their benchmark federal-funds rate last month to a range between 2% and 2.25% and signaled they expect to lift it gradually in years to come to prevent excessive inflation or financial instability.

A minority of Fed policy makers say the central bank should hold off on any more rate increases this year.

"Until inflation or inflation expectations get meaningfully higher, the Fed should allow the economy to continue to strengthen, so as to allow as many Americans as possible to participate in the recovery," Minneapolis Fed President Neel Kashkari wrote in a Wall Street Journal opinion piece last week.

Most Fed officials think that would be risky. Policy changes can take months or even years to affect inflation. They also note that rates are still relatively low while economic growth is strong.

Richard Clarida, in his first speech as Fed vice chairman, said last week that actual and expected inflation will be central to his policy preferences next year.

"If strong growth and robust employment gains were to continue into 2019 and be accompanied by a material rise in actual and expected inflation, that circumstance would indicate to me that additional policy normalization might well be required beyond what I currently expect," Mr. Clarida said. Strong growth and stable inflation, by contrast, "would argue against raising short-term interest rates by more than I currently expect."



Migrants formed a human chain Monday to try to enter Mexico from Guatemala by crossing the Suchiate River that forms the border.

## U.S. Troops Sent to Border

Continued from Page One

Tuesday, President Trump has seized on the migrant caravan to rally his Republican supporters. Close U.S. Senate or House elections are being fought in the border states of Arizona, California and Texas.

"This is an invasion of our Country and our Military is waiting for you!" Mr. Trump wrote Monday morning on Twitter, without directly mentioning troop numbers.

Critics of the president said the use of active-duty troops is a political gambit and that the domestic deployment will degrade military readiness for defense abroad.

"When Donald Trump deploys troops for a nonexistent threat, that means troops are not training or preparing for the fights that could be on the horizon, for legitimate threats," said Will Fischer, director of government relations for VoteVets, a pro-Democratic advocacy group. "This is a campaign ploy."

The president, in an interview Monday night on Fox News, said the deployment wasn't timed to the election, and repeated his previous assertion that gang members and criminals were hiding among the migrants. Last week he said "unknown Middle Easterners are mixed in." The White House has provided no evidence that such people are in the caravan, but other U.S. officials have cited past arrests of alleged criminals made at the border.

Many people in the caravan have said they are fleeing violence, poverty and political instability at home. Their numbers grew quickly after local media, social activists and leftist opposition politicians drew attention to the march.

A group of more than 4,000 migrants on foot is about 900 miles from the U.S. in southern Mexico, while another group of about 3,000 remain at the Guatemala-Mexico border, hoping to

## More Mexican Police Try to Halt Migrants

Mexico deployed hundreds of police officers, helicopters and boats along its porous southern border with Guatemala on Monday in a bid to halt the entry of about 1,500 mostly Honduran migrants, as the U.S. moved to beef up its own southern border.

Both developments illustrate growing tension over the sudden exodus of Central American migrants heading north in caravans, spotlighting an issue that President Trump has seized on to mobilize his Republican base of supporters ahead of elections next week.

The deployment comes a

join the lead group, said Customs and Border Protection Commissioner Kevin McAleenan.

In addition to duties at places of entry, the troops are expected to aid border officials in tasks such as erecting tents, providing medical support, transporting border officials via helicopter and staffing command and control centers, Gen.

O'Shaughnessy said at a brief

ing in Washington. "We'll be able to spot and identify groups [of migrants] and rapidly deploy CBP personnel where they are needed," he said.

The troops aren't expected to enforce U.S. immigration law, officials have said.

Under the new plans, about 1,800 troops will go to Texas, 1,700 to Arizona and 1,500 to California. The troops will be drawn from about 10 U.S. Army installations and consist largely of military police and engineers, officials said. U.S. Marines also will be deployed, officials said. Some of the personnel will be housed at nearby bases.

About 800 deployed on Mon-

day after some of those 1,500 migrants clashed with security forces at the Guatemala-Mexico border, leaving one migrant dead after Mexico closed the crossing.

The events unfolded as another group of about 500 migrants from El Salvador entered Guatemala over the weekend en route to the U.S. through Mexico, migrant workers and Mexican officials said. Another caravan with more than 4,000 mostly Honduran migrants, meanwhile, continued its march north across southern Mexico toward the U.S. The once-larger group was depleted after some members turned back or applied for asylum in Mexico.

Each migrant group appears to be loosely organized with no leadership nor ties to one another. Most of the migrants ap-

pear to share only a common goal: leaving economic hardship and violence in their countries for a better life in the U.S.

Sunday's events happened after Mexico closed the border crossing when the migrants failed to apply for asylum in an orderly way, Mexican officials say.

Videos posted by Guatemalan and Mexican media on Sunday showed young men with their faces covered throwing rocks and objects on the bridge as Mexican security forces held the protesters at bay with tear gas.

On Monday, U.S. authorities closed a border checkpoint in El Paso, Texas, and deployed security officers with antiriot gear in a dress rehearsal for the expected arrival of the caravan.

—Santiago Pérez and José de Córdoba

day, Gen. O'Shaughnessy said. The mission is expected to last until mid-December, the Pentagon has said.

It is unknown where the migrants might try to cross. At the rate the caravan is going, it would take several weeks to reach Texas. The California border would add at least another 10 days of walking.

Officials said that troops are

being deployed now in the unlikely event that more of the migrants hitch rides in cars or on trains to reach the border faster than their current walking pace.

During previous border operations under Presidents George W. Bush and Obama, many troops carried out support roles from afar, an administration official said. In 2007, about 6,000 National Guardsmen were deployed to four border states during Operation Jump Start, also aimed at bolstering immigration enforcement, but only about 3,500 were in the field, the official said.

Officials said they didn't

have a cost estimate for the latest deployment. The 2007 operation and one in 2010 that sent active-duty troops and National Guard members to the border cost a combined \$1.35 billion, according to a 2011 report by the Government Accountability Office and Defense Department.

Mr. McAleenan has said his agency is updating longstanding plans to deal with a mass mi-

gration situation, including possible temporary holding and processing facilities.

Earlier this year, officials from the Department of Homeland Security, including Mr. McAleenan and Secretary Kirstjen Nielsen, publicly encouraged would-be asylum seekers to ask for refuge at points of entry, saying that was the only legal way to apply for asylum at the border.

Crossing the border illegally is a federal misdemeanor.

Speaking alongside Gen. O'Shaughnessy on Monday, Mr. McAleenan said: "We won't allow a large group to enter the U.S. unlawfully."

Since spring, foreigners have routinely had to wait days or weeks to cross the border at entry points and seek asylum, forcing them to stay in shelters in Mexico.

Nearly 2,000 people have filed for asylum in Mexico, according to Mexican Interior Minister Alfonso Navarrete, and Mexico has offered to let caravan members obtain work permits and have children enrolled in local schools.

The GAO's 2011 report on earlier deployments found that moving troops to the border presented a number of challenges, including difficulties integrating National Guard troops into Homeland Security operations.

—Vivian Salama

and José de Córdoba

contributed to this article.

## Treasury Expects Its Debt Issuance To Top \$1 Trillion

By KATE DAVIDSON

**WASHINGTON**—The U.S. Treasury Department estimates it will issue more than \$1 trillion in debt this year as higher government spending and sluggish tax revenues push the deficit higher.

The Treasury said Monday it expects net marketable debt to total \$425 billion in the fourth quarter, which would bring total debt issuance in 2018 to \$1.338 trillion, compared with \$546 billion in 2017. That would be the highest annual debt issuance since \$1.586 trillion in 2010, when the U.S. economy was still crawling out of a recession.

The Treasury's fourth-quarter borrowing estimate of \$425 billion is \$15 billion less than its July estimate. That would be the most for any fourth quarter since 2008, at the height of the financial crisis, though the figures can be volatile from quarter to quarter. The Treasury also plans to borrow \$356 billion in the first quarter of 2019, compared with \$488 billion in the first quarter of 2018.

Rising federal budget deficits are boosting the Treasury's borrowing and could restrain economic growth as the cost of credit also rises.

The Treasury said earlier this month that the deficit grew 17% in the fiscal year that ended Sept. 30, amid higher spending and sluggish tax receipts, which a senior Treasury official attributed to changes from the tax overhaul enacted late last year.

The deficit is headed toward \$1 trillion in the current fiscal year, the White House and Congressional Budget Office said. The Office of Management and Budget projects trillion-dollar deficits for the next four years.

The rising supply of debt could push up the cost of borrowing as the government seeks to attract investors, though many factors affect

rates, including Federal Reserve decisions, the inflation outlook and shifting investor appetite.

The Treasury said last month it would increase auctions of U.S. debt by \$30 billion through the end of this month. The Treasury gets cash to fund the government in exchange for selling the securities. It will release new details on its financing plans Wednesday.

The higher debt issuance comes as the Federal Reserve has been raising short-term interest rates following an extended period of near-zero rates in the years since the financial crisis. Fed officials lifted their benchmark federal-funds rate to between 2% and 2.25% in September, and have pen-

Government spending and stagnant tax revenue would bring total to 8-year high.

ciled in one more rate increase this year, likely in December.

President Trump has criticized Fed Chairman Jerome Powell for raising rates, saying he is making it more costly to finance the debt and could slow down the economy.

"Every time we do something, he raises rates. Now, what does that do? That means we pay more on debt, right? That means we pay more on debt and we slow down the economy, both bad things," Mr. Trump said in an interview with The Wall Street Journal.

Mr. Trump said he would rather keep rates low and "pay amortization," meaning pay down debt. Treasury estimates show the government is very far from paying down debt, with the government issuing more than twice as much debt this year than it did last year.

—Nick Timiraos contributed to this article.

## CORRECTIONS &amp; AMPLIFICATIONS

The incumbent president's party gained congressional seats in the midterm election of

1998. A Review essay Saturday about the 1826 elections incorrectly gave the year as 1888.

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

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## U.S. NEWS

# Violence Changes Everything—and Nothing

**CAPITAL JOURNAL**

By Gerald F. Seib

During Mass at a Washington parish on Sunday, a priest asked plaintively during his sermon: "What has happened to the world?"

The question was a reaction to the weekend's synagogue shooting in Pittsburgh, as well as the particularly senseless

killing of a young man who helped feed the poor in Washington. But it also could have described the new backdrop for the midterm elections in just one week.

**T**he country now has experienced not one but three October surprises in the election stretch run: the Pittsburgh shooting, the mailing of pipe bombs to Democratic and news-media critics of President Trump, and the emergence of a caravan of Central American refugees trying to make it to the U.S. border.

One can imagine a scenario in which, in particular, a deadly ambush at a synagogue and the dispersal of pipe bombs around the country might reduce the political divides in America, and soften the mood music in the political debate. Yet in fact, there are limited signs of that.

"I'm not so sure the national mood is any different today than it was a few weeks ago, actually," says Kevin Madden, a top official in Mitt Romney's 2012 run. "It was charged then, it's charged now. The events of the last few days haven't altered the mood as much as they've kept partisans dug in to their respective foxholes in the culture wars."

That reality was perhaps best illustrated at a weekend rally in Illinois when Mr.



President Trump told his supporters at a rally in Murphysboro, Ill., on Saturday that he might tone down his rhetoric a bit—and the crowd shouted back, 'No!'

Trump told the crowd of supporters he might tone down his rhetoric a bit—and the crowd shouted back, "No!"

In fact, the jarring events of recent days have put into stark relief the debates about Mr. Trump that have been roiling all along: whether he is simply using immigrant-bashing as a political tool; whether his harsh verbal attacks labeling his foes and the press as enemies of the people incite actual violence against them; and whether his use of some of the same rhetorical flourishes as white nationalists encourages fringe haters such as the Pittsburgh shooter.

The responses from the White House and other parts of Trump world also fit what has become a familiar pattern: The shooting of Republican Rep. Steve Scalise last year—like the bullet holes

found Monday at a Florida GOP office—shows the national mood isn't the creation of Mr. Trump. Moreover, Trump supporters point to social-media statements by the Pittsburgh shooter that Mr. Trump is a "globalist" surrounded by Jews as a sign he wasn't inspired by the president, and to pictures of a caravan of uninvited immigrants heading north as proof that Mr. Trump is pointing to immigration reality rather than a concocted threat.

In crass political terms, the obvious question is whether or how all this might affect voting in next week's midterm elections, understanding that the impact is blunted by the fact that many votes already have been cast by early balloting.

A good guess is that the caravan of Central American immigrants helps Republi-

cans by reinforcing their message about illegal immigration and border security. Various anonymous comments by Republican consultants, almost gleeful in tone, underscore that guess.

Meantime, the pipe bombs and synagogue shooting are

underscores that guess.

For the country, though, the broader and more important question is whether some leader might emerge from this fog to begin reversing the seemingly intractable angry national mood.

**M**r. Trump over the weekend swung between messages of unity and renewed attacks on his foes. In truth, the president isn't a unifying figure. He didn't rise in the political world by being one, and that's not what his supporters expect of him. To some extent, they expect the opposite. They want him to sharpen differences, and express them in stark terms. That is what he does, and likely will continue to do.

Once this year's election is over, Democrats will face their own choice about what

kind of leader to nominate for the 2020 presidential race, one with a unifying message or one who sharpens the contrast with Trump partisans.

Interestingly, there is one Democrat already running for president who has staked his entire campaign on the proposition that people want a unifying figure. And almost no one knows who he is.

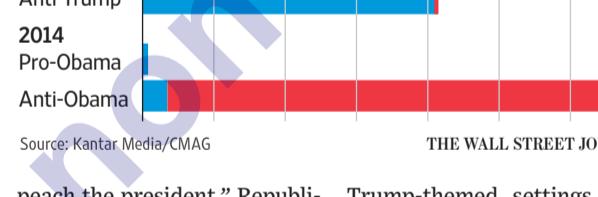
He's Maryland Rep. John Delaney, a centrist who has been working the vineyards of Iowa and New Hampshire with a pledge to bring together a divided nation. He's even produced a campaign book titled "The Right Answer: How We Can Unify Our Divided Nation." In it, he writes, "We've got to stop retreating to our corners and complaining about each other."

Is anybody listening? We'll find out soon enough.

## Trump and Pelosi Rule Midterm Ads

**Lightning Rods**

Political ads speaking out against President Obama in 2014 far outpaced ads against President Trump during this year's cycle.

**Ads mentioning the president**

Source: Kantar Media/CMAG

THE WALL STREET JOURNAL

peach the president," Republican West Virginia Senate candidate Patrick Morrisey says of "liberals" in his new ad.

It isn't just Republicans speaking approvingly of Mr. Trump. Some 23,672 Democratic Senate ads do the same. These are most common in the states that elected Mr. Trump by wide margins, where Democratic senators are trying to hold on to their seats.

"When he's for Hoosiers, I'm with him," Indiana Sen. Joe Donnelly says in one ad. In another, he splits a log with an ax and says, "I split with my own party to support funding for Trump's border wall."

"I work with President Trump, when he does what's right for West Virginia," Sen. Joe Manchin says in an ad.

Not every vulnerable Senate Democrat is taking this tack. Sen. Bill Nelson in Florida, a state that just barely chose Mr. Trump, says in a new ad, "When President Trump asks for something that's good for him and bad for Florida, I know what I'll do—I'll say no."

Mr. Trump is making appearances in gubernatorial ads, too. More than 114,000 Republican ads tout or promise cooperation with Mr. Trump, while about 91,000 Democratic ads highlight differences with him.

Perhaps the most memorable Trump-related ad is one by Republican Florida governor hopeful Ron DeSantis. In it, he plays with his children in

Trump-themed settings. One child builds a "wall" out of colorful blocks.

The biggest bogeyman of this year's midterms is actually a woman. More than 135,600 House and Senate ads have mentioned Mrs. Pelosi, in an entirely negative context. That is more negative advertising than Mr. Trump has faced this year. The reason? Mrs. Pelosi typically has higher unfavorability ratings than Mr. Trump.

Mrs. Pelosi has become more of a feature in ads for the fall general election. In August, September and October, at least 8% of all ads included her, up from lower percentages over the spring and summer primary seasons.

But her presence peaked in

**GOP Target**

Percentage of all political ads mentioning House Minority Leader Nancy Pelosi



Source: Kantar Media/CMAG

THE WALL STREET JOURNAL

## Targeted Political Ads

## Swamp Facebook Feeds

BY KATHERINE BINDLEY

With the midterm elections looming, you might not be wildly surprised your Facebook feed seems like it's been taken over by political ads. Researchers say campaign-ad spending on the social network is up in these final weeks. Less clear is how the ads get to your feed.

Like companies, campaigns, PACs and special-interest groups can all target people using Facebook Inc.'s ad tools. The difference is that, as of April, entities buying ads related to politics or "issues of national importance" must first be authorized to do so.

A big way that political and special-interest advertisers can reach you is by getting your email address or phone number and adding it to a "customer list." Maybe it's something you signed up for, or maybe they got your information from a data broker.

Either way, they can give that list to Facebook, which matches the list with information it has on its users. Advertisers can then have Facebook refine those lists to target the right people: Out of a large pool of phone numbers, perhaps only a fraction have the NRA or Planned Parenthood as interests.

Facebook says it determines your interests by your activity on the site, so that might include pages you've followed, posts you've liked, groups you're a member of or articles you've clicked on. This is how Facebook guesses your political affiliation, even if you don't declare it in your profile.

"We're seeing some really sophisticated operations," says Damon McCoy, an assistant professor at New York University's Tandon School of Engineering. Dr. McCoy and his colleagues started analyzing Facebook's searchable database of these ads after the social network made the tool public in May.

The page allows anyone to

search for a candidate, or issue of national importance, and see the related ads (both active and inactive) that have been running on the site. The information for each ad includes who paid for it and its price range, plus where it was targeted, broken down by age and gender. Facebook also reports the ad's performance, with a rough range of impressions.

Given the vague ad-price ranges provided by Facebook, Laura Edelson, a doctoral student at the Tandon School, estimates political-ad spending across Facebook was between \$6.5 million and \$38 million from Oct. 21 to Oct. 27, up from a range of \$5.9 million to \$33 million the week before.

Dr. McCoy uses Beto O'Rourke, who is running for U.S. Senate in Texas against Ted Cruz, as an example of sophistication. "He's doing these microtargeted ads county by county and giving people detailed [voting] instructions."

If you do see candidates in your feed from areas where you don't live, odds are those are ads seeking donations. Whoever bought the ad—whether it's the campaign or a supporter such as a labor union or nonprofit—thinks there is a chance you might want to contribute to a candidate.

Congresswoman Kyrsten Sinema is running for a Senate seat in Arizona. When her campaign ran a donation ad on Facebook this month, 21% of users it reached were in California, 8% were in New York and 7% were in Texas. Congressman Devin Nunes is seeking re-election to a House seat in California, but his campaign ran a survey ad that also reached many people in Texas, Florida and Pennsylvania.

If you're suddenly seeing fewer out-of-towners, that's because fundraising tends to die down in the last weeks of a campaign, Dr. McCoy says.

## U.S. NEWS

# Chinese Scientists Widen Collaboration

BY KATE O'KEEFFE AND MELISSA KORN

Scientists from China's military are significantly expanding research collaboration with scholars from the U.S. and other technologically advanced countries, at times obscuring their affiliation from their hosts, according to a new research report and interviews with academics.

The People's Liberation Army has sponsored more than 2,500 military scientists and engineers to study abroad over the past decade, according to research by the Australian Strategic Policy Institute. ASPI is a nonpartisan think tank that was created in 2001 by the Australian government, which is engaged in a sharp debate about Chinese Communist Party interference in its domestic affairs.

The volume of peer-reviewed articles produced by PLA scientists working with academics outside China grew nearly eight times during the period, from 95 in 2007 to 734 last year, the report says.

In some cases, the Chinese scientists masked their ties with the PLA, enabling them to work with professors at leading universities like Carnegie Mellon without the schools' knowledge of their military affiliation, according to Wall Street Journal interviews.

The revelations come as the U.S. and China vie for technological superiority in a variety of fields that have both commercial and military applications, such as quantum physics, cryptography and autonomous-vehicle technology—some of the same topics studied by the PLA researchers who went abroad.

The report raises questions about how well governments and universities have considered exchanges with academics from the Chinese military. Cai Jinting didn't disclose his affiliation with the PLA until after he had arrived at Ohio University in 2012, instead cit-

ing a civilian institution, according to Scott Jarvis, who worked with Dr. Cai when he was an associate professor there. "At some point I became aware it was a military university," said Dr. Jarvis. "In my mind it was like a West Point kind of place. Even today I don't really know what it is."

An Ohio University spokeswoman said the school doesn't independently vet scholars "for academic connections nor their background" and relies on the U.S. State Department for that.

"National security is our top priority when adjudicating visa applications," a State Department spokesman said. "We are constantly working to find ways to improve our screening processes and to support legitimate travel and immigration to the United States while protecting U.S. citizens and national interests." The Chinese Embassy in Washington didn't respond to requests to comment nor did the PLA scholars mentioned here.

ASPI found most researchers sent abroad by the PLA were open about their military ties, while others obscured by listing affiliations such as the Zhengzhou Institute of Surveying and Mapping or the Zhengzhou Information Science and Technology Institute (Zisti).

Qu Dan, an associate professor at PLA Information Engineering University, claimed to be from Zisti while a visiting computer-science scholar at Carnegie Mellon University's Language Technologies Institute from 2016-2017, according to her published research papers.

A spokesman for Carnegie Mellon said the university wasn't aware of Dr. Qu's alleged affiliation with the Chinese military. He said the school does background checks and entrusts vetting to the U.S. government, which issued her a visa. He added that Dr. Qu worked on "openly publishable, fundamental research."

# U.S. to Restrict Chip Maker

BY KATE O'KEEFFE

The U.S. has raised the stakes in a battle with Beijing over intellectual property by restricting American firms from doing business with a state-owned Chinese chip maker that Micron Technology Inc. has accused of stealing its secrets.

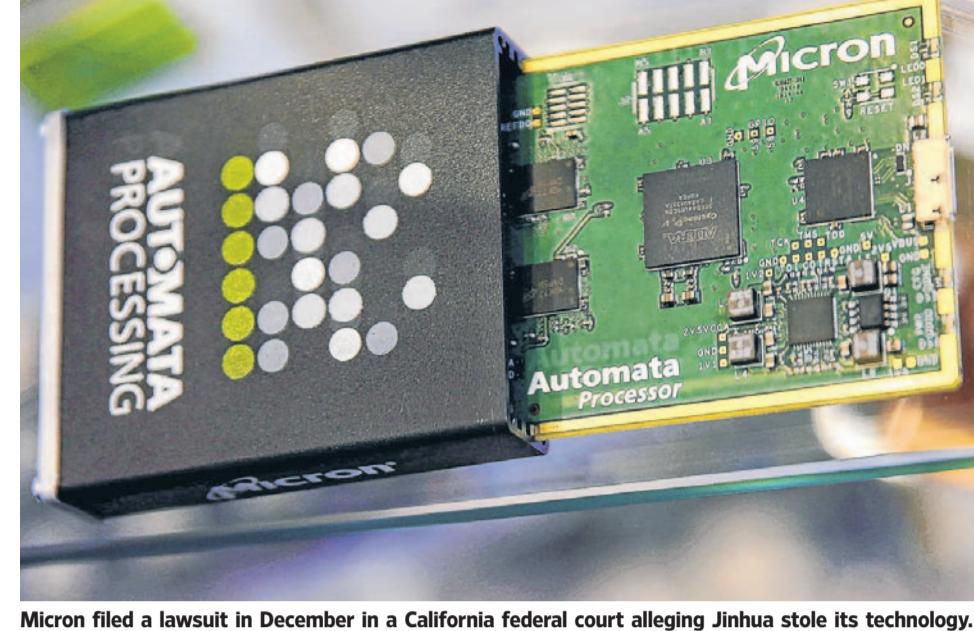
Citing national and economic security concerns, the Commerce Department said Monday that it would begin restricting U.S. firms from selling software and technology goods to Fujian Jinhua Integrated Circuit Co., a semiconductor startup into which the Chinese government has been pouring money as part of an effort to build its own chip industry. The decision has the potential to cause significant damage to the new chip maker, which still relies on U.S. technology to produce its own chips.

Jinhua poses a significant risk of becoming involved in activities that are contrary to the national security interests of the United States," the Commerce Department said in a statement announcing the new restrictions. Jinhua didn't immediately provide comment.

The Commerce Department's action against Jinhua was reminiscent of an April decision—which President Trump later reversed at the behest of Chinese President Xi Jinping—to restrict U.S. companies from selling components to telecom giant ZTE Corp. for violating terms of an earlier deal to settle allegations that it engaged in sanctions-busting sales to Iran and North Korea.

Yet experts said the Commerce Department move against Jinhua sets a new precedent by punishing a foreign firm for allegedly stealing U.S. intellectual property. The announcement was also unique in the way that it invoked concerns about U.S. companies' long-term ability to compete in the chip industry.

Jinhua's imminent plans for "additional production, in light of the likely U.S.-origin



Micron filed a lawsuit in December in a California federal court alleging Jinhua stole its technology.

technology, threatens the long term economic viability of U.S. suppliers of these essential components of U.S. military systems," the statement said.

The Commerce Department took the action after Micron, the U.S.'s largest memory-chip maker, filed a lawsuit in December in a California federal court alleging Jinhua stole its technology. Jinhua then sued

## The move raises the stakes in a battle with Beijing over intellectual property.

Micron in January in a court in China's Fujian province—whose government partly controls Jinhua—and won a temporary order blocking some Micron units from selling products in China on which each company claims patents.

Micron has said Jinhua's suit was a bogus retaliation measure and has repeatedly criticized Beijing over its treatment. In a July statement, Micron said that, though "the central government of China

has often stated that the rights of foreign companies are fairly and equally protected in China," the court's ruling was "inconsistent with this proclaimed policy." In a recent quarterly filing, Micron warned: "The activities by the Chinese government may restrict us from participating in the China market or may prevent us from competing effectively with Chinese companies."

For its part, Jinhua has accused Micron of being part of an "international oligopoly" trying to block the rise of Chinese chip producers. In a July statement, it said Micron "recklessly" infringed on its patents.

Jinhua is a key part of Beijing's plan to try to wean China off foreign technology, a position that has left its companies highly vulnerable, underscored by the ZTE scare this year. Beijing has set aside some \$150 billion in funds to create national chip-making powerhouses, including Jinhua, Tsinghua Unigroup Ltd. and Innotron Memory Co.

During August trade talks, U.S. negotiators pressed Beijing about coerced technology transfers and cited the issues surrounding Micron, according to officials familiar with the

talks. Chinese negotiator Commerce Vice Minister Wang Shouwen dismissed the concerns. Micron and Jinhua "are like brothers," Mr. Wang said, according to the officials, "and brothers fight."

The U.S. has long been frustrated with what it sees as Beijing's failure to compromise in more disputes over trade, technology and other issues. And so far, U.S. officials have found that offering an olive branch has yielded little, ushering in a much colder era in U.S.-China relations.

After Mr. Trump intervened to save ZTE, for example, some government and industry officials expected China would reciprocate and approve a long-running attempt by U.S. chip giant Qualcomm Inc. to buy Dutch chip maker NXP Semiconductors NV for \$44 billion. Senior U.S. officials including Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross engaged in a round of last-minute lobbying on the company's behalf.

But a July deadline to win approval from regulators in China came and went, killing the deal and derailing a central part of Qualcomm's strategy.

## FROM PAGE ONE

# The Pigeons Are Back In Raqqa

*Continued from Page One*  
even worse than before," said resident Muhammad Muawiya, referring to the pigeon keepers.

The pigeon problem isn't the birds. It's their handlers, also called pigeon fanciers. While pigeon-keeping isn't illegal, Syrians often view pigeon keepers as ne'er-do-wells or scofflaws, a nuisance and not to be trusted.

"If you call someone a 'pigeon keeper' it's an insult, it's almost like calling him a drug addict," said Amr Al-Azm, professor of Middle East history and anthropology at Shawnee State University in Ohio. "For as long as I can remember the pigeon keeper has been considered something shameful."

The reputation stems in part from the perception that keeping pigeons is time-consuming and distracts from work or more useful pursuits, he said. Some pigeon keepers are also reputed to use their flocks to steal other pigeons, he said, and then lie about it.

The pigeon keeper who planted his flag at the mosque was basking in his newfound freedom, but it was a step too far for residents who complained to Raqqa's city council.

The council told him to stop flying birds from the mosque, a city-council official said. Mosque neighbors said the man, who couldn't be reached for comment, has continued to use the minaret as his private perch.

Pigeon keepers like Nabil Ruslaan insist their pastime doesn't harm anyone. "The pigeon keeper is the most honorable of people," said Mr. Ruslaan, a shop owner who raises and sells the birds. "You can trust that anyone who is going up on the roof to fly his birds in the air, is looking only at his birds." He disputed the common notion among Syrians that pigeon keepers are so untrustworthy their testimony isn't accepted in court, saying he once spent "an entire week in court testifying." Syrian lawyers say



Birds for sale in Raqqa, where Islamic State had banned pigeon-keeping. Some residents bemoan the tradition's return.

the country's legal code doesn't include any such prohibition.

"Pigeons were born for kings," said keeper Muhammad al-Nashif, 44, a day laborer. One afternoon this month, he sat on a pigeon-keeping friend's roof and admired as dozens of the birds, all with jingly ankle bracelets and a few with ear-rings, flew around them.

The roof became a sound-track of cooing and metal clinking, as if invaded by a flock of avian belly dancers. "The love has returned," he said, "and life as it once was has returned."

In the dark days of 2016, militants threatened Mr. Nashif and his 40 pigeons, vowing to break their wings if he didn't get rid of them. He loaded his wife, three daughters and flock onto his motorcycle and drove out of the city. Twenty of the birds died en route.

After the group was pushed out of Raqqa late last year, Mr. Nashif returned with his family and 13 surviving pigeons.

Residents and city-hall employees say that, with much of the city still in ruins, widespread complaints about keepers haven't risen to pre-conflict levels.

Still, some in Raqqa say they are less thrilled about the pigeon keepers' return from exile. Residents complain they are once again witnessing flying stones and flung potatoes that keepers use to try to keep birds aloft. "Throwing things like pieces of wood and stones which fall on other homes and the daily quarreling and yelling has caused neighborhood

grudges against the pigeon owners," said Osama al-Khalaf, a resident who works at city hall.

But keepers like Muhammad Shaarawi, 48, say they knew what they were coming back to. "Keepers have been hated for a long time," said Mr. Shaarawi, a shoe-shop owner and keeper of the pigeons on the roof Mr. Nashif visited. Even his wife isn't a fan of the birds, he said.

The dozens of jewelry-laden pigeons in one of Mr. Shaarawi's enclosed pens cost some \$30,000, he said. Pigeon prices vary depending on region and variety. Some birds fetch \$2 and others cost thousands of dollars each, pigeon keepers say. Mr. Shaarawi, who also makes a business selling pigeons, said he has 300 pigeons, which he keeps in enclosures in every corner of his roof.

At night, pigeon keepers head to an underground coffee house known as the "keeper's coffee." The shop, said Mr. Shaarawi, "brings together the pigeon keepers and those who like pigeons."

In Syria's small pigeon subculture—which includes breeders and sellers—some members distance themselves from the "keeper" label. At the weekly pigeon market, in the northeast city of Qamishli, Abdulaziz al-Darweesh, 38, sat barefoot on the dirt ground.

Do you breed pigeons? "Yes," he said, holding one close to his chest and stroking her feathers.

Do you pigeon-keep? "No!" he responded. "How shameful, I don't steal from other people!"

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<sup>2</sup>As of August 1, 2018, Fidelity contractually lowered fund operating expense ratios. See [Fidelity.com/indexinvesting](http://Fidelity.com/indexinvesting) for more detail.

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<sup>4</sup>Vanguard offers other share classes of these funds with different investment minimums and expense ratios.

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## U.S. NEWS

# Pittsburgh Begins to Prepare for Funerals

BY KRIS MAHER  
AND ERIN AILWORTH

PITTSBURGH—The man charged in the shooting deaths of 11 people at a synagogue Saturday appeared in a downtown federal courtroom Monday, and victims' families made funeral preparations as this city began to move beyond the shock of the attack.

Robert Bowers, 46 years old, faces 29 counts, including hate-crime and firearm offenses in connection with the shooting, and the U.S. attorney's office for the region has started the approval process for seeking the death penalty.

Mr. Bowers, who was wounded when he exchanged gunfire with officers at the Tree of Life Congregation synagogue, entered the courtroom in a wheelchair, escorted by U.S. Marshals.

Jon Pushinsky, 64, a lawyer and member of Congregation Dor Hadash, which meets at Tree of Life, said he came to the court to represent his fellow congregants, including a close friend who was killed and another who was injured.

"It was not the face of villainy I thought I would see," Mr. Pushinsky said of Mr. Bowers, who sat slumped in his wheelchair and wore a blue sweatshirt and gray sweatpants. "It was just an ordinary-looking person."

Mr. Bowers answered "yes" when asked by U.S. Magistrate Judge Robert C. Mitchell if he was Robert Bowers and "yes, sir" when asked whether he had been given a copy of the complaint. He remains in custody without bond.

The judge set a preliminary hearing date for Thursday.

"At that time we will have an opportunity to present evidence that Robert Bowers murdered 11 people who were exercising their religious beliefs," said Scott Brady, U.S. Attorney for the Western District of Pennsylvania.



Students from the Yeshiva Girls School prayed Monday in Pittsburgh outside the Tree of Life synagogue, site of Saturday's shooting.

## Jewish Schools Reassure Students

Jewish educators across the country had the task Monday of explaining to children that they were safe in their religious schools and synagogues days after a gunman killed 11 at a synagogue in Pittsburgh.

Educators described trying to reassure children of their safety but also feeling a duty to talk about anti-Semitism and

the history of violence against minority communities.

"You don't want to change their imagery of Judaism to, 'Oh my God, I'm Jewish so horrible things are going to happen to me,'" said Rabbi Sam Weinberg, principal of Hillel Academy of Pittsburgh, an Orthodox elementary school and high school in the Squirrel Hill neighborhood where the shooting took place on Saturday.

While most schools re-

served discussions about the massacre for their middle or

high-school students, Rabbi Weinberg said he went into every classroom to talk to students about the attack.

Rabbi Yossi Rosenblum, educational director of the Yeshiva Schools of Pittsburgh, an Orthodox day school affiliated with the Chabad-Lubavitch movement, said the school wanted to focus on reassuring students that they were safe. The high-school boys broke out into applause when Rabbi Rosenblum told them there was armed security guarding

the school as of Monday.

The school consulted with mental-health professionals about how to talk to children about the tragedy and had guidance counselors on site for any students who wanted to talk.

Many Jewish schools across the country chose to address the shooting with students by holding memorial ceremonies or discussion groups where students could talk about their fears or how they wanted to help people in Pittsburgh.

—Shayndi Raice

## Fringe Platforms Spotlitghted

*Continued from Page One*  
search for early tipoffs to tragedy.

Marc Randazza, the First Amendment lawyer representing far-right website Infowars in connection with a ban by PayPal, contends that the efforts of big tech companies to crack down on hate speech are likely to make people who are inclined to radicalization more radicalized, not less.

"If you take people and you

kick them out into the cold, guess what?" he says. "They're in an echo chamber of their beliefs."

David Lazer, a computational social scientist at Northeastern University who has studied social networks and misinformation on the internet, says any company that is helping to keep the lights on at a site trafficking in hate content, including web hosts and payment processors, will face difficult questions. "Each company has some potential control," he says. "Which are the ones we decide should be held accountable?"

GoDaddy said Monday it had received complaints about Gab over the weekend, and after investigating them, discovered "numerous instances" of

content on the site that promotes and encourages violence against people. The company told Gab it had 24 hours to move the domain to another registrar, saying Gab had violated GoDaddy's rules.

GoDaddy said it generally doesn't take action against sites that include such content. "While we detest the sentiment of such sites, we support a free and open internet," the company said. "Similar to the principles of free speech, that sometimes means allowing such tasteless, ignorant content."

Where Gab crossed the line with GoDaddy was in promoting violence. "In instances where a site goes beyond the mere exercise of these freedoms...we will take action," the company said.

Mr. Bowers, 46, lived alone in a ground-floor apartment in an apartment complex in the Pittsburgh suburb of Baldwin. Neither immediate family nor friends have been located. A few neighbors recall him saying hi, never having guests, and sitting in his car and smoking on occasion.

In the 19 days before the shooting, he posted or re-posted memes and comments at least 68 times on Gab, according to an analysis by the Southern Poverty Law Center of his activity.

"In the small window into his account currently available, it's evident he engaged with numerous anti-Semitic conspiracy theories that have long been in circulation among neo-Nazis and white nationalists," the analysis said. He also seemed to have a "conspiratorial focus" on other white nationalist fixations, including a caravan of Central Americans.

Before the shooting, which left 11 dead, a Gab account under his name posted a message about HIAS, a global Jewish agency that resettles refugees. "HIAS likes to bring invaders in that kill our people. I can't sit by and watch my people get slaughtered. Screw your optics, I'm going in," it said.

According to a study cited by the Federal Bureau of Investigation, over half of active shooters had previously signaled their intent to commit violence, while 88% of active shooters age 17 and younger had communicated their thoughts or fantasies to a third party.

victims had been buried, saying that police would be stretched thin providing protection for funerals, he said. A spokeswoman said he had no further comment.

While several Jewish groups have strongly opposed

a visit, some local leaders said Monday that they would welcome Mr. Trump.

"He's president of the country. If he's coming to express his sympathies, I think it's OK," said Rabbi Chuck Diamond, the former rabbi at the

by ad networks. "We are being financially punished for our work exposing racism," the site said last year.

Companies considered communications platforms have the greatest leeway to enforce policies that bar certain users, legal experts say. After the August 2017 white-nationalist rally in Charlottesville, Va., Google and GoDaddy stopped providing hosting support for the Daily Stormer, a neo-Nazi site that they said violated their terms of service. The website reappeared under various country-specific domains in the ensuing months.

In September, PayPal terminated its relationship with Infowars after a review it conducted "found instances that promoted hate and discriminatory intolerance against certain communities and religions that run counter to our core value of inclusion." Weeks later, the company that owns Infowars filed a lawsuit against PayPal in federal court in California in which it accused the payments company of illegally discriminating against Infowars based on its political affiliations.

Free Speech Systems LLC, Infowars' parent company, said in the lawsuit that PayPal's ban was "a bridge too far and, if allowed, sets a dangerous precedent for any person or entity with controversial views." It asked a judge for a temporary restraining order to force PayPal to continue processing payments for the company.

PayPal said Free Speech Systems' activities "are contrary to PayPal's own core values of diversity and inclusion" and that making PayPal process its payments "would violate PayPal's exercise of its constitutionally protected right to free speech." The judge ultimately denied the motion for a restraining order.

In June, Stripe stopped processing payments for three far-right websites—Bitchute, MakerSupport and FreeStartr—which had been created as alternatives to YouTube, Patreon and Kickstarter, respectively.

FreeStartr, which set out to do crowdfunding for controversial causes such as the legal defense of white supremacist Richard Spencer, shut down soon after.

—Peter Rudgeair contributed to this article.

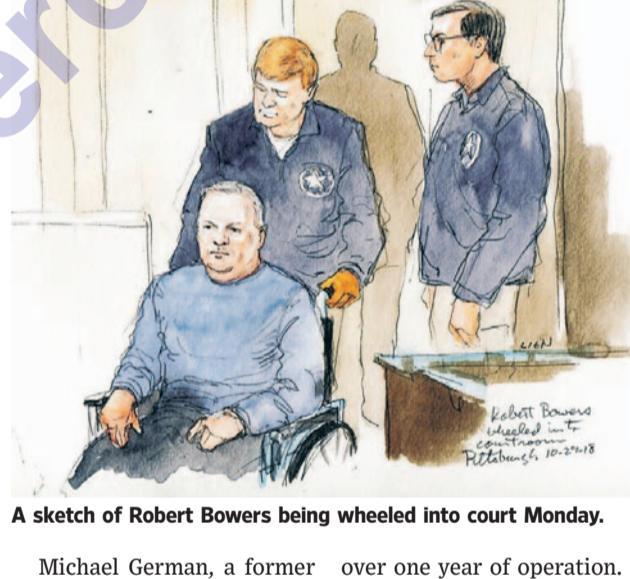
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A sketch of Robert Bowers being wheeled into court Monday.

Michael German, a former FBI agent who infiltrated anti-government and neo-Nazi groups in California and Washington during the 1990s, says it is easier to identify bad actors when fringe sites aren't shut down.

"If you suppress that activity, people are not going to go away, and their ideas are not going to go away," he says. "They'll find other ways to communicate. It will be actually harder for law enforcement to understand what is going on."

Gab had already been pushed off several major tech companies' platforms. Both Alphabet Inc.'s Google and Apple Inc. had blocked the Gab app from their app stores last year, and earlier this year Microsoft threatened to ban Gab from its Azure platform in response to anti-Semitic posts, which were ultimately deleted.

A message Monday on Gab.com said the site would be "inaccessible for a period of time" after it was "systematically no-platformed by App Stores, multiple hosting providers, and several payment processors." The company on Monday called itself "the most censored, smeared, and no-platformed startup in history, which means we are a threat to the media and to the Silicon Valley Oligarchy."

Gab was founded in 2016 to be a "platform for conservatives in the West and dissidents globally," according to a lawsuit the company filed in 2017 against Google. Gab said at the time that it had acquired 268,000 users in just

over one year of operation.

While some of the content on Gab is innocuous, the site has been a haven for individuals who were kicked off Twitter for violating its rules against hate speech and harassment. Milo Yiannopoulos, who Twitter banned weeks before Gab's creation, has been one of the most popular users of Gab.

A study from the Cyprus University of Technology, the Princeton Center for Theoretical Science and University College London found that 5.4% of all Gab posts include a hate

Gab had already been pushed off several major tech companies' platforms.

word—more than twice as often as Twitter posts, but much less frequently than on 4chan's Politically Incorrect message board. The study said popular hashtags on Gab included "Pizzagate," a conspiratorial theory, and "Ban Islam."

The cutting off of online speech through so-called no-platforming is less common on the political left.

Last year, the left-wing website ThinkProgress launched a campaign to sign up paying members, arguing that the site's coverage of white nationalism and other controversial topics was leading it to be classified as "inflammatory politics and news"

Freestartr, which set out to do crowdfunding for controversial causes such as the legal defense of white supremacist Richard Spencer, shut down soon after.

—Peter Rudgeair contributed to this article.

## U.S. WATCH

## FEDERAL RESERVE

**Powell Will Testify On Economic Outlook**

Federal Reserve Chairman Jerome Powell is set to testify on the economic outlook before the Joint Economic Committee on Dec. 5, a committee spokesman said Monday.

Mr. Powell has testified on Capitol Hill twice so far this year in appearances before the House Financial Services Committee and the Senate Banking Committee.

The Joint Economic Committee, whose chairman is Rep. Erik Paulsen (R., Minn.), is a bicameral committee with 10 members from the Senate and 10 from the House of Representatives.

—Nick Timiraos

## PUBLIC SAFETY

**Study Cites Gun Injuries in Children**

Gun injuries sent 75,000 U.S. children and teens to emergency rooms over nine years at a cost of almost \$3 billion, a study found.

Researchers called it the first nationally representative study on ER visits for gun injuries among U.S. kids.

They found that more than one-third of the wounded children were hospitalized and 6% died. Injuries declined during most of the 2006-14 study, but there was an upswing in the final year.

The researchers found that 11 of every 100,000 children and teens treated in U.S. emergency rooms have gun-related injuries. That amounts to about 8,300 kids each year.

"I don't know what more we need to see in the world to be able to come together and tackle this problem," said Dr. Faiz Gani, the lead author and a researcher at Johns Hopkins University's medical school.

The researchers focused on victims under age 18; the average age was about 15.

Almost half the gun injuries were from assaults.

University funding paid for the analysis, published Monday in *JAMA Pediatrics*.

—Associated Press

## CALIFORNIA

**Trial Set in Oakland Warehouse Fire**

The two men charged with involuntary manslaughter for the 2016 warehouse blaze that killed three dozen partygoers will face trial in Oakland early next year, their lawyers said Monday.

Derick Almena, 48, and Max Harris, 28, each pleaded no contest to 36 charges of involuntary manslaughter before a judge who toed a plea deal worked out with prosecutors.

Mr. Almena rented the Oakland warehouse and illegally converted it into a residence, entertainment venue and work space for artists. Mr. Harris helped Mr. Almena collect rent and schedule concerts. A fire killed 36 people attending a music show in December 2016. Investigators have said they can't determine the cause of the fire, though they ruled out arson.

A trial date won't be scheduled until a judge on Nov. 9 decides on Mr. Almena's demand that the plea deal be honored. Harris attorney Tyler White said they don't want to resurrect the plea deal, which called for Mr. Harris to serve six years in prison.

—Associated Press

## NORTH CAROLINA

**Governor Seeks Cut In Greenhouse Gases**

North Carolina's governor says he is trying to lessen the force of erratic and powerful storms like Hurricane Florence by ordering state agencies to work at cutting greenhouse-gas emissions.

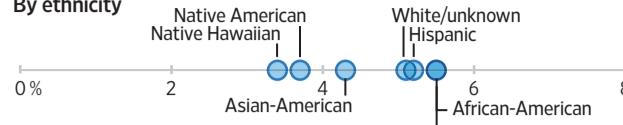
Democratic Gov. Roy Cooper said Monday he wants state agencies that he controls to prioritize electric vehicles when they buy or lease, with the aim of encouraging getting 80,000 zero-emission vehicles on the state's roads in six years.

Mr. Cooper also is ordering the administration, health and other agencies under his control to cut greenhouse gases by 40% before 2025, compared with a starting point of 2005.

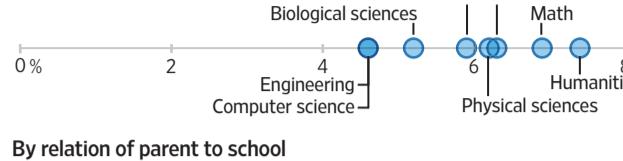
After the U.S. withdrew from a global climate agreement, Mr. Cooper last year by joining 14 other states that pledged to keep pursuing their share of the U.S. targets.

—Associated Press

## Admission rates for the undergraduate class of 2018



## By intended concentration



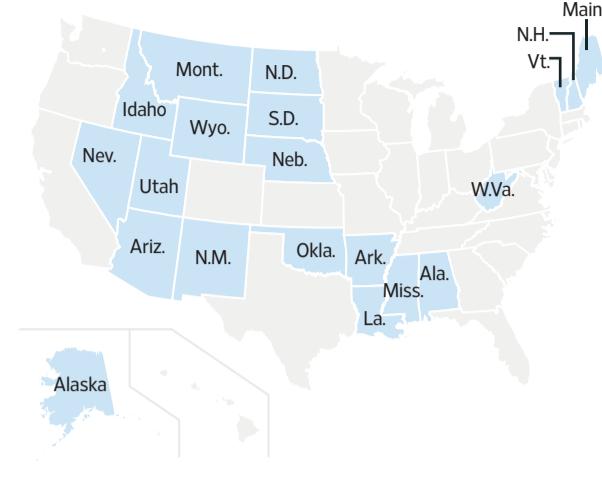
## By relation of parent to school



Note: Ethnicity data excludes legacies and recruited athletes.

Sources: Harvard University (admission rates); court exhibit shown by group suing the university (sparse country)

## Harvard labels 20 states that are underrepresented in its student body as 'sparse country,' and has taken measures to recruit students from these states.



THE WALL STREET JOURNAL.

## U.S. NEWS

BY MELISSA KORN

BOSTON—Three weeks into a trial gauging whether Harvard University discriminates against Asian-American applicants, eight current and former students came to the school's defense.

They extolled the value of a diverse campus in enriching their college experiences and said they supported the university's consideration of race in admissions decisions.

"It's my story and I should be able to tell it," said Catherine Ho, a Vietnamese-American sophomore and co-president of the Harvard Asian American Women's Association. "Race has played such a big part in my life. I don't know how I could stop talking about it."

Ms. Ho, 18 years old, wrote in her application about the "keep going" attitude her parents adopted as Vietnamese refugees. She also mentioned her volunteer work at a refugee center and experience traveling to Vietnam.

Students for Fair Admissions, the nonprofit suing Harvard and alleging the school intentionally discriminates against Asian-Americans, didn't call any students or applicants to testify.

Harvard didn't ask students to testify on its behalf, citing respect for their privacy.

Rather, a coalition of 25 student and alumni groups filed a friend-of-the-court brief this summer and received court approval to testify in support of diversity at the university. Members of those groups, and others who testified Monday, were represented by lawyers from the NAACP Legal Defense Fund, Lawyers' Committee for Civil Rights Under Law and Asian Americans Advancing Justice.

The students and graduates—who identify as Chicana, Latina, Vietnamese-American, black and Chinese-American—reinforced the potential impact of the judge's ruling.

Harvard said in a court filing that eliminating affirmative action would give the biggest boost to white students, increasing their share in a recent admitted class to 48% from 40%. The share of Asian-Americans would rise to 27% from 24%, while African-Americans would drop to 6% from 14%, and Hispanics to 9% from 14%.

A significant decline in black and Latinx enrollment would be "catastrophic for a

student like me," said Itzel Vasquez-Rodriguez, a Mexican-American woman who graduated from Harvard in 2017. Latinx is the nongendered term for the Latino and Latina community, and was the preferred descriptor for many of Monday's witnesses.

She said there was "absolutely not" adequate representation of students of color on campus, and a further

At trial, students and alumni praise diverse campus for enriching college experiences.

drop would be "really detrimental" both to those in need of a support network and others who could stand to learn from minority populations.

"It would really rob students of that critical Harvard education where you learn from...people who are different from you," said Sally Chen, a Chinese-American Harvard senior. She said the fact that her San Francisco high school had a large concentration of Asian-American

students was "detrimental" to her educational experience.

The courtroom was packed Monday, with dozens of Harvard students and graduates—Asian, white, black, Latinx and others—donning light blue T-shirts reading #DefendDiversity.

On the stand, students discussed how they thought race-blind admissions would have affected their applications. Most said they couldn't have expressed their whole selves without mentioning race and wouldn't want to be at a school that didn't clearly value diversity.

Thang Diep said that even if he hadn't discussed his Vietnamese-American identity in his application, it would have been obvious from his name, birthplace and parents' birthplace.

He chose to write about it, focusing his personal statement on rejecting his Vietnamese roots after being bullied as a new immigrant who arrived to the U.S. at age 8 not knowing English, and then ultimately embracing them.

Mr. Diep, now a college senior, said he chose to focus on that topic because "I was really tired of erasing my identity for so long."

## FROM PAGE ONE

**Tech Rout Dents U.S. Indexes**

Continued from Page One

\$824 billion from the market worth of five of its tech favorites—the "FAANG" quintet of Facebook Inc., Amazon, Apple Inc., Netflix and Google parent Alphabet Inc.—based on their peaks earlier this year, according to FactSet.

Portfolio managers said the autumn misery reflects a market in which traders are struggling to evaluate firms' prospects as the outlook for U.S. economic growth is under threat from trade tensions, rising interest rates and the weakening U.S. fiscal position.

Dow component Boeing Co. ended 6.6% lower, logging its biggest one-day fall since February 2016.

Although Amazon last week posted record quarterly profits, the firm's revenue fell short of analysts' expectations. Investors have scrambled to pare their exposure after a long run for the shares, which are still up 30% for the year.

"This break in Amazon, it's really toxic for the market right now," said Michael Antonelli, managing director of institutional sales trading at

Robert W. Baird & Co. He said Amazon and Apple, which dropped 1.9% Monday, are "two of the most crowded trades in the world. The pain of today is all about Amazon just because of how crowded it is."

To be sure, many analysts and investors continue to expect the market to bounce back soon. U.S. growth remains solid: Data on Monday showed Americans' personal spending and incomes picked up in September, and a report Friday showed the U.S. economy grew at a faster pace than economists expected in the third quarter. The bond market is showing few signs that concern has spread more deeply through the economy.

Wall Street analysts are still overwhelmingly bullish on the prospects of companies such as Amazon. FactSet puts the average price target issued by 47 analysts for Amazon at \$2,170.43 a share, a 41% premium to where the stock closed Monday.

Still, major indexes are on course to end October with their biggest one-month loss in several years. Many analysts remain wary about how much longer stocks' yearslong bull market can continue, especially with interest rates on the rise and tailwinds from tax cuts passed in late 2017 expected to fade in the coming years.

"I think in order to actually renew leadership and faith in the market, you've got to see

more strength in growth stocks," said Patrick Spencer, vice chairman of equities at Baird.

Still, if there is "no [sign of] recession, and maybe a slightly more dovish Fed, you could light a fire under this market," he added. "Bear markets are almost always associated with recession, and I just don't see it on the horizon."

Monday's technology downturn hit everything from software makers to social media firms to e-commerce companies, dragging the Nasdaq further into correction territory, off 13% from its August high. The tech-heavy index has now fallen 15 days in October, putting it on the verge of posting its most one-day declines in a single month since November 2000, according to Dow Jones Market Data.

The S&P 500 and Dow industrials, are teetering on the cusp of corrections, marked by declines of at least 10% from their recent highs. The broad stock-market index is off 9.9% from its September high, while the blue chips are down 8.9% from their Oct. 3 record.

Software-and-services company Red Hat Inc. managed to escape the selling. The firm's shares rose 45% and logged their biggest-ever one-day gain after International Business Machines Corp. agreed to buy it for about \$33 billion in its biggest acquisition ever. IBM shares fell 4.1%.

Elsewhere, the Stoxx Europe 600 added 0.9% from its lowest close since December 2016. Italian stocks led gains in Europe, with the benchmark FTSE MIB Index rising 2.1% after S&P Global Ratings on Friday left Italy's debt rating unchanged but cut its outlook to negative. Some investors had expected a downgrade.

The Shanghai Composite Index fell 2.2%, led by declines in liquor stocks after downbeat quarterly sales and earnings from Kweichow Moutai, China's biggest liquor maker. Mainland Chinese markets also moved lower after weekend official data showed China's large industrial companies reported much slower profit growth last month.

—Riva Gold

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Shares of Amazon.com fell into bear-market territory Monday.

LINDSEY WASSON/REUTERS

## WORLD NEWS

## Indonesia Aviation Under Scrutiny Again

Monday's Lion Air crash with 189 on board undercuts recent safety improvements

BY GAURAV RAGHUVANSHI  
AND JAKE MAXWELL WATTS

SINGAPORE—The deadly crash of an Indonesian jetliner follows a troubled history of aviation safety in the world's fourth-most populous country, where the fast-growing industry has a legacy of overstretched capacity and a high rate of fatalities.

Lion Air Flight 610 plunged into the Java Sea with 189 people on board minutes after taking off from Jakarta's main airport Monday. Officials said they didn't expect any survivors. The cause of the crash is under investigation.

The crash, the worst in Indonesia in more than two decades, undercut safety improvements in recent years and cast new doubt on an industry that carries millions of foreign tourists each year.

Indonesia's aviation record, though significantly improved in the past few years, is mixed.

The country meets most international standards for aviation safety, but comes off a low base. Of the 81 fatal and nonfatal accidents among Asian carriers over the five years through 2017, 23 involved Indonesian carriers, according to the Montreal-based International Air Transport Association.

"Since 2017 until now, almost two years, there have been no significant accidents," Budi Karya Sumadi, the transportation minister, said Monday. "The transportation ministry has even received a variety of safety awards."

The crash comes almost four years after an Indonesia AirAsia jetliner plunged into the ocean, killing all 162 people on board. Investigators found a combination of mechanical failures and poor pilot response to be the



Relatives of Lion Air Flight 610 passengers wait for news of their loved ones at the airport in Pangkal Pinang, Indonesia.

cause.

"Indonesian air safety has improved in recent years" but "airplane crews don't always follow the procedure to the T," said Greg Waldron, Asia managing editor of FlightGlobal, an aviation industry publication and database.

Mr. Waldron said that concerns remain about the culture of safety in Indonesia, where past fatal accidents have involved failures both by airlines and air-traffic controllers.

Indonesian authorities launched an investigation into the cause of Monday's crash and teams of divers battled strong currents to find the flight data and cockpit voice recorders and remains of the people on board. Some remains and significant wreckage of the aircraft, including a piece of the tail, had been located by the time divers suspended their efforts for the day on Monday.

The aircraft lost contact with air-traffic controllers at 6:33 a.m., about 13 minutes after taking off from Jakarta's main airport on a domestic flight. The pilots had requested to return to the Jakarta airport before crashing into the sea.

**23**  
Indonesian aircraft accidents in the five years through 2017

The aircraft, a two-month-old Boeing 737 Max 8, is a variant of one of the world's most popular single-aisle jets. Boeing said it was monitoring the situation. It was the first major accident involving one of the aircraft.

Data collected by

Flightradar24, a flight-tracking network, indicate the plane, on its previous flight to Jakarta from Bali and on the flight that crashed, suffered from possible erratic speed and altitude readings, including a dip in altitude that a pilot described as unusual.

The crash is **Lion Air's** second in five years, and again calls into question the safety standards of a fast-growing budget carrier with a patchy safety record. In 2013, another Lion Air jet missed the runway and made a water landing in Bali. There were no fatalities, but the air crash report found "the basic principle of jet aircraft flying was not adhered [to] during manual flying."

The carrier is emblematic of a pace of growth in Indonesia's aviation industry that has stretched airlines and airports. Lion Air, which with 300 planes is the largest budget carrier in

Southeast Asia, has an additional 450 aircraft on order, including 238 of the same type as the one that crashed.

Indonesia, a nation that stretches across some 18,000 islands, is the world's fifth-largest market by domestic passenger numbers and is one of the fastest-growing in the world, tripling in size since 2005 to 96.9 million passengers last year.

Lax safety standards and a series of incidents led regulators in the U.S. and European Union in 2007 to add Indonesian airlines to no-fly blacklists, prohibiting them from flying to or from those markets.

After a concerted government and industry effort to improve, permissions were incrementally restored, with the last in June this year.

—*I Made Sentana in Jakarta, Emre Peker in Brussels and Andrew Tangel in Chicago contributed to this article.*

### Crash Puts Boeing Plane in Spotlight

Company's 737 Max 8 aircraft is popular with U.S. carriers

The investigation into the crash of Lion Air Flight 610 carries high stakes, not just for the rapidly expanding budget carrier but also for **Boeing Co.**, which counts the airline as one of the biggest buyers of the 737 Max 8 aircraft type involved in the accident.

Lion Air is a major customer for Max 8 and other variants of Boeing's 737 jet, and for rival Airbus's single-aisle A320s as well as for CFM International, the joint venture of **General Electric Co.** and France's **Safran SA** that makes Leap engines for both companies.

Boeing shares fell 6.6% after the accident on Monday, their sharpest one-day drop since February 2016.

Boeing said it is providing "technical assistance at the request and under the direction of government authorities investigating the accident."

The investigation is at an early stage and authorities have given no indication that an equipment fault led to the accident.

CFM said it is standing by to offer any assistance required by Lion Air, the Indonesian Ministry of Transportation and National Transportation Safety Committee, and the U.S. National Transportation Safety Board.

U.S. aviation regulators will also be closely monitoring the probe.

U.S. airlines are major buyers of Boeing's 737 Max 8 aircraft.

—Andrew Tangel and Robert Wall

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Photo courtesy Ronald Reagan Library

## WORLD NEWS

# U.K. Plans to Introduce Digital Tax on Tech Firms

BY PAUL HANNON  
AND NINA TRENTMANN

LONDON—The U.K. said it would move ahead with plans to introduce a first-of-its-kind tax on locally generated revenue by large technology firms—the most concrete attempt yet by an industrialized nation to rewrite the world's tax code for the digital era.

The new tax comes as dozens of other countries are contemplating similar levies on digital services sold by companies such as **Alphabet** Inc.'s Google and **Facebook** Inc. These governments are hoping to capture more revenue from such services as economic activity increasingly shifts online.

At issue is how governments collect taxes from the handful of tech firms, many based in the U.S., that have morphed into global, digital consumer-services giants. As they have grown, governments outside their home jurisdictions have struggled with the digital nature of their wares in coming up with an appropriate level of local tax to levy.

Big American tech firms have been criticized for reporting relatively little of their profit in local jurisdictions, opening them up to scrutiny. An international effort among rich nations to help standardize how and where to tax these digital services has been progressing slowly. The U.K.

on Monday said it could no longer wait. As part of its annual budget, it said it was moving ahead with a plan to begin a digital tax for large tech firms by 2020.

The government of Spain proposed a similar digital-services tax this month, but that measure requires parliamentary approval.

The new U.K. tax puts pressure on big countries, including the U.S., to speed up the global effort. The Organization for Economic Cooperation and Development, a forum of wealthy

*The proposal makes Google's and Facebook's ad-selling businesses vulnerable.*

countries, has been leading the international digital-tax talks.

Opponents of digital taxes, which include lobbyists for multinationals, say a patchwork of new rules that vary by country will hurt smaller firms. They say the initiatives could lead to double taxation of corporate profit that will stifle international trade and discourage investment.

The tech industry opposes the proposals. On Monday, after the U.K. announced its plan, the Information Technology Indus-

try Council, a Washington-based lobby group that represents tech firms including Google and Facebook, said that "imposing a digital tax could create a chilling effect on investment in the U.K. and hinder businesses of all sizes from creating jobs."

The U.K.'s Treasury chief, Philip Hammond, said on Monday that the tax would target only large, profitable companies, with global revenue of at least £500 million (\$641 million). The new levy would constitute 2% of such a company's revenue in the U.K. Mr. Hammond said it could eventually raise some £400 million annually.

The proposal would affect businesses generating U.K. revenue from services including search engines, social-media platforms and online marketplaces. That makes the ad-selling businesses of Google and Facebook particularly vulnerable. The tax wouldn't affect sales of digital music or movies.

For giants like Alphabet, **Amazon.com** Inc. and Facebook, the U.K. tax would amount to a relatively small amount of additional tax. But it represents the first concrete step among several governments globally to increase the tax burden of these and other large, global tech-services companies.

"It's clearly not sustainable, or fair, that digital-platform businesses generate substantial value in the U.K. without paying tax here," Mr. Ham-



U.K. Treasury chief Philip Hammond said the new tax would target only large, profitable companies.

mond said. He said that while a global agreement "is the best long-term solution," progress has been "painfully slow."

Big U.S. tech firms have been subject to intense scrutiny here for how much tax they pay. Amazon U.K. Services Ltd., one of online retailer's major British units, in 2017 reported revenue of £1.98 billion and profit on ordinary activities of £200.55 million. It paid £47.36 million in British taxes.

Representatives for Amazon, Facebook and Alphabet had no comment on the new tax. Amid criticism of their tax practices,

corporate information.

Facebook's British subsidiary that year reported revenue of £1.26 billion and a profit of £62.76 million, paying £17.19 million in taxes. Google UK Ltd. for the year ended June 31, 2017, booked revenue of £1.26 billion and profit on ordinary activities of £200.55 million. It paid £47.36 million in British taxes.

Representatives for Amazon, Facebook and Alphabet had no comment on the new tax. Amid criticism of their tax practices,

all three companies have said they pay their fair share.

"This proposal could disproportionately affect American companies and may ultimately wind up interfering with the U.K.'s trade commitments," said Rufus Yerxa, president of the U.S. National Foreign Trade Council. "If enacted, this measure could also complicate the United Kingdom's push for deeper U.S.-U.K. trade relations."

—Stu Woo contributed to this article.

## Merkel Exits as Party Chief

Continued from Page One

charge of the once deeply conservative party when it was an ailing group. She became chancellor in 2005 and modernized the party to hold Germany's political center for over a decade.

Ms. Merkel led Germany through a period of rising economic growth, balanced budgets and record employment. Yet her management of multiple crises, including problems over the euro currency and migration, has contributed to the polarization of German society and deepened divisions in Europe.

Her Monday announcement comes a day after CDU's poor showing in Hesse, home to Germany's financial industry, and a series of nationwide polls putting the party at a historic low. Ms. Merkel also has been dogged by other bad showings—including in Bavaria state earlier this month—after she led her party into the worst-ever result at the 2017 federal election. She has since ruled in a troubled coalition with the Social Democrats, known as SPD.

Ms. Merkel's departure as party leader would create political instability that could weaken Germany's leadership in the EU at a time of mounting geopolitical, economic and social challenges, said Marcel Fratzscher, head of the German Institute for Economic Research think tank. "Germany as a factor of stability no longer exists; on the contrary, the federal republic is increasingly becoming a factor of risk," Mr. Fratzscher said.

Ms. Merkel has often said that the chancellorship and the party chief should be held by the same person to be able to have a stable government.



Chancellor Angela Merkel, left, with Annette Widmann-Mauz, state secretary for migration, refugees and integration, Monday in Berlin.

### Chancellor's Move Fuels Uncertainty

German Chancellor Angela Merkel announced the beginning of the end of her time as the country's leader on Monday, saying she won't seek re-election as head of the conservative Christian Democratic Union when the party meets in December. She also said she would stand down as chancellor once the current legislative

term ends in 2021. Here is a look at the potential consequences of the announcement:

#### What does Ms. Merkel's decision to give up the party leadership mean?

Ms. Merkel's decision ends her 18-year leadership at the Christian Democratic Union party. She wants to stay on as chancellor, with the current coalition government continuing until the legislative term ends in 2021. She could also resign prematurely. The lower house of Parliament could then vote on her successor

without Germany's president having to call for snap elections.

#### How will the CDU choose a new party leader and why does it matter?

The CDU holds its convention starting Dec. 7 in Hamburg, where delegates will vote for a new party leader. The outcome will be crucial for Ms. Merkel's future as chancellor.

#### What if a rival from within her party becomes a leader?

Ms. Merkel could decide to stay in power as chancellor or seek a vote of confidence in the

lower house of Parliament to bolster her position.

#### What if Ms. Merkel steps down as chancellor later?

Any German citizen older than 18 can become chancellor. The candidate doesn't need to be a member of Parliament.

#### When would the next general elections be held?

If German President Frank-Walter Steinmeier dissolves Parliament, Germany would need to hold national elections within 60 days.

—Andrea Thomas

Despite her shift on that issue, Ms. Merkel could be forced to step down as chancellor by the party conference in December, politicians and analysts said.

"She is living on borrowed time," said Professor Andreas Röder, a notable historian and political analyst.

Senior CDU politicians said

party officials are discussing possibly replacing her with a new leader of the government at the CDU conference on Dec. 7 and 8. One way they could do that would be to threaten a no-confidence vote in parliament after agreeing with other parties to topple Ms. Merkel.

Another option discussed

by CDU officials is ending the unpopular coalition with the SPD. Last week, a nationwide Emnid poll found that Ms. Merkel's conservative bloc has shrunk to a record low of 24% support, down from nearly 33%, while the SPD dropped from 20.5% to 15%.

Some senior CDU officials

are considering the possibility of forming a new coalition with the Greens—which have surged in popularity in recent months—and the market-liberal Free Democrats or FDP.

Such a scenario, too, would require the chancellor to step down. Ms. Merkel's departure is only a question of time, said

Christian Lindner, the FDP leader. "We will not support a coalition with Ms. Merkel as a leader," he told The Wall Street Journal last week.

Alternatively, the CDU could opt for a minority government. Even if Ms. Merkel managed to retain the chancellorship, she would rely on fragile majorities to push through legislation, an arrangement that also could lead to her removal.

"We will force her to make handstands each time she comes to us asking for a vote," a senior CDU legislator and critic of Ms. Merkel said of a minority government.

The SPD itself could abandon the coalition, as the center-left group—once one of the largest parties in Europe—has shrunk to become the country's No. 4 political force. Instead, the Greens and the far-right Alternative for Germany are vying as the No. 2 and No. 3 parties.

Following Sunday's local election, SPD leader Andrea Nahles said her party's continued participation in the government would depend on the implementation of a new "binding road map."

Snap parliamentary elections also are possible.

Aside from Ms. Kramp-Karrenbauer, other aspirants hope to succeed Ms. Merkel as party leader and run to become the country's next chancellor in fresh national elections.

Jens Spahn, the health care minister from the anti-Merkel conservative faction, registered his candidacy for the December election. Other potential contenders include Armin Laschet, the premier of North Rhine-Westphalia and Friedrich Merz, a former CDU grandee now working for the German branch of BlackRock Inc., an asset manager.

Several CDU politicians have told the Journal that Wolfgang Schäuble, speaker of Germany's parliament and the most august figure in the conservative camp, could play the kingmaker. Some of them have said that Mr. Schäuble would support Mr. Merz.



St. Mark's Square, the main public square in Venice, was under several feet of floodwater Monday.

Venice was inundated by an exceptional high tide Monday, putting three-quarters of the lagoon city under water as swaths of the rest of Italy experienced flooding and strong winds that toppled trees and other objects, killing six people.

Tourists and residents donned high boots to navigate the streets after strong winds raised the water level more than 5 feet before receding. The water exceeded the raised walkways normally put out in flooded areas in Venice, forcing their removal. Transport officials closed the water bus system except to outlying islands because of the emergency.

Venice frequently floods when high winds push in water from the lagoon, but Monday's levels were unusual. The peak level was the highest since December 2008, according to Venice statistics.

Mayor Luigi Brugnaro said a series of underwater barriers that are being erected in the lagoon would have prevented the inundation. The project, nicknamed Moses, is long overdue, beset by cost overruns and corruption scandals. The project would raise barriers when the tide reaches 43 inches. That happens, on average, four times a year in Venice.

Residents and businesses

typically reinforce their doors with metal or wooden panels to prevent water from entering the bottom floors, but photos on social media showed shop owners using water pumps this time to try to protect their wares.

Much of Italy is on alert for flooding from heavy rains, a problem exacerbated by a lack of maintenance of the country's many riverbeds. High winds toppled trees that killed passersby in four incidents in Naples, Lazio and Liguria.

Officials closed major tourist attractions in Rome, including the Colosseum and Roman Forum, early because of heavy rains.

—Associated Press

## WORLD NEWS

# Brazil's Military Set to Gain Sway

New president plans to install retired general as defense chief and enlist army in policing

BY SAMANTHA PEARSON  
AND LUCIANA MAGALHÃES

RIO DE JANEIRO—Brazil's President-elect Jair Bolsonaro, the ex-army captain who stormed to power Sunday, is poised to give the military its biggest role in the country's government since the fall of the dictatorship more than three decades ago.

To the surprise of some voters, Mr. Bolsonaro spent much of his victory speech backtracking on his most extreme statements from decades past. He vowed to defend democracy after once saying in 1999 that only a civil war could solve Brazil's problems, and promised to respect racial and sexual diversity after having advocated hitting children to stop them from "turning gay." A staunch nationalist, he spoke eagerly about his plans to open up the economy to foreign investors.

But Mr. Bolsonaro has remained glaringly consistent on one issue: his fondness of the military and tough policing. On Sunday, he confirmed retired Gen. Augusto Heleno as his future defense minister, breaking a tradition of civil leadership over the armed forces.

The president-elect and former paratrooper has promised to deal out more government jobs to military men who served alongside him under Brazil's 1964-85 right-wing dictatorship. He also plans to send soldiers to the streets to help keep criminals and drug traffickers at bay in a country where nearly 64,000 people were murdered last year.

While opponents have raised concerns about the country's young democracy, Mr. Bolsonaro's plan to enlist the armed forces in his bid to fight endemic corruption and crime has delighted many Brazilians, who put more faith in the mili-



**President-elect Jair Bolsonaro has promised to appoint military men who served alongside him under Brazil's 1964-85 dictatorship.**

PILAR OLIVARES/REUTERS

tary than any other institution.

About 56% of Brazilians trust the armed forces, according to the country's Getulio Vargas Foundation. That compares with only 6% of Brazilians who have confidence in the federal government, following the vast Car Wash graft scandal that disgraced many of Mr. Bolsonaro's political adversaries.

"He needs to combat the violence," said Jota Carlos Dionísio da Fonseca, a 43-year-old nurse in Rio de Janeiro. "It's out of control."

Riding on Mr. Bolsonaro's coattails, about 40 members of Brazil's military and police forces won congressional seats in local elections this month. They have appealed to voters with an enticingly simple solution to crime: replace lawmakers with law enforcers.

"People put their trust in us," said police officer Katia Sastre, who was elected to

Congress this month. Ms. Sastre said she was inundated with offers from parties after a video went viral this year of her shooting dead a criminal outside a São Paulo school on Mother's Day.

Yascha Mounk, a German-

**More than a third of Brazilians now think the dictatorship had a net positive effect.**

American political scientist at Harvard University and author of "The People vs. Democracy," said that by flirting with a more military-leaning government, Brazilian voters seem to be suffering from the same generational amnesia that has allowed extreme forms of right-wing na-

tionalism to prosper in Europe.

"In the wake of World War II in Europe and the military dictatorships in Latin America in the 1970s and '80s, citizens were largely immune to the appeal of authoritarianism," he said. "Now, faced with the shortcomings of the current political system, they seem ready to forget the lessons of their past."

Over a third of Brazil's eligible voters today were born after the dictatorship or were only toddlers when it ended in 1985. Orlando Rodrigues, a 30-year-old waiter from Rio de Janeiro, is one of them.

"I don't know whether a coup would be a good or a bad thing—it's a question mark," Mr. Rodrigues said. He said his experience of democracy—a few decades of civilian rule often marked by corruption—has left him unconvinced about its benefits.

About a third of Brazilians

now think the dictatorship had a net positive effect on the country, according to a Datafolha poll this month.

For Ivo Herzog, whose journalist father, Vladimir, was murdered in 1975 by the military government that Mr. Bolsonaro served, comments like this are heartbreaking. He has fallen out with several friends who, to his surprise, backed the politician, he said.

Security experts also question the effectiveness of Mr. Bolsonaro's proposed policing methods on the ground. Robert Muggah, co-founder of the Igarapé Institute, a security think tank, said it still isn't clear how the new president would put into place his proposals to loosen gun laws and reduce the age of criminal responsibility to 16 from 18.

—Paulo Trevisani  
and Jeffrey T. Lewis  
contributed to this article.

# Mexico Cancels Airport Project

BY ANTHONY HARRUP

MEXICO CITY—Mexican President-elect Andrés Manuel López Obrador said his government would scrap Mexico City's \$13.3 billion airport that is under construction in favor of a less-ambitious project, putting his incoming administration at odds with the country's business leaders.

Monday's decision followed a controversial four-day public informal referendum launched by Mr. López Obrador to determine what he said was the will of the people.

Only 1.2% of registered voters turned out, with 70% rejecting the new airport project in favor of Mr. López Obrador's proposal to keep the existing airport and add a terminal and two runways to a military base north of Mexico City.

The airport project, the biggest infrastructure project of President Enrique Peña Nieto's administration, is about one-third complete. Canceling it would cost about \$5 billion.

During his campaign, Mr. López Obrador repeatedly cast the new airport project as riddled with corruption. In canceling it on Monday, he called it the end of the "ties between economic and political power."

Mexico's business leaders said the decision is a bad sign for Mr. López Obrador's incoming administration, which takes power on Dec. 1. They had urged the president-elect to continue the project.

Juan Pablo Castañón, president of Mexico's leading business chamber, the CCE, said the decision "sends a serious message of uncertainty to international markets, investors and all the citizens."

The peso fell Monday to around 20.02 to the dollar, from 19.36 on Friday. The benchmark IPC stock index fell 4.2%.

The Wall Street Journal talks with people about the search for common ground in an era of polarization.

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# GREATER NEW YORK

## Private Schools Are Tightening Checks

Institutions will start fingerprinting potential employees—part of an effort to prevent abuse

BY LESLIE BRODY

While New York has long required public-school staffers to be fingerprinted as part of criminal background checks, private schools are exempt.

But the New York State Association of Independent Schools has decided that starting this academic year, its members must fingerprint prospective employees.

The initiative comes as private schools have faced a series of allegations of sexual misconduct by staff. Some have resulted in high-profile, expensive lawsuits and settlements.

Private and religious schools say they typically conduct criminal history checks before hiring staff, but some child advocates say fingerprinting through a state system ensures a more comprehensive search and deters applicants from submitting fake identities to cover up past troubles.

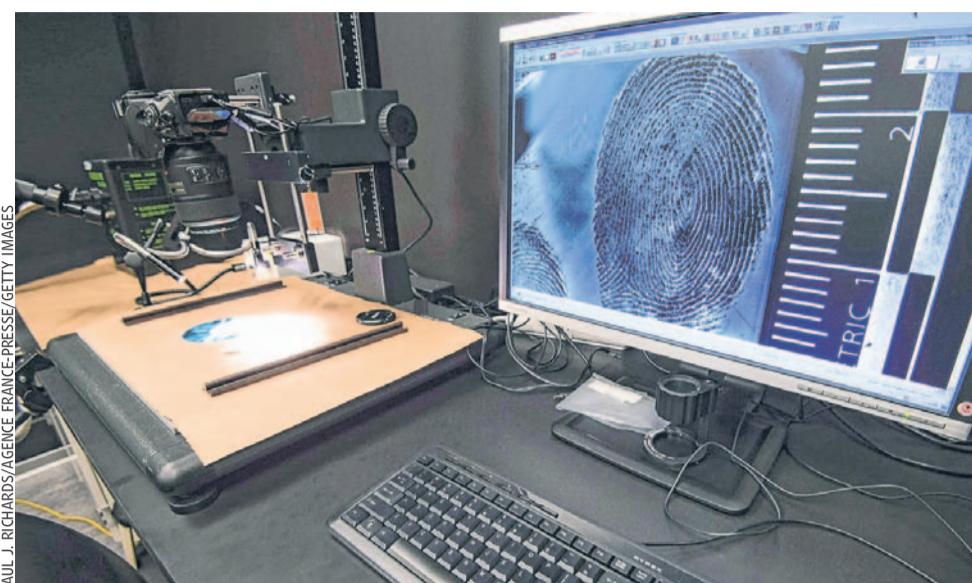
Mark Lauria, executive director of the association, which includes about 190 private schools statewide, said its board adopted the fingerprint requirement for new employ-

ees, starting this academic year, as part of a broader effort to prevent sexual misconduct and abuse. "We think this will help everyone protect children," he said. His group recommends fingerprinting current employees as well, after schools get used to a state system for such checks.

The Chapin School on Manhattan's Upper East Side, for example, began to fingerprint new hires in June. "This action represents an evolution of our practice that continues to include background checks of all employees," said a spokeswoman by email.

Elliot Pasik, an attorney who spent years calling for more rigorous screening of private-school staff, wants legislation mandating that private schools use the state Education Department's program for fingerprinting, which includes checks with the Federal Bureau of Investigation and state Division of Criminal Justice Services, and costs \$99 for each applicant.

Mr. Pasik, a father of six, said currently it is unclear which private schools are doing criminal-history searches through companies, and which skip them. Further, he said background checks by vendors often report only felonies, not serious misdemeanors, and frequently miss out-of-state



A New York state association says its members must start fingerprinting prospective school hires.

convictions. In his view, public and private schools should have the same safeguards. "I think all children should be treated alike," he said.

This issue hasn't made much headway with lawmakers, who have been leery of regulating private schools, especially religious ones.

A spokesman for the New York State Catholic Conference, which represents many Catholic schools, said his group would support mandated fingerprinting when hiring school staff. A spokesman for Agudath Israel

of America, which represents Orthodox Jewish organizations, said his group would back an effort to require such fingerprinting at yeshivas.

State data said 93 nonpublic schools have submitted job applicant fingerprints to the state Education Department for criminal history background checks since 2007. The department denied clearance to 21 of the applicants.

The state denied clearance to applicants for jobs at private schools for convictions of bank fraud, assault, driving

while intoxicated and other wrongdoing.

Some advocates for former prisoners say they deserve second chances and broad job opportunities after serving sentences. School officials say certain crimes, such as sex offenses, should clearly bar employment in positions dealing with children.

Since 2001, the state denied clearance to 3,876 applicants for public-school jobs, not counting New York City, which handles its own background checks.

### Applicants Who Have Been Barred

The New York State Education Department has denied clearance to thousands of applicants for school jobs statewide based on their criminal history, after they submitted fingerprints for background checks. Here are the numbers:

**3,876**

applicants for jobs in public-school districts, outside New York City, have been denied clearance since 2001.

**372**

charter-school applicants have been denied clearance since 2001.

**21**

nonpublic-school job applicants have been denied clearance since 2007.

Source: New York State Education Department

## Billboard Honors Pittsburgh Shooting Victims



**WORDS OF SOLIDARITY:** A digital billboard with the message #Pittsburghstrong floated down the East River under the Brooklyn Bridge on Monday to honor the 11 people killed in a mass shooting on Saturday at the Tree of Life synagogue in Pittsburgh.

## Family Files Eating-Contest Lawsuit

BY MELANIE GRAYCE WEST

The family of a Sacred Heart University junior who died last year after participating in a charity pancake-eating contest is suing the university, saying it was at fault for sanctioning the event and not having medical staff on hand.

Caitlin Nelson, 20 years old, of Clark, N.J., began choking shortly after the contest began on March 30, 2017, and collapsed. Emergency responders had to scoop pancake from her mouth and airway, according to the complaint filed Monday in state court in Bridgeport, Conn.

Ms. Nelson died at a Manhattan hospital days after the contest. The New York City medical examiner ruled her death an accident by asphyxia

from the obstruction of an airway by a lump of food.

The lawsuit, filed by Ms. Nelson's mother, Rosanne Nelson, accuses the university of carelessness and negligence in sanctioning the event, approving the use of pancakes in the contest and in not providing any medical personnel during the contest.

The complaint seeks damages in excess of \$15,000.

A spokeswoman for Sacred Heart, based in Fairfield, Conn., said the university is unable to comment on ongoing litigation.

In a statement, a lawyer for Ms. Nelson's mother said that the family is pursuing legal action to expose the dangers associated with amateur eating contests and to highlight that certain foods in such competi-



Caitlin Nelson, shown in a Facebook photo, died last year.

tions are safer than others.

"These contests are significantly more dangerous than people realize," said the lawyer, Katie Mesner-Hage of Koskoff Koskoff & Bieder.

Ms. Nelson, the daughter of a Port Authority police officer who was killed on Sept. 11,

2001, was studying to be a social worker.

The pancake-eating contest was held in a university auditorium and was approved by the school as part of Greek Week activities, the complaint said. Ms. Nelson's Kappa Delta sorority organized the event to raise money for a children's charity.

There was no staff present to prevent students from holding food in their cheeks, which can be hazardous, the complaint said. Ms. Nelson didn't have experience in speed eating and began stuffing her mouth when the contest began, according to the complaint.

One officer who tended to Ms. Nelson said her "mouth was compacted with pancakes almost to her teeth," according to the complaint.

## Measures Aim to Give Taxpayers Some Relief

BY KATIE HONAN

hearing on the amendments on Nov. 5 in Washington, D.C.

A spokesman for the IRS had no comment on the New York City measures.

The bills should go forward despite the IRS's attempts to stop the charitable deductions, Mr. Torres said. "We should prepare for every contingency," he added.

In April, Gov. Andrew Cuomo, a Democrat, signed a bill into law that permits cities and municipalities to create these funds for public education and charitable purposes, allowing a local property tax credit of up to 95% of the donation.

**Councilman Ritchie Torres says his bills would help residents skirt a new federal tax law.**

Other municipalities in New York have considered challenges to the IRS regulations, including filing public comments before the Nov. 5 hearing. They also are considering a lawsuit, state Assemblywoman Amy Paulin, a Democrat who lives in Scarsdale, told The Wall Street Journal in September.

Mr. Torres's bills must be passed by the City Council, and signed into law by Mayor Bill de Blasio, a Democrat. If they pass, the measure ordering the city to come up with solutions to mitigate the federal tax law's impact would take effect immediately; the charity-fund bill within 120 days.

City Councilman Daniel Dromm, the Democratic chair of the council's finance committee, said he was interested in a bill that could benefit taxpayers but isn't certain Mr. Torres's measures would pass given the IRS's proposed regulations.

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## GREATER NEW YORK

# Gubernatorial Candidate Touts Business Savvy

BY JOSEPH DE AVILA

budget problems.

In a departure for Connecticut politics, both Republican and Democratic gubernatorial candidates lack significant experience as elected officials, said Gary Rose, chairman of the department of government, politics and global studies at Sacred Heart University. Mr. Stefanowski has never held public office. Mr. Lamont briefly served on Greenwich's Board of Selectmen during the 1980s.

Previous governors rose through the ranks: Gov. Dannel Malloy, a Democrat who declined to run for a third term,

is a former mayor of Stamford, and former Republican Gov. John Rowland served in Congress.

"I think we are witnessing a transition in Connecticut politics," Mr. Rose said. "We are charting a whole new territory here."

A poll from Sacred Heart University and Hearst Connecticut Media Group released last week showed Mr. Lamont leading Mr. Stefanowski by 39.5% to 36.1%.

A Quinnipiac University survey released earlier this month showed Mr. Lamont leading by 8 percentage points.

Mr. Lamont's great-grandfather Thomas Lamont was a



Democrat Ned Lamont on the campaign trail in Connecticut, where he is running for governor against Republican Bob Stefanowski.

SARAH GORDON/THE DAY/ASSOCIATED PRESS

partner of J.P. Morgan. He graduated from Harvard University and Yale University's School of Management.

In the early 1980s, he worked for Cablevision's Connecticut operations.

Eventually, Mr. Lamont set off on his own, and took a \$250,000 bank loan to start Lamont Digital Systems,

which was later renamed Campus Televideo.

Mr. Lamont got a reference from MTV, which led to his first contract with a college,

Franklin Pierce University in New Hampshire, he said. He began contacting dozens of

colleges in New England, to

drum up business. He started taking investments from venture-capital firms to expand the firm.

Stephen Jenks, who invested in the company and served on the board in the 1990s, was drawn by Mr. Lamont's strategy of catering to college campuses, which were underserved at the time, he said.

"People liked working there," Mr. Jenks said.

Mr. Lamont took a break from running the company to make a Senate bid in 2006. By

then the firm had about 100 employees and had contracts with a few hundred colleges,

Mr. Lamont said.

His opposition to the Iraq war was the centerpiece of his campaign against incumbent Sen. Joe Lieberman. While Mr. Lamont won the Democratic primary, he lost the general election to Mr. Lieberman, who ran as an independent.

Mr. Lamont took a break from running the business again for the 2010 gubernatorial election. He lost to Mr. Malloy in the Democratic primary.

Mr. Lamont sold his stake in the company in 2015. Now his main sources of income are his venture-capital investments.

Mr. Stefanowski said his ex-

perience as chief financial officer of UBS, which managed a \$500 billion balance sheet, gives him an advantage. "Ned Lamont ran a small cable company," Mr. Stefanowski said. "To run an organization the size of Connecticut, you should have done it before."

Mr. Lamont said his business résumé and that of Mr. Stefanowski are as different as their vision for the state. "I come out of the entrepreneurial world. I started a business from scratch. I competed with the big conglomerates," Mr. Lamont said. "He worked for the big guys. He was the suit wearer."

# After Synagogue Shooting, New Jersey Weighs Gun Restrictions

BY KATE KING

barred from purchasing guns from buying ammunition. Mr. Murphy said he also wants a law that requires customers to show photo identification when purchasing ammunition.

The governor's announcement was prompted by Saturday's shooting at a synagogue in Pittsburgh, where 11 people were killed.

"No matter how strong we think our gun laws are, we must always look to close loop-

holes that escaped our prior efforts," Mr. Murphy said.

The governor also proposed a \$15 million grant program, funded by private, federal and state money, to support violence-intervention efforts in certain New Jersey cities.

Assemblyman Lou Greenwald, a Democrat, said he hoped the proposals would pass the Legislature within three months.

State police and local law en-

forcement have stepped up security at New Jersey houses of worship since Saturday, said Attorney General Gurbir Grewal.

Alexander Roubian, president of the New Jersey Second Amendment Society, rejected the idea that stricter laws would prevent shootings like the one in Pittsburgh. "The notion that any law would prohibit any insane person from using any weapon to commit violence is absurd," he said.



One proposal would require a photo ID for ammunition purchases.

KEVIN HAGEN FOR THE WALL STREET JOURNAL

## GREATER NEW YORK WATCH

## NEW JERSEY

## Outbreak Prevention Efforts Are Boosted

New Jersey health officials said Monday they are sending infection-control teams to four long-term pediatric centers and a hospital to assist with training amid viral and bacterial outbreaks that have left a combined 10 people dead.

The teams will assess infection-prevention practices and deploy beginning in November, according to Health Commissioner Shereef Elnahal.

The response comes amid a

fatal adenovirus outbreak at the Wanaque Center for Nursing and Rehabilitation that left nine people dead, most under age 18. In addition, a premature baby died following the discovery of a bacterial infection at Newark's University Hospital this month, state health officials have said.

"Facility outbreaks are not always preventable, but in response to what we have seen in Wanaque, we are taking aggressive steps to minimize the chance they occur among the most vulnerable patients in New Jersey," Dr. Elnahal said in a statement.

—Associated Press

## NEW YORK STATE

## Judge Deals Blow To Fantasy Sports

A state judge in Albany dealt a blow to New York's fantasy-sports businesses by ruling their daily contests are a form of gambling that the state constitution prohibits.

The decision knocked down a 2016 state law signed by Gov. Andrew Cuomo that said the offerings of sites such as DraftKings and FanDuel were permitted games of skill. Both companies allow players to buy into pools where they build fantasy rosters of sports figures and win prizes based on how they perform. They said the games aren't gambling because they rely on players' skill. However, four anti-gambling advocates sued in 2017.

Acting Supreme Court Justice Gerald Connolly said in his ruling on Friday that an 1894 amendment to the state Constitution gave a "broad" definition of prohibited gaming activities, so although daily fantasy sports contests are "predominated by skill rather than chance," they are indeed gambling.

Representatives for DraftKings and FanDuel didn't immediately respond to requests for comment. A spokesman for Mr. Cuomo, who along with the state's Gaming Commission was named as a defendant in the suit, said the state is reviewing the decision.

—Jimmy Vielkind

## COURTS

## Man Goes on Trial In Subway Attack

A Bangladeshi immigrant on trial on charges he planned a New York City subway attack to support Islamic State group was in court Monday as jury selection got under way.

Akayed Ullah, 28 years old, stood up and turned slightly toward about 75 potential jurors when he was introduced in Manhattan federal court. Mr. Ullah was arrested last December after a pipe bomb exploded Dec. 11 in a pedestrian walkway near Times Square. Mr. Ullah was the only person seriously wounded by burns when the bomb went off, authorities said.

—Associated Press

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# LIFE & ARTS

BY ANNE MARIE CHAKER

**R**obyn Moreno, a vegan who buys mostly organic groceries and composts vegetable peels in the backyard, normally hands out popcorn and tangerines at Halloween.

This year, she might actually give out candy again, says the 43-year-old stay-at-home mom in Cold Spring, N.Y. But it won't be M&M's and Kit Kats—she'll opt for low-sugar gummy bears and organic marshmallow snacks instead. "Wherever I can, I try to be thoughtful," she says.

The "apple-or-pretzels?" Halloween moms are taking a second look at a wave of new candies that are made with less sugar, novel better-for-you ingredients, and nutrition labels that tout vegan, non-GMO and allergy-friendly claims.

"Unreal" brand chocolate candies, which launched last year, look like M&M's but contain healthier ingredients such as quinoa. Another label, called Little Secrets, promotes candies that use "fair trade certified" chocolate and beet juice and turmeric instead of common dyes such as Red 40 and Yellow 5.

SmartSweets, a brand of gummy candies sweetened with sugar-substitute stevia, launched this year in the U.S. They contain only 3 grams of sugar per 50-gram bag, compared with 14 grams per 30-gram serving size of Haribo Goldbears. The lower-sugar version is often pricier: \$1.83 versus 36 cents per ounce in a package of Haribo gummy bears at a Safeway in Silver Spring, Md.

Plenty of food marketers have tried to sell better-for-you candy before and failed to gain traction. But food analysts say consumer enthusiasm for lower-sugar diets is more substantial than in years past as studies make stronger connections between sugar and obesity.

This new crop of candy makers is taking a more feel-good approach than their predecessors, eschewing terms of self-denial like "diet" or "sugar free." They're touting their lower-sugar ingredients as healthier than the artificial sweeteners of the past, many of which fell out of favor as health and safety concerns arose.

Sally Cox, founder of Koochikoo lollipops, says the brand uses the term "no sugar added" on its packaging instead of

"sugar free," which consumers associate with "something that tasted icky and that old people ate," she says.

Little Secrets chocolate candies founder Chris Mears says he limited nutritional information on the packaging. "We didn't want to scream 'Made with Beets!'" he says. Backs of packages read "No artificial flavors. No corn syrup. No diginity, no doubt."

The approach has had some success. Natural and organic grocery site Thrive Market says its organic and non-GMO candy sales are up 120% compared with a year ago. Whole Foods Market earlier this month put its marketing heft behind better-for-you candies with a promotional campaign. Store signs promoted SmartSweets and Little Secrets with language giving consumers permission to indulge: "Remember treats as a

Clockwise from top: Wholesome Sweeteners' organic lollipops come in Halloween shapes; Unreal dark chocolate crispy gems with quinoa; SmartSweets gummy bears; SmartSweets 'sweet fish.'



## Hey, Kids, Enjoy This Yummy Quinoa Candy



FILM

## DOCUMENTARY SEEKS LIFE LESSONS IN SPORTS

BY JOHN JURGENSEN

**THE TOM BRADY** who appears in the new documentary "In Search of Greatness" doesn't appear to be an athlete who would find it.

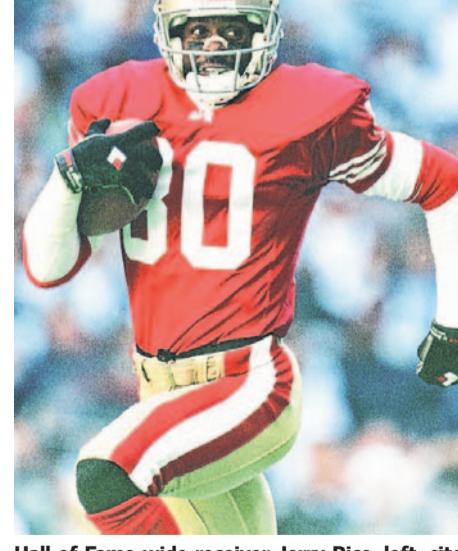
In footage included from the 2000 NFL Scouting Combine, he is a scrawny, 22-year-old quarterback, chugging through a 40-yard sprint. He was the 199th pick that year, drafted in the sixth round by the team he would later lead to eight Super Bowls.

"In Search of Greatness," opening in theaters on Friday, studies unlikely champions like Mr. Brady, along with other maverick competitors and late bloomers, exploring how creativity, compulsion and other tough-to-measure factors play in sports.

The film is based on interviews with legends of hockey (Wayne Gretzky), football (Jerry Rice) and soccer (Pelé), plus various thinkers. They don't offer a straightforward formula for athletic success.

Instead, the film suggests ways to nurture the passion that can lead to greatness, says director Gabe Polsky, whether that applies to children's sports or fields such as business, science and art.

With investors he formed a distribution company, AOS (Art of Sport), to get his documentary into theaters. It opens in 11 markets and is ex-



Hall of Fame wide receiver Jerry Rice, left, cites the influence of his parents, tough love from San Francisco 49ers coach Bill Walsh and his own urge to entertain an audience in 'In Search of Greatness,' directed by Gabe Polsky, right.



FROM LEFT: GETTY IMAGES; FUTUREIMAGE/ZUMA WIRE

Part of Mr. Polsky's documentary takes aim at the methodical, if not obsessive, approach to training that parents and coaches have increasingly imposed on child athletes. In the film, Mr. Gretzky, who once dreamed of playing professional baseball, criticizes the rise of sports academies and the early pressure on children to specialize in one sport.

He argues that a decline in unfettered play has sapped "creativity and imagination" from the game. "Take 10 kids to a pond today and say go play and they'd say 'What do we do?' They're so structured and analytical," he says in the film.

"Greatness" looks at how traits that might otherwise be obstacles, such as the boxer Rocky Marciano's short reach, can result in unique advantages. Mr. Rice, the Hall of Fame wide receiver, cites the influence of his meticulous parents, tough love from San Francisco 49ers coach Bill Walsh and his own urge to entertain an audience.

Yet the film also highlights genetic quirks and other X-factors that can't be learned, such as Mr. Gretzky's comprehensive memory for hockey plays.

Despite the contradictions he found, Mr. Polsky says all the athletes value creative play. "That's a muscle anyone can develop," he says, "and I'm not just trying to sell tickets."

pected to expand to more theaters through November. Sports-management firm IMG helped finance it, and subscription service MoviePass is marketing it to its members.

As a producer, 39-year-old Mr. Polsky has carved out a niche studying excellence. With brother Alan Polsky, he acquired rights to Albert Einstein's life story and Walter Isaacson's biography on the scientist, which were developed into

the National Geographic television series "Genius."

He also wrote, produced and directed the 2014 documentary "Red Army," a portrait of the national hockey team of the Soviet Union in the 1980s. It traces the development of the team's graceful style on the ice during the Cold War and, later, the players' rocky transition into the ranks of the rougher National Hockey League.

A major reason Mr. Polsky had for making "In Search of Greatness"

was the puck-shaped chip on his shoulder that he carried away from playing Division I hockey at Yale University. Because he chafed at his coach's strategy, Mr. Polsky says, he was often benched.

He left the team near the end of his junior year. "I lost my passion for the game, and it was really painful."

## LIFE &amp; ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

# Why We Stereotype Strangers

No matter how open-minded we are, we all have unconscious biases, a social psychologist says; here's how to handle them

**WHEN RICK KLAU'S** boss at Google, Larry Page, encouraged all employees to go to training to uncover their unconscious biases a few years ago, Mr. Klau's first thought was: "This isn't meant for me. I'm not contributing to the problem."

He soon found out he was wrong.

As part of the seminar, Mr. Klau, who is now a partner in a venture-capital firm, took an online test to uncover some of his unconscious attitudes about gender. It showed that he strongly associated men with work and science and women with home and liberal arts.

Mr. Klau, who is 47 years old and lives in San Ramon, Calif., was shocked. He thought of himself as someone who collaborated with and supported women in the workplace, who was married to a woman he admired and was raising his daughter to be strong and independent.

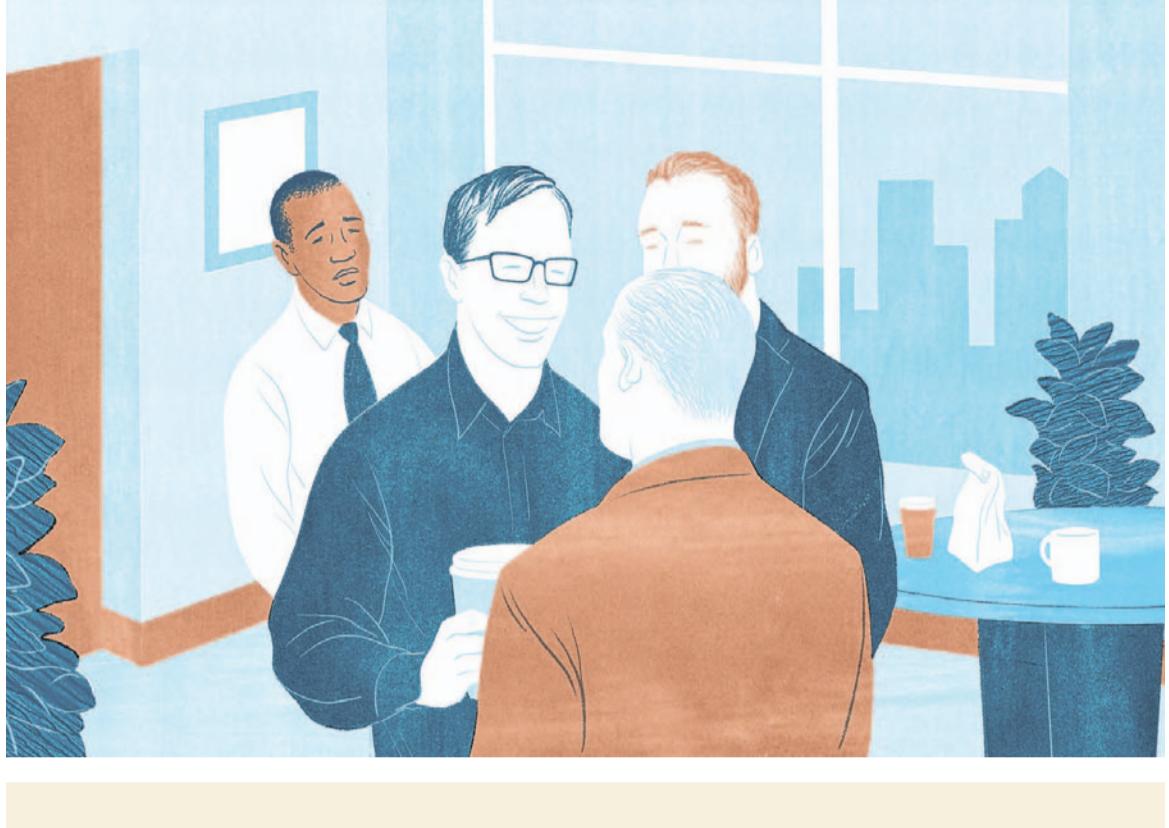
He wanted to test the results, so he wrote a computer program analyzing his electronic address book. It showed that 80% of his contacts were male. When he ran the program on his social-media accounts, the results were the same: 80% of the people he was connected to on LinkedIn and followed on Twitter were men.

"I didn't want to believe it," Mr. Klau says. "Consciously or otherwise, I was seeking out people who looked like me."

Research shows that all of us—even the most well-meaning and open-minded—have some type of implicit, or unconscious, biases, says Dolly Chugh. She is an expert on implicit bias and unethical behavior and the author of "The Person You Mean to Be: How Good People Fight Bias." We hold attitudes or stereotypes about people subconsciously. These may be different from the ones we have intentionally. And, like it or not, they may influence our behavior, says Dr. Chugh, a social psychologist and an associate professor at New York University's Stern School of Business.

Unconscious biases run the gamut of experience. A person might feel a flicker of disappointment that his or her pilot is a woman. Or assume that the Asian waiter at a sushi restaurant won't speak fluent English. Or bristle when walking down a street at night and seeing a group of black teenage boys approaching. Or see a homeless person asking for money and think: "Get a job." These are unconscious biases at work, Dr. Chugh says.

One way to think about implicit bias is as a habit we developed from the moment we were born and started perceiving the world around us. "Everything we take in—everything our parents tell us, everything we see on TV or hear



ALEX NABAUM

## Confronting Unconscious Bias

Here are tips from Dolly Chugh, a social psychologist and author of "The Person You Mean to Be: How Good People Fight Bias."

**Take the Implicit Association Test.** There are several versions, studying race, gender, sexual orientation, age and other areas of bias. (<https://implicit.harvard.edu/implicit/index.jsp>) Look for one that relates to a cause close to your heart, or an area that makes you anxious. Ideally, take it more than once. This will give you a good idea of what you may need to work on, Dr. Chugh says.

**Perform a self-audit.** Look at the last 10 tweets you read, songs you downloaded or people you connected with. How similar are they to you and to the others in that group of 10? This audit will tell you if you are sitting in an echo chamber or exposing yourself to different perspectives. Broaden your content consumption, including TV shows, movies, books,

music, podcasts and social media. Look at what people with different backgrounds from you follow or like. Or search the web for random terms, such as "black female scientists" or "Chinese-American writers."

**Harbor a growth mindset**, as this means you can change. Watch out for the internal voice that says: "I am not sexist" or "I am not a racist." This fixed mindset can lead to blind spots. A growth mindset allows you to say: "I know there's always room to grow in this area."

**Practice willful awareness.** Recognize what you may not know about people who are not like you, and find ways to fill in the gaps. Start with your friends. Ask them if you can talk to them about their lives and how they may be different from yours.

**Listen to people** who aren't like you. Don't insist on presenting your point of view. And don't try to explain away their experiences or solve their prob-

lems. Ask questions. Be open to learning about what they feel, even when you're uncomfortable.

**Talk to young people** about their perspectives. Consider it reverse mentoring. "Young people are often more in tune than the rest of us," Dr. Chugh says. "They can help us understand a changing world." Ask them about their backgrounds, friends and the social issues on their minds. Don't interrupt or contradict.

**Learn to pronounce** at least three names you don't know how to say, preferably of people you know. Often, when we don't know how to pronounce someone's name we avoid or ignore that person. Ask the person to help you or use Google.

**Expect this to be hard.** "Think of this as a work in progress," Dr. Chugh says. That is a growth mindset voice. It acknowledges that you know you have room to get better. And expect the results to be gratifying.

in music, that we learn in school or from friends or see on the streets—all of this adds up to associations in our brain," Dr. Chugh says. We may not consciously believe these influences, but they're there, idling in the background.

Unconscious bias is "sticky and malleable," Dr. Chugh says, meaning that it fluctuates according to what is happening in the world and in the mind of the bias holder. It can be higher or lower on different days and in different situations.

It can affect our behavior, espe-

cially when we are under significant time pressure or stress, Dr. Chugh says. Some actions may be subtle and subconscious: How far we sit from someone, whether we make eye contact, speak or smile, whether we perceive someone as friendly or angry. Other behaviors may be more direct: Whom we befriend, support or promote may also be affected by our implicit biases, Dr. Chugh says.

The online measure that Mr. Klau used to assess his implicit gender bias is the Implicit Associa-

tion Test, which was created in 1998 and is hosted by Harvard. It is administered by Project Implicit, a nonprofit founded by researchers now at the University of Washington, Harvard and the University of Virginia. There are many versions, studying race, gender, sexual orientation, age and other areas where biases may arise. Although the test has sparked controversy—among other things, some critics say it doesn't prove that an implicit belief leads to an action—it has also been one of the most studied mea-

sures in psychology and is widely used in training to raise awareness of unconscious biases. Dr. Chugh recommends that everyone take the test—and more than once, on different days, because our unconscious biases can fluctuate. "It gives us a window into what we should be noticing," she says.

What can we do to fight unconscious stereotypes or perceptions we may not even realize we have? Research shows that no magic bullet will erase unconscious biases but there are steps to address and counter them.

Dr. Chugh says it's crucial to have a growth mindset, as opposed to a fixed one. Our mindsets can differ at various times and in different aspects of our lives. But when we have a fixed mindset we see ourselves as fully formed, so we are likely to remain the same. And it can lead to blind spots. "A fixed mindset says: 'I am not racist or sexist,'" Dr. Chugh says. "A growth mindset, which is open to change, says: 'I know there is always room to grow in this area.'"

Mr. Klau wanted to change. "Once I saw the problem I couldn't unsee it," he says. "And my sense of who I was didn't feel right."

He started with his social-media network, working to add balance. This was personally and professionally important. "Study after study shows how diverse companies have better results," he says. "And if this is conclusively the case, then I want that." He reached out to more women and minorities on LinkedIn. He also looked for different voices on Twitter. He followed more journalists who weren't white men. And he looked at who his female and African-American contacts followed and followed some of those people, too.

Mr. Klau also started to look at the ratio of men to women at conferences and stopped attending ones that were mostly male. When he did attend conferences or meetings, he made sure he didn't "default to what felt most comfortable and hang out with all the other guys," he says. He chatted with more women. "I became very conscious that I just talked to four guys in a row—are there women in the room I can include in this conversation?" he says.

He doesn't feel that he's completely solved his unconscious-bias problem. As of a month ago, his network was still 65% men. But he is proud of his progress. "I know more now," Mr. Klau says. "And I am more conscious of opportunities and challenges that don't necessarily apply to me but are very much the reality of those around me."

Write to elizabeth.bernstein@wsj.com or follow EBERNSTEINWSJ on Twitter, Facebook or Instagram.

## Weather



## U.S. Forecasts

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

Today Hi Lo W Today Hi Lo W

City Anchorage 33 23 s 33 23 s

Atlanta 72 54 s 78 62 pc

Austin 85 70 pc 83 51 t

Baltimore 61 44 s 69 55 s

Boise 54 35 pc 51 41 c

Boston 51 37 s 59 51 pc

Burlington 45 33 pc 52 46 sh

Charlotte 67 47 s 74 59 pc

Chicago 60 46 r 57 42 pc

Cleveland 61 52 pc 61 45 r

Dallas 80 62 pc 64 48 t

Denver 43 30 r 48 33 pc

Detroit 57 51 pc 57 44 r

Honolulu 83 73 r 84 75 sh

Houston 84 72 pc 83 55 t

Indiansapolis 68 58 pc 60 44 r

Kansas City 62 46 r 60 36 c

Las Vegas 76 52 s 72 52 s

Little Rock 79 65 pc 72 49 r

Los Angeles 78 59 s 82 68 s

Miami 84 70 s 84 72 pc

Milwaukee 57 44 r 57 40 pc

Minneapolis 55 38 pc 54 34 pc

Nashville 76 62 pc 74 63 t

New Orleans 82 69 pc 89 71 c

New York City 56 47 s 64 56 pc

Oklahoma City 70 46 c 55 40 r

## International

Today Hi Lo W Today Hi Lo W

City Amsterdam 50 42 r 51 47 c

Athens 74 65 pc 76 62 pc

Baghdad 84 55 s 84 56 s

Bangkok 93 73 s 89 68 s

Beijing 62 30 s 61 34 s

Berlin 65 42 pc 54 43 pc

Brussels 69 57 r 71 46 c

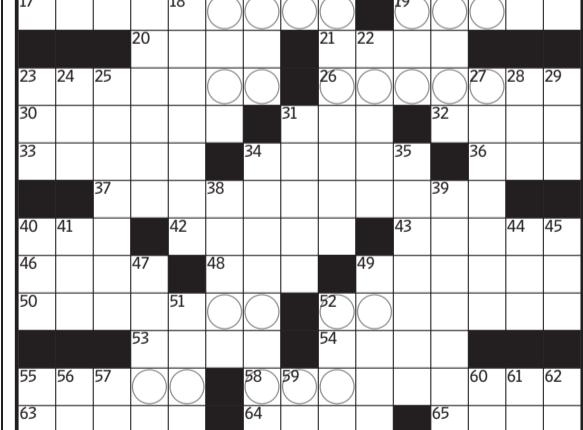
Buenos Aires 87 79 t 88 77 pc

Dubai 89 71 r 87 69 s

Dublin 47 37 c 49 34 c

Edinburgh 48 33 c 49 36 c

## The WSJ Daily Crossword | Edited by Mike Shenk



## SKELETON CREW | By Colin Gale

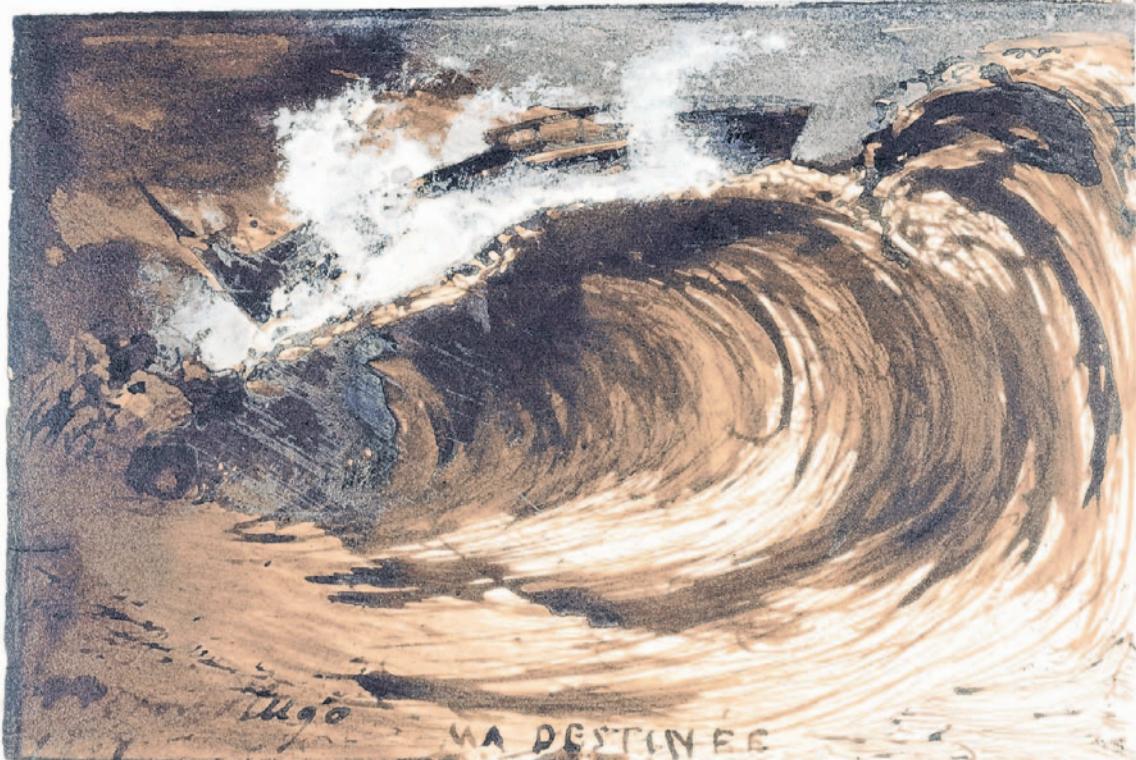
- | Across   | Down                           |
|--|--------------------------------|
| 1 Hidout   | 26 Revealing memoir            |
| 5 "You wish!"                                      | 46 Caterer's coffee dispensers |
| 9 Cyberball seller                                 | 48 Sch. support org.           |
| 14 Senator's staff member                          | 49 Burglary and battery        |
| 15 1953 Leslie Caron movie                         | 50 Name on fish stick packages |
| 20 In an uncontrolled state                        | 52 Yaks                        |
| 21 Places for peels                                | 53 Poker payment               |
| 23 General of Augustus's fleet against Mark Antony | 54 Historian's topics          |
| 26 Conjunction                                     | 55 Prickly plants              |
| 27 Request from a bored person                     | 56 Forerunners of radials      |
| 28 Sculptor/architect Maya                         | 57 Spiny-leaved plants         |
| 29 Kin of Inc.                                     | 58 Prefix for plasm            |
|  | 59 Knock off, in mob           |
|  | 60 See 31-Down                 |
|  | 61 All Hallows'                |
|  | 62 Filming site                |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## Down

- |                                  |  |
|----------------------------------|--|
| 1 Trip around the track          | 31 With 60-Down, devilfish                         |
| 2 Broadcast                      | 34 1960s TV title role for Bruno the Bear          |
| 3 Bachelor's last words          | 35 Dismiss with derision                           |
| 4 Lawyer's fee                   | 38 On the fritz                                    |
| 5 Journalists Stewart and Joseph | 39 One might be found above a theater door         |
| 6 City on Alaska's panhandle     | 40 Item in a trick-or-treater's bag                |
| 7 Terre surrounded by mer        | 41 Make a boo-boo                                  |
| 8 Choice before anybody else     | 44 "Quit bellyachin'!"                             |
| 9 Record of events               | 45 Mountain road feature                           |
| 10 Muss                          | 47 Outpourings                                     |
| 11 Bill producer                 | 49 "The Heart Is a Lonely Hunter" writer McCullers |
| 12 Yank's foe                    | 51 Flavoring similar to licorice                   |
| 13 Picks from a lineup           | 52 "Keen!"   |
| 14 Augustus, for one             | 55 Witch's black pet                               |
| 15 Prez on pennies               | 56 Pete's Wicked, for one                          |
| 24 Group of whales               | 57 Swindle   |
| 25 State fair prizes             | 59 Knock off, in mob                               |
| 27 Request from a bored person   | 60 See 31-Down                                     |
| 28 Sculptor/architect Maya       | 61 All Hallows'                                    |
| 29 Kin of Inc.                   | 62 Filming site                                    |
- Previous Puzzle's Solution**
- |            |         |       |
|------------|---------|-------|
| CODER      | ABASE   | END   |
| ADELIE     | RADIX   | LEE   |
| MOTES      | GHOST   | TOWN  |
| PROVISIONS | ERUPTS  |       |
| NEST       | SNARES  |       |
| PHANTOM    | STOCK   |       |
| LOTT       | POPART  | KAT   |
| ALOHA      | NETS    | SLIMO |
| NOR        | STRAIT  | DOWN  |
| SPOOK      | COUNTRY |       |
| TAPIRS     | SIT     | DOWNS |
| SPIRIT     | GU      | ENSUE |
| PIC        | NORMA   | AETNA |
| SDS        | GYROS   | DROSS |

## LIFE &amp; ARTS



## ART REVIEW

# A Writer's Other, Haunting Talent

BY PETER PLAGENS

Los Angeles

**FOR THOSE OF US** of a certain age, the name Victor Hugo (1802-1885) conjures a vision of the cruel Inspector Javert pursuing a beleaguered Jean Valjean through the sewers of Paris in the novel "Les Misérables," which we were required to read in high school. Hugo was also a politician and an artist, and "Stones to Stains: The Drawings of Victor Hugo," the startling, poetic exhibition at the Hammer Museum—including over 70 of his drawings and prints, plus some ancillary photographs—demonstrates that he was a great artist.

Hugo was elected as a writer to the Académie Française in 1841; seven years later, as a politician, he was elected a deputy from Paris to the Constituent Assembly. In short order, he became a leader in the unsuccessful resistance to Louis-Napoléon's coup d'état, which led to his formal expulsion from the country in 1852. He and his family (Hugo's marital life was complicated) spent the next 18 years in exile in the Channel Islands. Hugo had an opportunity to return to France in 1859 but, because he still disapproved of the government,

didn't come back to his country until he returned, "triumphantly," in 1870.

Although Hugo tinkered with drawing prior to his exile (at least six works in the show predate it), only on Jersey and Guernsey did his draftsmanship come into its own. The "stones" of the show's title are at once protective and destructive, alluding to books as well as tombs and dungeons; "stains" are the principle physical vehicle for Hugo's proto-abstract Romanticism—a kind of combination of Caspar David Friedrich and Robert Motherwell. Whorls and fogs of dark-brown ink surround snippets of realism—castles, moons, boats, heads—in an imaginary world

that's both dreamy ("Medieval Fortress," 1863) and menacing ("Ecce Lex [Hanged Man]," 1854), nocturnal ("The Casquets Lighthouse," 1866) and daytime ("The Town of Vianden Seen Through a Spider Web," 1871).

If Hugo's aesthetic and psycho-



logical treatment of his subjects isn't astonishing enough, his command of a variety of media is equally impressive. In "Landscape With Two Derelict Castles" (1847), he uses ink, crayon, graphite and shellac rather seamlessly. In "Taches-planètes" (1864-69) Hugo



Victor Hugo's 'Ecce Lex (Hanged Man)' (1854), left; 'The Casquets Lighthouse' (1866), above; 'My Destiny' (1867), above left; 'Stains' (c. 1875), bottom left; and 'Silhouette of a Castle Struck by Lightning' (c. 1854-57), bottom right

employs some solvents and gum arabic, and then, in a presciently avant-garde approach to his media, soaks, blots and folds the paper to get a cosmic effect that's almost entirely abstract. (One work in the show, "Abstract Composition," 1864-69, is obviously—and miraculously—totally abstract from the git-go.) Elsewhere, Hugo uses cutouts and collage, frottage (i.e., rubbing) with matches and sticks and the ends of his pen handles, and a "pyrographed" wooden frame. (In Cub Scouts, we called that woodburning.)

Hugo drew with a deceptively solid sense of composition, an eye for crucial details, and a deft, lovely touch with ink that can be mentioned in the same breath with Rembrandt's. There's no record of Hugo having attended an art school and, though he did consent to having some prints made, bound and offered for sale (unsuccessfully, as it turned out), he mostly held his drawings close to his vest while he was alive. They weren't publicly exhibited until 1888, three years after his death. During his banishment from France, however, Hugo left behind some works for others to see in the apartment of a friend, Paul Meurice. About them,

the critic Théophile Gautier said, "He excels at combining, in his somber and fierce fantasies, the effects of chiaroscuro of Goya and the terrifying architecture of Piranesi."

While Hugo's drawing talent seems to arise out of thin air, its emotional depth may well be linked to a personal tragedy. In 1843, his daughter Léopoldine (who was born when Hugo was but 22) and her new husband were drowned in a boating accident on the Seine. Hugo learned of her death from a newspaper story published days later. It sent him into a literary depression that prevented him from publishing anything until 1852, the year he landed on Jersey. It's hard to look at the threatening, swirling waters that figure so prominently in Hugo's drawing oeuvre (in the exhibition, "Water" is one of five titled galleries, alongside "Stones," "Spheres," "Justice" and "Stains") and not see them as connected to Léopoldine's sudden and horrible death.

How would this exhibition be regarded, we wonder, if it were merely the product of an ahead-of-his-time 19th-century visual artist—and not someone who's also one of the greatest novelists ever? Hugo himself seems to have regarded his rather private drawings as on par with his publicly praised literary output.

In 1866, he bound 36 of his drawings into the original manuscript for his novel "Toilers of the Sea."

Victor Hugo knew full well what he was about, on both fronts.

## Stones to Stains: The Drawings of Victor Hugo

Hammer Museum, through Dec. 30

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



## THEATER REVIEW | By Terry Teachout

# A HOUSE DIVIDED

New York

**'THE FERRYMAN,'** Jez Butterworth's new play, which has transferred to Broadway after a successful London run, is a kind of Irish counterpart to "August: Osage County," a 3 1/4-hour study of a close-knit rural family that is being pulled apart, in this case by the poisonous effects of political fanaticism. Largely devoid of the self-regarding pretentiousness that made his previous plays unwatchable, it builds to an explosively potent surprise ending

whose force is diminished by the fact that it takes Mr. Butterworth most of the garrulous first act to finally get down to dramatic business. This staging, directed with unobtrusive clarity by Sam Mendes, is a more or less straight transfer of the London production—the marvelous 22-person original cast is largely intact—and features a taut, stoic performance by Laura Donnelly that won her an Olivier Award in 2017 and will very likely win her a Tony this time around.

### The Ferryman

Bernard B. Jacobs Theatre, 242 W. 45th St. (\$40-\$175), 212-239-6200

*Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at [tteachout@wsj.com](mailto:tteachout@wsj.com).*



Paddy Considine (center, standing) and the company of 'The Ferryman'

## SPORTS

## WORLD SERIES

# Boston Red Sox: Greatest Season of All Time?

The World Series champions finished with 119 wins, leaving them among the pantheon of baseball's best teams

BY JARED DIAMOND

**WITH THE CHAMPAGNE** bottles popped and the plans for a parade down Boylston Street already in place, one question remains to complete the story of the 2018 Boston Red Sox: Where do they rank in the pantheon of the greatest single seasons in baseball history?

To longtime fans, it feels almost sacrilegious to add another contender to the discussion, and nostalgia undoubtedly plays a significant role in such a fierce debate tied up in childhood memories. But the accomplishments of these Red Sox, in an era designed to create parity, undoubtedly merit a spot in the conversation.

At least one lifer, a man who personally saw many of the squads in contention for the title of best ever, agrees.

"If you're comparing seasons, I'd put this with any club anywhere," said Red Sox vice president Tony La Russa, whose major-league career as a player, manager and executive began in 1963.

The Red Sox finished with 119 wins between the regular season and the playoffs, more than anybody besides the 1998 New York Yankees (125) and the 2001 Seattle Mariners (120). Only the former survived the gauntlet of October to win the World Series. The Mariners—arguably the best team ever from April through September with a record of 116-46—failed even to secure the pennant, fizzling out in the American League Championship Series.

That would appear to separate the '98 Yankees and '18 Red Sox from the rest of the pack, at least among teams from the past half-century or so. The Red Sox posted an overall winning percentage of .676 this year counting the postseason, better than every team since 1971 besides the Yankees of two decades ago.

An email sent before Boston's clinching win in Sunday night's Game 5, a 5-1 victory over the Los Angeles Dodgers, MLB official historian John Thorn said, "By any measure the 2018 Red Sox, if champions at the end, will join the 1998 Yankees as the best of the Expansion Era," which dates back to 1961. After the Red Sox closed it out, Thorn wrote again, saying that he bumped into Bob Costas, the Hall-of-Fame broadcaster, and "he agreed that the apt yardstick for the Red Sox is the 1998 Yankees."

A few other teams during that span certainly belong in that mix as well. The 1970 Baltimore Orioles, the 1975 Cincinnati Reds and the 1986 New York Mets all matched Boston's regular-season



LARRY W. SMITH/PA-EFE/REX/SHUTTERSTOCK

The Boston Red Sox finished with 119 wins between the regular season and the postseason this year.

record of 108-54 before winning the World Series (though the latter had some help from Bill Buckner).

Those Big Red Machine Reds can make a particularly compelling case: Their lineup included three Hall-of-Famers in Johnny Bench, Joe Morgan and Tony Pérez, plus another Hall-of-Fame caliber player in Pete Rose. The Orioles had three Hall-of-Famers as well: Jim Palmer, Frank Robinson and Brooks Robinson. Meanwhile, a 35-year-old journeyman named Steve Pearce batted third for the Red Sox on Sunday—and hit two home runs.

More recently, the '98 Yankees and '18 Red Sox stand alone, though the Yankees had six more wins. But, speaking from a position of authority as somebody who owned a minority share of the '98 Yankees, Red Sox principal owner John Henry did offer one area where Boston holds an advantage.

"The '98 Yankees didn't have to beat two 100-win teams before they got to the World Series," he said.

Nobody before the 2018 Red Sox ever had, because never be-

## The Best of the Best

Highest combined win percentage—regular season and postseason, by World Series champions, since 1961:

TEAM	RECORD	PCT.
1998 New York Yankees	125-50	.714
1961 New York Yankees	113-54	.677
1970 Baltimore Orioles	115-55	.676
2018 Boston Red Sox ▲	119-57	.676
1975 Cincinnati Reds	115-57	.669
1986 New York Mets	116-59	.663
1984 Detroit Tigers	111-59	.653
1976 Cincinnati Reds	109-60	.645
2009 New York Yankees	114-63	.644
2016 Chicago Cubs	114-64	.640

Source: Stats LLC

fore had three teams in the same league reached the century mark in wins in the same season, a testament to the competition they faced. Neither of the two teams the Yankees defeated on their road to the World Series in 1998—the Texas Rangers and Cleveland Indians—even hit the 90-win plateau.

Just to qualify for the World Series, the Red Sox first whooped the 100-win Yankees in the first

round, then the 103-win Houston Astros in the ALCS. They sealed it against a Dodgers club that scored the most runs in the National League and gave up the fewest. Only three other champions have ever knocked off two 100-win teams at any point in the same postseason: the 2004 Red Sox, the 2003 Florida Marlins and the 1988 Dodgers.

And the Red Sox didn't just

beat those opponents—they steamrolled them, suffering just one loss in each round. All told, they went 11-3 in the postseason.

"Those, by all measures, by all media outlets, were the three best teams besides the Boston Red Sox," second baseman Ian Kinsler said of the Yankees, Astros and Dodgers. "This team dismantled those three teams."

For that reason, Kinsler said, "For this year, you've got to put this team up there" with anybody.

Comparing teams across eras always presents a challenge, because the fundamental structure of the game constantly changes. Before 1969, the top team in each league advanced immediately to the World Series instead of playoffs. Before 1995, only one post-season series stood in the way of the pennant. Now teams must endure a three-round tournament on their path to a ring, which only complicates the argument.

But just for fun, let's try. Fifteen champions have finished with a better winning percentage including the postseason than the Red Sox. More than half of them played before 1930 and two-thirds played before 1940. Leading the pack: the storied 1927 Yankees that had Babe Ruth and Lou Gehrig and the 1909 Pittsburgh Pirates, who went 110-42 before winning the World Series in seven games.

Of those 15, only four played a 162-game regular-season schedule like the Red Sox did: the '98 Yankees, the '61 Yankees and the '70 Orioles. The '75 Reds and '86 Mets both compiled a worse winning percentage than the Red Sox when factoring in the playoffs.

As for where that leaves the current Red Sox, most people around the team refused to offer an opinion.

Relief pitcher Matt Barnes said, "I'm not going to be the one to say we're one of the greatest ever. I'll let somebody else write about that."

Dave Dombrowski, Boston's 62-year-old president of baseball operations, added, "I can't say we're the best. I have no idea. But we're the best this year."

And maybe, in the end, it doesn't matter, especially since now the Red Sox face the true test of all-time greatness. The 1970 Orioles followed up their dream season with another pennant. The 1975 Reds and the 1961 Yankees both won the next year's World Series. The 1998 Yankees won the next two.

The Red Sox plan to accept the challenge—after they finish celebrating.

"You've got to do it more than once," La Russa said. "Now's not the time for them to think about that."

## NFL

# BROWNS FIRE HUE JACKSON

BY ANDREW BEATON

**THAT THE CLEVELAND** Browns fired coach Hue Jackson on Monday can't exactly be seen as a surprise. Jackson won a total of three games in 2½ seasons. If anything, the reasonable reaction was wondering what took so long.

But the fact that it took so long allowed Jackson to set a mark that may never be broken: the worst coaching record in modern NFL history.

Jackson's coaching career began with a nondescript 8-8 season in Oakland in 2011. Then he got a second chance with the Browns beginning in 2016.

Cleveland went 1-15 during Jackson's first season. That was actually better than what happened next: going 0-16 in 2017. The Browns are 2-5-1 this year after Sunday's loss to the Steelers.

In total that gives Jackson an 11-44-1 record in 56 career games. That .205 winning percentage is the lowest of any coach with at least 40 games under his belt in the Super Bowl era. His .088 winning percentage with the Browns is the lowest with 40 games for a single team, according to Stats LLC.

Jackson getting fired after an 8-8 season in Oakland could be seen as odd. But what's even stranger is how long he hung on in Cleveland. Coaches who win a total of one game in two seasons don't necessarily earn a third crack at it. The

## The Worst of the Worst

Coaches with the lowest win percentage with a team in NFL history:

COACH	SEASONS	RECORD	PCT.
Hue Jackson, CLE	2016-18	3-36-1	.088
Bert Bell, PHI	1936-40	10-44-2	.185
Rod Marinelli DET	2006-08	10-38	.208
Steve Spagnuolo STL	2009-11	10-38	.208
Gus Bradley JAX	2013-16	14-48	.226
Marion Campbell ATL	1974-89	17-51	.250
Dick LeBeau CIN	2000-02	12-33	.267
David Shula CIN	1992-96	19-52	.268
Abe Gibron CHI	1972-74	11-30-1	.274
Tom Fears NO	1967-70	13-34-2	.277

Source: Stats LLC Note: minimum 40 games

Browns' basketball neighbors, the Cleveland Cavaliers, fired coach Tyronn Lue over the weekend after an 0-6 start to this season—and in the prior three seasons Lue had won a title and then taken the Cavaliers to back-to-back NBA Finals.

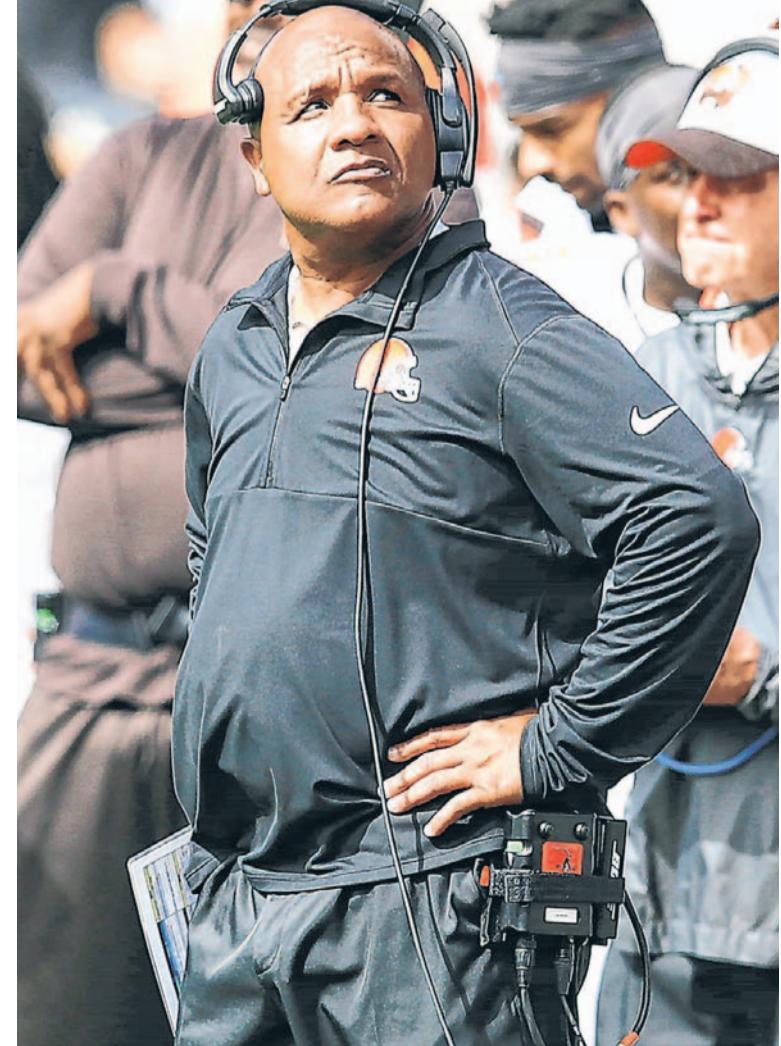
The Browns decided to stick with Jackson to begin 2018, and he began this season by winning more games than he had during his entire tenure in Cleveland prior to that. Still, that left the Browns headed to their 16th straight season without making the playoffs.

The team managed to show signs of hope this year. They tied the Steelers in their opener. Four of their games have gone to overtime. They stormed back to beat the Jets after No. 1 pick Baker Mayfield entered midway through the game.

But Mayfield's production in that game also exposed his coach—had Jackson started Mayfield over Tyrod Taylor from the start of the season, it looked like the Browns could have been 3-0.

"We understand how critical this time period is in the development of our football team, individually and collectively, and believed it was in the organization's best interest to make the move at this time," Browns owners Dee and Jimmy Haslam said in a statement. The team also fired offensive coordinator Todd Haley, while Gregg Williams will serve as interim head coach.

The only bit of solace for Jackson is that there is one other coach who held on to his job for a while and had an even lower winning per-



The Browns fired Hue Jackson, who had a 3-36-1 record in Cleveland.

centage. Bert Bell went 10-46-2 in five-plus seasons coaching from 1936 to 1941, mostly for the Eagles.

Bell, who went on to become the

NFL commissioner, had an unusual reason for the unusual job security that allowed him to last as long as he did. He owned the team.

## OPINION

# Geopolitics Trumps the Markets



**GLOBAL VIEW**  
By **Walter Russell Mead**

That crashing sound you heard in world markets last week wasn't just a correction. It was the sound of the end of an age.

During the long era of relatively stable international relations that succeeded the Cold War, markets enjoyed an environment uniquely conducive to economic growth. The U.S. faced no peer competitors, and the most important great powers generally (if sometimes selectively) supported Washington's emphasis on opening markets and reducing barriers to investment and trade. The positive-sum logic of economics trumped zero-sum international politics in the halls of power worldwide.

The results were extraordinary. Between 1990 and 2017, world-wide gross domestic product rose from \$23.4 trillion to \$80.1 trillion, the value of world trade grew even faster, more than a billion people escaped poverty, and infant-mortality rates decreased by more than 50%. The number of people with telephone service grew roughly 10-fold.

This hiatus from history was, by most measures of human flourishing, a glorious era. Now it has come to an end, or at least a pause, and the world is beginning to see what that means.

During the Obama adminis-

**America led a 30-year hiatus from history. It was nice while it lasted, but it's over.**

For the most part, business leaders and investors paid little attention to such chatter; the basic elements of economic globalization appeared firmly in place. Russia, the most obvious challenger to the geopolitical order, was an insignificant and diminishing player economically. And China, notwithstanding its rapid economic growth and its anxiety about American military power, was unlikely to challenge the economic basis of its own success. Geopolitics might have been back, but that wasn't an issue for markets.

That complacency was mis-

placed. The return of geopolitics means the basic frame-

work for economic policy has changed. In periods of great-power rivalry, national leaders must often put geopolitical goals ahead of economic ones. Bismarck's Germany could have saved money buying armaments from Britain, but building a domestic arms industry was worth the cost. If the U.S. is in a serious strategic competition with China, an American president might well be willing to sacrifice some economic growth to banish China from important supply chains.

The belief that the private sector could beat back any efforts by "nationalist" politicians to tamper with international economic institutions was also misplaced. Periods of geopolitical rivalry often see power shift from business to government. And by invoking "national security," the Trump administration has found a legal basis, with roots in the Cold War and even earlier, to assert sweeping powers over the nation's commerce. It has upended a generation of U.S. trade policy in a dramatically short period of time.

Companies may be outraged that hastily imposed tariffs introduce irrational and counterproductive costs, but they also fear the consequences of antagonizing an administration that can impose new and larger tariffs at will. With political authorities empowered to supervise national supply chains, hiring practices (no "suspect" foreign nationals in sensitive divisions) and choice of partners in joint ventures,

companies have strong incentives to avoid a standoff with their government.

The new era of geopolitics is unlikely to be an era of small government. The Trump administration is reversing some of the regulatory excesses of the Obama era, and the president's judicial appointees are prepared to rein in the administrative state. But it's in the realm of national security that Washington's most formidable powers are found, and Mr. Trump appears determined to make liberal use of them. Whether he will wield them wisely is another question: The evidence to date is mixed.

President Trump cannot be blamed for the return of geopolitics. Russia, China and Iran decided to challenge the American power on which the economic order depended, and Mr. Obama's response to that challenge was, regrettably, insufficient. A recalibration of the U.S.-China relationship was likely inevitable as the world's oldest civilization became an economic superpower. Hillary Clinton, who as secretary of state clashed with Mr. Obama over the need for a tougher approach to China, would not be a popular figure in Beijing if she had won the 2016 election.

The world has entered a new, complicated and dangerous era of nationalist competition. That is the realization now reverberating through the world's financial markets. More such realizations are still to come.

## Nancy Pelosi, the Sequel



**MAIN STREET**  
By **William McGurn**

If Democrats take back the House next Tuesday, as they now appear likely to, it will be a stunning second act for Nancy Pelosi.

Give the lady her due.

A Democratic takeover would come despite Mrs. Pelosi's dismal favorability ratings, which are so low they make Donald Trump look like Oprah. More telling still, victory would also mean Mrs. Pelosi's Democrats had routed Republicans on two issues previously thought to play to GOP strengths: taxes and ObamaCare.

Few have predicted this line of attack back in 2010, when Mrs. Pelosi endured a loss of 63 seats and the speaker's gavel because of the way she rammed the Affordable Care Act through her chamber. Or even as recently as last December, when Republicans celebrated their biggest achievement, passing the Tax Cuts and Jobs Act. Yet here we are in the final stretch of the midterms, and it's hard not to notice House Republicans steering clear of touting their signature tax-cut bill while getting creamed on health care.

When the Republican Congress passed these tax cuts in 2017, Senate Majority Leader Mitch McConnell told CNN, "If we can't sell this to the American people, we ought to go into another line of work."

Mr. McConnell understood the GOP had work to do here. On the day Republicans passed the bill, the RealClearPolitics average showed 51.1% of voters disapproved of it while only 21.6% approved. The Republican can bet, not unreasonable, was that a growing economy would take care of that gap.

Since then the gap has narrowed considerably—the RCP average puts it at 1.2% today—but it's never translated into consistent majority public approval that might make the margin of victory in a swing district. One reason may be that Republicans haven't made a good case for it, which would mean publicizing not only the dollars Americans are saving on their taxes but the new jobs and higher standard of living that are a product of the economic growth the GOP tax bill helped usher in. Where, for example, is the House Republican ad saying of this growth, "It didn't happen by accident?"

Meanwhile, Mrs. Pelosi and her fellow Democrats have never stopped hammering the tax cuts as a sop to Wall Street and the rich. At one point, Republicans thought they had caught Mrs. Pelosi in a gotcha moment when she dismissed as "crumbs" bonuses for workers many businesses announced after the tax cuts.

Alas, the sour Pelosi take that it's all been for the rich seems to have prevailed. An internal poll commissioned by the Republican National Committee reported that while voters are evenly divided on the

tax bill itself, "we've lost the messaging battle."

Ditto for health care. Mrs. Pelosi has never backed down from what was her own signature legislative achievement as speaker. So eight years after losing the majority over ObamaCare, Democrats are today turning the GOP's health-reform efforts against them.

**Republicans should promote their tax cut or Democrats will turn it against them.**

Some of this is owing to luck. When Sen. John McCain surprised even Democrats by casting the deciding vote against ObamaCare repeal, he limited the GOP to tinkering around the edges rather than a full and thoroughgoing reform. For better or worse, as the party in office, Republicans now own a health-care system no one really likes, with Democrats aggressively casting proposed GOP fixes as health care for the heartless.

Here's how Mrs. Pelosi put it in a recent tweet: "@realDonaldTrump is desperate to change the subject from health care to immigration because he knows that health care is the #1 issue Americans care about. The GOP is threatening to gut protections for pre-existing conditions. Dems are focused like a laser to #ProtectOurCare."

This is unfair and misrepresents what Republicans are trying to do, of course. Still, more interesting is how little pushback Democrats are getting. And with the help of Mrs. Pelosi's prodigious fundraising—Democrats have outraised Republicans in 90% of the most competitive districts—they have the money to push their message in these last few days before the election.

Meanwhile, Republicans have to hope that public distaste for a caravan aiming to bum-rush the southern border, the specter of impeachment hearings in a Democratic House, and Mrs. Pelosi's own low approval ratings will ultimately prevail on voters to maintain the GOP majority. It's an odd position for a party in office, in that it emphasizes what its opponents will do if they gain power rather than taking credit for their own accomplishments.

In the end, this year's House midterms may turn out to reflect no more than the historical record of big losses for the party that controls the White House. Then again, maybe the Republicans' scary Nancy Pelosi ads will succeed in keeping Americans from giving Democrats the House back.

However it turns out, Mrs. Pelosi has shown she understands one thing the Republicans don't: When the party in power can't figure out how to promote its own achievements, the other party will make them into liabilities.

*Write to mcgurn@wsj.com.*

**Attackers scapegoat Jews for both hurting and helping Muslims.**

with the claim that "the Zionist Jews . . . run the Federal Reserve, they run Wall Street, they run every campaign."

Mr. Sanders replied that he is "proud to be Jewish." But instead of challenging the question's premise, he said that although he supports Israel, "we have got to pay attention to the needs of the Palestinian people." By responding to a Jewish conspiracy theory with his views on

Israel, Mr. Sanders lent legitimacy to the cloaking of anti-Semitism in anti-Zionism.

The success of American Jews means that, in the game of identity politics, Jews are classified as "white," and therefore the racist character of anti-Semitism is denied. The liberal political scientist Yascha Mounk tweeted Saturday that an unidentified editor had told him, in Mr. Mounk's paraphrase: "You cannot, in 2018, call the murder of Jews in the United States racist in a left-leaning publication."

The atrocity in Pittsburgh illustrates that anti-Semites target Jews because they object to our existence, not what we believe. In a sense this is liberating. It means we should continue to stand up for what is important to us—be it Israel or refugees.

*Ms. Katz is a former Robert L. Bartley Fellow at the Journal.*

**BOOKSHELF** | By Laura Landro

## The Stuff Of Life

### Nine Pints

By **Rose George**  
(Metropolitan, 353 pages, \$30)

**B**lood is one of our most precious commodities, making it possible to save trauma patients, diagnose illness and uncover the deepest genetic traits. It can also be one of the most dangerous, creating malignancies and transmitting deadly infections. Each of us has nine pints of it—thus the title of Rose George's "journey through the money, medicine, and mysteries of blood," as her subtitle has it. Mixing medical history and social commentary, Ms. George addresses a wide range of topics, from the earliest uses of leeches to suck blood out of patients to the development of today's sophisticated blood-banking industry.

While more a meandering survey than the comprehensive treatment that its subtitle promises, "Nine Pints" is a compelling chronicle, displaying an engaging prose style as well as welcome moments of righteous indignation. Ms.

George is appalled that so many people—especially in the Third World—haven't been able to get the blood they need or avoid the risks of blood-borne illness. Less justifiable is her disdain for the modern blood industry, which decades ago shifted from using whole blood to separating blood into components like red blood cells, plasma and platelets.

These have all been put to good use, especially with cancer patients, but she sees a mercenary motive. She quotes a Houston trauma surgeon. "Think of it," he says. "You go and donate blood for free, and the blood banks can break it into five or six components. The business model is incredible."

That surgeon turns out to be one of the few Americans that Ms. George, a British journalist and author, relies on for comment; one might read all of "Nine Pints" and think that the British had made every important discovery and advance in the science of blood. Even so, there is value in her exploration of how the modern system of blood donation got started in her home country—as well as the unusual ways it evolved elsewhere. Some of the most vital parts of "Nine Pints" concern the non-Western world.

India, for example, relies heavily on a system that requires patients who need blood to get it from a relative or a friend, despite efforts to shift to a voluntary system. The government has banned the sale of blood, so a black market has emerged. Ms. George cites a 2008 raid on a farm where poor migrant men were kept in tin sheds and "persistently bled to the point of death."

Ms. George is clearly intrigued by the things people don't like to think about and has no qualms about reporting from the trenches (as was evident in her 2008 book, "The Big Necessity: The Unmentionable World of Human Waste and Why It Matters"). In "Nine Pints," she describes the difficulties that women face in Third World countries simply to get through the natural function of menstruation.

**Tests to screen blood are ever more effective, but blood-borne illness can still be a threat to public safety, especially in the developing world.**

Women in some parts of Nepal aren't allowed to enter their home or even touch their own relatives during their menstrual period; in certain regions they have to retreat to a shed. The Nepalese have outlawed *chaupadi*—the practice of keeping menstruating women and girls apart—but there is no mechanism for enforcement. There is even an annual festival that gives women the day off to "atone for any sins they may have committed while menstruating in the previous year." The cleansing rituals include—as Ms. George herself observed—washing their hair in a river with buffalo dung followed by a rinse with cow's milk and urine.

One of Ms. George's heroes is the Indian workshop helper and tinkerer who became famous as Menstrual Man. Observing the lengths to which the women in his family went to hide the bloody rags they had to use, he became obsessed with finding a way to provide affordable sanitary napkins. After taking eight years to perfect a low-cost version, and going to extraordinary lengths to develop his product—even wearing a fake uterus filled with leaky goat blood—he won a spot on Time magazine's most-influential people list in 2014.

"Nine Pints" recounts the well-known history of blood-borne illness and its threat to public safety. The most famous pathogen, of course, is HIV, closely followed by Hepatitis C. These viruses were spread throughout the blood supply to unknowing recipients for years before tests to screen for them were developed. Thousands of the victims were hemophiliacs who relied on a clotting factor derived from plasma that was later found to be tainted—and yet distributed long after concerns were raised. Ms. George credits inquests and investigations for prompting the blood industry to clean up its act.

But the plasma sector still draws her scorn. The only blood component for which donors are paid, plasma is bought by pharmaceutical companies to make products like intravenous immunoglobulin, used to fight immune deficiencies.

Commercial clinics, in Ms. George's view, take advantage of the poor, who sell their plasma too frequently for their own health.

Despite the strides made in reducing the spread of HIV through the blood supply, Ms. George warns of its continued spread through unprotected sex, primarily in places like South Africa, where antiretroviral drugs are available but uptake and compliance are distressingly low. In Cape Town, as Ms. George notes, young women are infected by older men with whom they exchange sex for treats like hair weaves and iPhones. As one clinic counselor tells her: "We will have new infections in South Africa. It will never go away."

"Nine Pints" ignores or skims over some of the more interesting trends in blood safety and supply, including so-called pathogen reduction, a technology that, by inactivating a broad range of viruses and bacteria, removes transfusion threats without damaging the blood. And she only touches on new infectious threats and the noninfectious risks of donated blood, which are rare but real enough—such as a lung injury that can develop within hours of a transfusion. Little wonder that efforts to grow blood cells in a lab, or even to create a blood substitute, are under way. Maybe one day human donors won't be necessary.

*Ms. Landro, a former Wall Street Journal assistant managing editor and health columnist, is the author of "Survivor: Taking Control of Your Fight Against Cancer."*

By **Eliora Katz**

**A**s the sun set in Paris Saturday, I returned from synagogue. I opened my phone after 25 hours of abstaining from electronics to read that Robert Bowers had allegedly opened fire in a Pittsburgh synagogue, murdering 11.

Such news is more common in France. French Jews today are murdered in synagogues, supermarkets, schools and their homes. The Fifth Republic has deployed military guards in front of Jewish institutions throughout the country. Will America also resort to this ugly Band-Aid, which fails to address the underlying malady?

While in form the slayings in Pittsburgh and France seem similar, they differ notably in their motives. In France most attacks are part of what is sometimes called "the new anti-Semitism," stemming from France's growing Muslim popu-

lation. Mohamed Merah murdered three young children and a rabbi outside a French Jewish school in 2012 because, he said, "the Jews kill our brothers and sisters in Palestine." Amedy Coulibaly, who killed four people in a kosher grocery store in 2015, did so in the name of "oppressed Muslims."

Mr. Bowers's complaint appears to have been precisely the opposite. He posted on the social network Gab: "Open you Eyes! It's the filthy evil jews Bringing the Filthy evil Muslims into the Country!" Anti-Semitism defies the law of noncontradiction, and that's nothing new: Jews have been persecuted and blamed for both capitalism and Communism.

Yet Baroness Jenny Tonge, a member of the British House of Lords, attempted to tie Pittsburgh to Israel. She posted: "Absolutely appalling and a criminal act, but does it ever occur to Bibi [Netanyahu] and the present Israeli govern-

ment that it's [sic] actions against Palestinians may be reigniting anti-Semitism?"

Similarly, in April 2016 a Black Lives Matter supporter asked Sen. Bernie Sanders: "What is your affiliation to the Jewish community?" The man prefaced the question

The atrocity in Pittsburgh illustrates that anti-Semites target Jews because they object to our existence, not what we believe. In a sense this is liberating. It means we should continue to stand up for what is important to us—be it Israel or refugees.

*Ms. Katz is a former Robert L. Bartley Fellow at the Journal.*

## OPINION

## REVIEW &amp; OUTLOOK

## ObamaCare's Red State Trap

**M**any readers no doubt take comfort in living thousands of miles away from the tax and spending misadventures of Illinois or Connecticut. But fair warning: One of the worst deals in state spending is coming to a red state near you, and that's expanding Medicaid to adult men above the poverty line.

On Nov. 6 four states will consider ballot initiatives on expanding Medicaid: Nebraska, Utah, Idaho and Montana, the last of which would extend an expansion that is set to expire. More than 30 states have expanded the entitlement as part of the Affordable Care Act. The Republican failure to repeal the law ensured that this number would grow, and Governors of both parties are always eager to draw more money from Washington.

Proponents are working to make sure voters don't know, but this is not about poor mothers and babies, who are covered by traditional Medicaid. Same for the disabled. Expansion extends the benefit to prime-age adults without children up to 138% of the poverty line. The feds pay more than 90% of the cost for the new beneficiaries, versus about half the tab in Nebraska for the truly vulnerable (closer to 70% in Idaho, Montana and Utah).

The perversity of spending more on childless men than pregnant women is reason enough to reject expansion, but there are others. Every state that has expanded Medicaid has blown the budget by spending more money on more people. The cost overruns are more than double on average.

Montana's expansion has come in 70% over budget, according to the Foundation for Government Accountability. The state is now proposing to fund its expansion with a tobacco tax, which is impressive cynicism even for politics: Tobacco companies are spending to defeat the measure, and Medicaid proponents can style themselves as champions against products that cause cancer. But revenue from a tobacco tax will decline over time as cigarette use falls. Another tax increase is inevitable.

Utah is proposing to raise the sales tax to 4.85% from 4.7%—yes, a regressive tax on the poor to pay for health care for those above the poverty line. Nebraska and Idaho's ballot measures leave the funding details for another day, ostensibly be-

cause voters might figure out that expansion is more expensive than it appears.

## Ballot measures to expand Medicaid all but guarantee tax increases.

These are merely opening offers. Oregon earlier this year imposed new taxes to fill a hole burned by Medicaid expansion, and Medicaid is already the fastest growing line item in nearly every state in the country. The incentive will be to cut services from the needy who receive traditional Medicaid because it saves states more money.

The Medicaid blowout will also put pressure on funding for cops and kids. In Idaho the compound annual growth rate for Medicaid spending over the past decade or so triples that of schools and roads, as the Idaho Freedom Foundation points out. And that's before expansion.

The idea that the feds will continue to pick up 90% of the tab forever is fantasy. The GOP has vowed to equalize the funding formula and make states pay closer to 30% to 50% like they do for traditional Medicaid. States shouldn't assume that Democrats will be more merciful when they want to pay for something else and stick more of the Medicaid bill on states. Democrats tend to discover the wonders of federalism at times that are politically convenient for them in Washington.

Unions and state hospital associations are bankrolling the advertising for the expansion referenda and pitching it as a way to help the poor—a natural extension of Mormon compassion in Utah, for example. But hospitals stand to gain more reimbursement for services, so they're on board. By the way, Medicaid beneficiaries on all the evidence are *more* likely to avail themselves of emergency room visits, so forget about bending the cost curve.

Utah voters have been distracted from Medicaid by a ballot fight over medical marijuana, and progressives have been effective in deploying ballot initiatives to do what Governors and legislatures won't. Nebraska's legislature has rejected Medicaid expansion six times.

The legislature is right. Medicaid expansion is a bad fiscal and health-care bargain that looks worse as time passes. States like Kentucky are already looking for reforms like work requirements before the "free" money drowns their state fisc. Voters would be wise to reject the phony compassion and focus scarce resources on the poor and disabled.

## Bob Menendez vs. Roy Moore

**R**emember the lectures from the Media Great and Good that Republicans and conservatives had to reject Senate candidate Roy Moore in Alabama last year to retain any sense of principle and self-respect? The sound you don't hear this year is any comparable editorializing that Democrats and liberals should reject Bob Menendez in New Jersey.

Republican voters make mistakes, and Alabama conservatives did by nominating Judge Moore, who was credibly accused of courting minors when he was a young prosecutor. But most national conservatives urged his defeat because it was the right thing to do. Enough Republicans stayed home on Election Day to give the seat to Democrat Doug Jones in a narrowly divided Senate. Mr. Jones proceeded to vote with his party and oppose Brett Kavanaugh's confirmation to the Supreme Court.

Now look at New Jersey, where the left is either silent or is urging voters to re-elect Mr. Menendez despite his severe admonishment by the Senate for corruption. Apparently he's their

## He may be corrupt, but liberals rally to re-elect their man in New Jersey.

kind of corrupt—that is, he's one more vote toward a Senate Democratic majority. "Choke it down, and vote for Menendez," proclaimed an endorsement Sunday in the Newark Star-Ledger.

The crudeness of the prose reflects the crassness of the argument. "It's a miracle that Menendez escaped criminal conviction, and an act of profound narcissism that he stayed in the race despite this baggage, putting a Democratic seat at risk while Donald Trump sits in the White House," says the liberal paper. But it nonetheless urges voters to re-elect the sleazy Senator because Republican challenger Bob Hugin used to work for a biotech company that made a profit.

Mr. Hugin is trailing Mr. Menendez by only five or six points, and national Democrats are pouring millions into the state to save their man. Rank-and-file Democrats can show they're a moral match for Alabama Republicans if they decide to vote for Mr. Hugin or stay home. Otherwise, spare us the lectures about the moral consequences of Donald Trump.

## Bolsonaro's Hope and Change

**B**olsonaro threatens the world, not just Brazil's fledgling democracy," declared a headline last week in the *Guardian*, referring to presidential candidate Jair Bolsonaro. And that was one of the milder warnings in the international press. Yet Brazilians elected him anyway on Sunday with 55% of the vote.

Maybe the world should show a decent respect for Brazilian democracy and try to understand what happened.

Start with the fact that this was a transparent, competitive and fair contest. Mr. Bolsonaro didn't steal the election. He won it by persuading voters. A 27-year member of the legislature, Mr. Bolsonaro was also fortunate to be running against Fernando Haddad, the hand-picked candidate of the Worker's Party (PT) that has ruled Brazil for most of the last 15 years. Mr. Bolsonaro was able to run as the reformer against a legacy of economic and political failure.

Brazil has yet to recover from the leftwing populism of PT President Luiz Inácio Lula da Silva (2003-2010) and successor Dilma Rousseff (2011-2016). Deficits, public debt and inflation soared, as the PT expanded the number of state-owned enterprises. By the time the Workers' Party was done, Brazil was in a recession that lasted nearly three years.

The PT also built a legacy of graft. Construction companies padded bids and paid kickbacks to politicians, executives and the PT. The national development bank extended loans to facilitate the transactions, including to Cuba and Venezuela. The head of the bank said in September that the dictatorships in Havana and

## Brazilians wanted new leadership after years of recession and graft.

Caracas have outstanding loans of \$1 billion and both are in arrears.

Many other politicians from other parties joined in the bribery schemes. Mr. Bolsonaro did not. That gave him credibility when he ran as the antidote to PT greed and promised to drain the swamp.

Now he has to deliver. One good sign is that his chief economic adviser is Paulo Guedes, who trained at the University of Chicago. Mr. Bolsonaro has a history of economic nationalism, which could be his downfall. But as a candidate he promised to privatize some industries, clean up the fiscal accounts and propose full independence for the central bank. He has also promised to repair the state pension system. The best medicine would be a Chile-style privatization.

To achieve any of this Mr. Bolsonaro will have to confront an array of special interests in Brazil's powerful business class. He must also deal with 30 separate parties in Congress's lower house and 20 in the senate. Yet he has a mandate, which means he should act fast on his reform agenda.

Mr. Bolsonaro has often made offensive comments about race, homosexuality and women, and in the PT days he sometimes waxed nostalgic for an earlier era of military rule. But Brazilians went to the polls knowing all this, and knowing too that their democratic institutions proved their mettle resisting the corruption of Lula and the PT.

Brazilians didn't vote for fascism or a military coup. They voted for hope and change, and they will throw Mr. Bolsonaro out if he fails to honor his promises.

## REVIEW &amp; OUTLOOK

## OPINION

## LETTERS TO THE EDITOR

## Donald Trump Is Not the Average American

David Gelernter ("The Real Reason They Hate Trump," op-ed, Oct. 22) says that the "typical American" mirrors the behaviors demonstrated by our president. This is the worst insult that can be hurled at them. To imply that the farmer, factory hand, auto mechanic, machinist, teamster, etc., are vulgar, womanize, bully, hurl abuses and lie is a condemnation of an entire demographic. Family values, raising children to be civilized in speech and action, respect for others and to never lie are values we've tried to engender over generations. We've never traded economic advantage for moral turpitude. Mr. Gelernter should engage with these families to understand their values. They may vote for President Trump not because of their identification with his degeneracy but despite it.

VIJAY VELAMOOR  
Arlington, Va.

Let's note that many more "average Americans" voted for Hillary Clinton then voted for Donald Trump, and if some Americans happened to dislike Hillary Clinton or President Obama, did they also hate the average American? The average American isn't a billionaire and wasn't given tens of millions by his family. The average American doesn't consort with prostitutes, grab women's genitals or think the leader of North Korea can be trusted or is a good guy. There are lots of reasons to dislike Donald

Trump and most of them have to do with loving this country, its people and what it stands for, not with disliking the "average" American.

JOHN JONAS  
Alexandria, Va.

It is true that, as a Democrat, I dislike President Trump and his hateful rhetoric and lies, and I certainly wouldn't buy a used car from him. But my real concerns as a Democrat are clean air, clean water, fighting climate change, education, protecting Social Security and providing health care.

And for my good neighbors who are Republicans and cringe at many of President Trump's outbursts, their main concerns seem to be lower taxes, increasing military spending, stronger borders, education and less business regulation.

These are the issues we should be talking about, looking for common ground, not the president's latest tweetfest.

PETER MASSE  
Cortland, N.Y.

Hillary Clinton's tirade on the "basket of deplorables" was probably the most honest expression of what today's self-styled progressives really believe. Mr. Gelernter has captured the elitist mind-set perfectly as he describes what is so great about the "average American."

BLUMA BRODT  
Brooklyn, N.Y.

## Debating Washington Carbon Tax Initiative

Your editorial "Washington's Carbon Tax: Take Two" (Oct. 22) points out that some emissions sources are exempted by Washington's carbon-fee ballot initiative and asks: For those worried about climate change, why tolerate exceptions?

Energy intensive and trade-exposed businesses were excluded because they might have fled the state and brought their emissions elsewhere. Imposing the carbon fee on the state's coal plant that is shutting down by 2025 would have violated a previous commitment to the owners of the plant, its workers and the surrounding community. Finally, for dispersed sources of emissions, such as emissions from agricultural lands, a carbon fee isn't the right policy tool because monitoring and enforcement would be overly burdensome.

It is correct that like any other serious policy that reduces greenhouse-gas emissions, a carbon tax would

raise energy costs and, by itself, have only minimal effect on global emissions. But state-level policy can spur action in other states and at the federal level and thus lead to larger emissions reductions. Economists have long supported carbon taxes as the most cost-effective way to reduce emissions.

When they vote on Initiative 1631, the real question in front of Washington voters is whether to do something, or nothing, about the risks of climate change.

NOAH KAUFMAN, PH.D.

Director  
Carbon Tax Research Initiative  
Columbia University  
New York

If liberals don't accept a revenue-neutral fossil-carbon fee and dividend plan, the hope to avoid catastrophic climate change will diminish.

Conservatives, however, should also accept a revenue-neutral approach. Your statement, "businesses said it would destroy jobs and increase energy prices, which is true," disagrees with the results of a detailed study that showed that jobs and GDP would increase with a fee and dividend. This occurs because the poor spend their dividend, and the rich, who pay more in fees, don't change their spending much. The study can be found on the website for the Citizen's Climate Lobby.

JAMES A. MARTIN, Sc.D.  
Huntington Beach, Calif.

Your editorial correctly points out that liberals are wrong to push for a carbon tax to increase government spending. That would harm the economy. However, if carbon-tax revenue was instead used to make President Trump's tax cuts permanent or reduce other harmful taxes, it would help expand the economy—especially if the carbon taxes replaced the costly regulatory regime currently in place.

According to a new EY analysis, a regulatory approach to reduce carbon pollution would reduce gross domestic product in the long run by an average of \$1,770 per household annually. However, the report shows that accomplishing the same reductions in carbon pollution through a revenue-neutral carbon tax would increase GDP in the long run by an average of \$5,090 per household every year.

Without additional government spending in the mix, a revenue-neutral carbon tax is an efficient, conservative solution that can be coupled with a roll back in regulations and offsetting tax cuts to boost the economy, protect the environment and spur innovation.

REP. FRANCIS ROONEY (R., Fla.)  
Washington

## The Party of Civil Rights Isn't the Democratic Party

Ted Van Dyk gives us a summary of various factions in today's Democratic Party and manages to slip in the phrase: "Democrats, the party of civil rights" ("Democrats Haven't Turned Back From 1968," op-ed, Oct. 19). Last I looked, Lincoln was a Republican and those fighting for Eisenhower's civil-rights initiatives were Republicans resisted by the likes of sometime Democratic Majority Leader Sen. Robert Byrd, previously known as a member of the KKK. Civil-rights enhancements required the strong-arming conversion of enough resistant Democrats to finally pass, and pass it they did, with 94% of Republican votes and only 73% of reluctant Democratic votes in the Senate, and only after a long Democratic filibuster. One party has been indeed the party of civil rights, and it has not been the Democrats.

JAMES W. BENEFIELD

Dunedin, Fla.

Mr. Van Dyk suggests a Democratic agenda start with "peace, prosperity and justice."

My suggestion for Mr. Van Dyk is to consider that President Trump has already co-opted these themes along with economic growth, jobs, security, law and order and a strong national defense. Mr. Van Dyk and others of similar persuasion should consider joining the Republican Party where they would be much more welcomed.

STEVE WEISMANTEL

Moneta, Va.

## Maybe the GOP Can Learn From Mr. Putin's Mistake

Leon Aron's "Russian Pensions and the Risk of War" (op-ed, Oct. 17) has a message for those like Sen. Mitch McConnell and others who, when they talk about "entitlement reform," mean raising Social Security retirement ages and cutting benefits for future generations.

DAVID COOK

Oxnard, Calif.

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](mailto: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.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"I feel fine. I'm supposed to look a little green around the gills."

## OPINION

# Iran Holds A Hostage For 'Spying On the Dead'

By Gerard Gayou

**G**ive President Trump credit for bringing unjustly detained Americans home. Whatever misgivings you may have about his North Korean diplomacy, three American prisoners freed in May are better for it. So is Pastor Andrew Brunson, whom Turkey released this month. "I hope my husband is next," Hua Qu tells me. "He has literally been taken hostage by Iran."

Her husband is Xiyue Wang, a history graduate student at Princeton arrested in Tehran in August 2016 and sentenced to 10 years in the notorious Evin Prison. He is one of at least five Americans currently detained in Iran—and the only one who doesn't also hold Iranian citizenship.

## An American student ends up in a notorious prison after he copies documents dating from 1840-1910.

Mr. Wang, then 35, ventured to Iran in January 2016 to research the Qajar dynasty, which ruled Persia from 1794 to 1925. The espionage allegation came after he copied thousands of pages of research material from the National Archives of Iran. As one of his Princeton professors put it, Mr. Wang was accused of "spying on the dead." The documents he copied were from between 1840 and 1910, according to Ms. Qu.

She received a phone call from her husband Aug. 7, 2016. He told her he had been interrogated at a Tehran hotel for several hours, but things looked OK. He was back at his apartment, and there was someone downstairs who would escort him to his flight back to the U.S. But Mr. Wang never got to the airport, and his wife didn't hear from him for 20 days.

Then "he suddenly gives me a call," Ms. Qu says. "He told me he was arrested and they put him into solitary confinement." Mr. Wang's captors had repeatedly interrogated him and threatened to hold him forever unless he confessed. Mr. Wang acquiesced and was moved to Evin's Ward 209, a wing for political prisoners. He remains in Evin today.

"He has been repeatedly denied medical treatment, and it's very difficult to get books for him," Ms. Qu says. "Because he is not a dual national . . . he has no family on the ground. He's probably the only prisoner in Evin that hasn't seen any family member in three years." Their son, Shaofan, is now five years old.

Mr. Wang's case seemed so unusual to outside experts that Princeton and Ms. Qu, convinced it was a mistake, thought it better to stay quiet and wait for an early release. The case dragged on until July 2017, when Iranian officials announced Mr. Wang's prison sentence. Ms. Qu, still a Chinese citizen, has been waging an advocacy campaign in the U.S. to bring her husband home ever since. She enlisted the support of United Nations Ambassador Nikki Haley, and in September a U.N. working group found Mr. Wang's detention was arbitrary and called for his immediate release.

Ms. Qu wishes for a solution detached from the U.S.-Iran clash over the nuclear deal: "My husband's situation is a humanitarian situation," she says. "He's completely a victim of a political crisis." She also understands that he may remain one.

Mr. Gayou is an assistant editorial page writer at the Journal.

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By Edmund Phelps

**A**merica's economy has fully recovered from the Great Recession and is now in a boom phase. But the prevailing explanation of that recovery is not satisfactory, and neither is the understanding of the boom.

Generations of Keynesian economists have claimed that when a loss of "demand" causes output to fall and unemployment to rise, the economy does not revive by itself. Instead a "stimulus" to demand is necessary and sufficient to pull the economy back to an equilibrium level of activity.

Among economists and policy makers it is widely thought that fiscal stimulus—increased public spending as well as tax cuts—helped pull employment from its depths in 2010 or so back to normal in 2017. The new tax cuts on personal income are thought to be increasing demand further.

But is there evidence that stimulus was behind America's recovery—or, for that matter, the recoveries in Germany, Switzerland, Sweden, Britain and Ireland? And is there evidence that the absence of stimulus—a tight rein on public spending known as "fiscal austerity"—is to blame for the lack of a full recovery in Portugal, Italy, France and Spain?

A simple test occurred to me: The stimulus story suggests that, in the years after they hit bottom, the countries that adopted relatively large fiscal deficits—measured by the average increase in public debt from 2011-17 as a percentage of gross domestic product—would have a relatively speedy recovery to show for it. Did they?

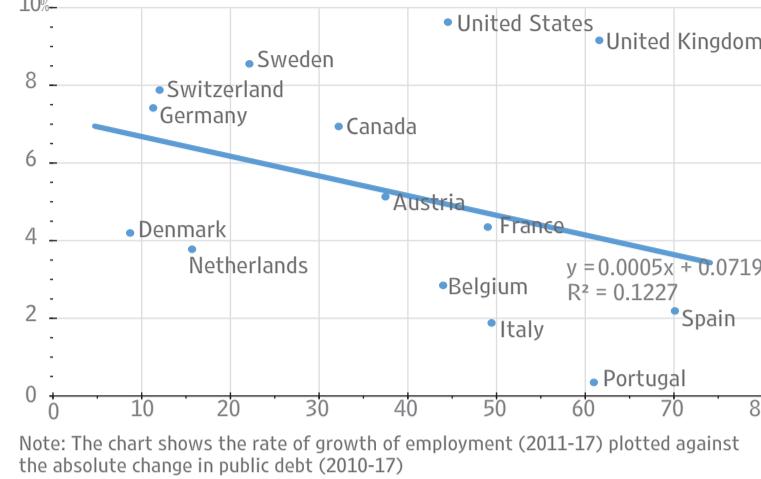
As the accompanying chart shows, the evidence does not support the stimulus story. Big deficits did not speed up recoveries. In fact, the relationship is negative, suggesting fiscal profligacy led to contraction and fiscal responsibility would have been better.

Isn't this a fluke? Don't history

# The Fantasy of Fiscal Stimulus

## After the Recession

Speed of recovery (left axis) vs. increase of real debt as a ratio to GDP (bottom axis)



Note: The chart shows the rate of growth of employment (2011-17) plotted against the absolute change in public debt (2010-17)

Source: Author

and theory overwhelmingly support stimulus? Well, no. First, the history: Soldiers returning from World War II expanded the civilian labor force from 53.9 million in 1945 to 60.2 million in 1947, leading many economists to fear an unemployment crisis. Keynesians—Leon Keyserling for one—said running a

## It turns out Keynesian policies are correlated with slower, not faster, economic growth.

peacetime fiscal deficit was needed to keep unemployment from rising. Yet as the government under President Harry S. Truman ran fiscal surpluses, the unemployment rate went down (from 3.9% in 1946 to 3.1% in 1952) and the labor-force participation rate went up (from 57.2% to 58.9%).

Standard economic theory points to other ill-effects of fiscal stimulus. Economist Franco Modigliani

showed in 1961 that fiscal deficits have a negative impact on both the supply of labor and the supply of saving. I explored this territory further in a 1965 book on "fiscal neutrality." The deficit may cause people to feel richer, and thus to work and save less. The Keynesian James Tobin showed in 1955 how consumer demand can simply crowd out investment demand. Another possibility, suggested by Robert Mundell's early work, is that the effect of a country's fiscal stimulus is diffused over the global economy, so that the deficit-running country itself feels little of the effect.

If fiscal stimulus is not effective in combating a recession, what about monetary stimulus—increasing the supply of money or reducing the cost of money in relation to the return on capital? We can perform a similar test: Did countries where monetary stimulus in the years after they hit bottom was relatively strong—measured by the average quantity of monetary assets purchased by the central bank from 2011-17—have relatively rapid recoveries? This is a com-

plicated question, but preliminary explorations do not give strong support to that thesis either.

If the Keynesian tool kit of fiscal and monetary stimulus is more or less ineffective, what did drive the relatively speedy recoveries of the U.S. and Northern European economies after the 2008 crash?

One answer is very old. Franklin D. Roosevelt took office at the height of the Depression in March 1933 amid many radical economic ideas. But John Maynard Keynes warned him to keep up "business confidence." Perhaps Italy has failed to recover in part because its fiscal profligacy has damaged confidence. Iceland, it is said, recovered rapidly once it won confidence among international investors. But confidence alone may not suffice.

Another answer is dynamism: the desire and capacity to innovate. A nation with an enthusiasm for new products, methods and technologies, and with zeal to develop and market them, will be relatively quick to take advantage of the empty shops, closed plants and discharged workers that abound after a downturn. We should expect that the relatively dynamic economies—the U.S. and the U.K., Sweden and Germany—to achieve a relatively rapid recovery, regardless of stimulus.

As it turns out, there is a strong relationship between the speed of recovery and a proxy for this dynamism—the long-term growth rate of total factor productivity from 1990 to 2007. Some countries have pre-existing social institutions and cultural capital that enables them to bounce back from an economic downturn. Much credit for the U.S.'s relatively speedy recovery is owed to this country's endemic culture of innovation and enterprise.

Mr. Phelps, the 2006 Nobel laureate in economics, is director of the Center on Capitalism and Society at Columbia University and author of "Mass Flourishing" (2013) and "Rewarding Work" (2007).

## Trump's Socialist Health-Care Scheme

By Jim Greenwood

**T**he biopharmaceutical industry saves more lives, relieves more suffering, and reinvests more profits into innovation than any other in the world. Yet the sector has become a public punching bag. Everyone from liberal Democrats to President Trump argues that drugs cost too much.

The problem is that "lowering drug prices" has different meanings to different people. If the goal is to help patients afford their medicine, a set of rational policy choices could help. If the goal is to stick it to pharma and help insurance companies and the government save money, then the Trump administration is on the right track—only it will come at the expense of innovation, cures, patients and jobs.

Last week Mr. Trump embraced a "foreign reference" pricing scheme for medicines covered under Medicare Part B, which includes new biotechnology breakthroughs. If implemented, what the U.S. government is willing to pay for these lifesaving drugs will be determined in part by the prices paid in Greece, a bankrupt socialist state with single-payer health care.

As word of the president's impending announcement hit Wall Street last Wednesday, the Nasdaq Biotechnology Index plunged 6.3%—its worst day in seven years. It was a sad day for the entrepreneurs and scientists who have worked to make the precision-medicine revolution a reality.

Betting on new biologic medicines is one of the biggest long shots on Wall Street. Less than 10% of research-and-development programs lead to commercialized medicines. But the returns of a few successes are high enough to fuel the cycle of innovation-delivering gene-therapy cures, immuno-oncology treatments and

other breakthroughs. A stream of next-generation advances are filling the development pipeline, making now an especially foolish time to shrink the reward.

America's unique market-driven system has allowed U.S. companies to develop more medicines than the rest

## The administration's plan would use countries like Greece as a benchmark for pricing medications.

of the world combined. If the U.S. adopts socialist price controls, it also will have to accept the lower levels of innovation found abroad. This means closed biotech startups, productivity losses and higher hospitalization costs. More than 25 million Americans suffer from nearly 7,000 rare diseases, and many could see their hopes of ever getting better fade away.

The Department of Health and Human Services study that was used to justify the new policy primarily references single-payer health systems, which use their considerable leverage to override market forces and say "take it or leave it" when negotiating the price of medicines. That's why U.S. patients can use 90% of new drugs, while only two thirds are available in the United Kingdom and 50% in France and Canada.

The administration's announcement on foreign price controls came only 10 weeks after HHS lifted a long-standing prohibition on step therapy in Medicare Part B. Starting in January, lucrative Medicare Advantage plans can start requiring patients prescribed biologic drugs to "fail first" on older, cheaper drugs before their plan covers the newer medicine. This proposal can indeed lower patients'

## Notable & Quotable

From an editorial in the *Star-Ledger* of Newark, N.J., endorsing Sen. Bob Menendez, Oct. 28:

It's a miracle that Menendez escaped criminal conviction, and an act of profound narcissism that he stayed in the race despite this baggage, putting a Democratic seat at risk while Donald Trump sits in the White House. . . .

It's a disgrace that Democratic leaders like Sen. Cory Booker and Gov. Phil Murphy rallied to support Menendez early on, when a stronger candidate could have beaten him in a primary. . . .

Our hope is that voters remember that Trump is on the ballot, that they choke down their reluctance and vote for Menendez. He's no gem, but he's better than [challenger Bob] Hugin.

drug bills—to zero—by denying them access to medicine they need as their health deteriorates. The real costs being lowered here, though, are those of private insurance companies that administer the Medicare benefit.

The administration also announced that it may require pharmaceutical television ads to feature a drug's list price. But that fee is a starting point for negotiations between drugmakers and payers. It does not represent what patients or insurance companies actually pay or what drug companies earn. Not even close. Forcing disclosure will make many patients believe they cannot afford the breakthrough drugs—and therefore avoid seeking them. This, again, will save insurers money.

Entrenched interests within the health-care system play politics when they conflate out-of-pocket costs for patients with drug costs paid by pub-

lic and private payers. The cumulative effect of recent drug pricing announcements is that payers and other middlemen win. Patients who are hurting don't get significant relief, while the investors and innovators who make the medicines get a gut punch.

Tying U.S. drug costs to what Finland and Slovakia pay is a remedy worse than the underlying ailment. To bend the cost curve, focus on what works: harnessing market competition and rewarding innovation that cures disease and lowers health-care costs. Hopefully the voices of innovators, investors and patient advocates can yet convince the president that there is a better deal to be made.

Mr. Greenwood is CEO of the Biotechnology Innovation Organization. He represented Pennsylvania's Eighth Congressional District, 1993-2005.

## The Lesson I Learned From a Racial Bungle

By Abigail Shrier

**M**y junior year at Columbia, I learned a lesson about race in America. I was hired to be a resident adviser, a job for which I needed to produce a Social Security card. I couldn't find mine, my mother

## I learned from my mistake. Today, I'm not sure I'd even be given the chance.

didn't have it, so I boarded the bus to the closest Social Security Administration office, in Harlem.

As the bus moved north of 120th Street, I watched the tenements spinning past turn more desperate and gray as they did in the 1990s, when cabbies would refuse to drive there and Columbia freshman were advised to visit only in large groups, even during the day. Near Malcolm X Boulevard the doors flung open, and as I started down the stairs, the African-American bus driver said to me: "Good luck out there."

The Social Security Administration was an ugly maze of dark corridors teeming with people who seemed haunted by misery. One man clawed at his own skin as if it were the source of unspeakable torment. I returned to school in time for my first resident-adviser meeting, anxious and shaken. I babbled nervously about my experience at the Social Security Administration and warned the others not to go there alone. It was—I said—"a jungle."

Our resident director was a black

Maurice wasn't interested in hearing me plead innocence, and—freed from that burden—I focused instead on the truth of his words and on the redoubtable task of self-examination. The incident left a mark, not because some disciplinary board had publicly shamed me, but because a boss I admired had asked me to reconsider who I was, how I sounded, and to think a little bit longer before I spoke.

Even the best of us will hurt others' feelings. Had this happened in 2018, someone might have reported me to administrators to convene a campus tribunal—but beyond putting me through a terrifying ordeal, what good would that have done? Maurice believed that when well-meaning employees blundered, they deserved a conversation. That's the way to promote understanding.

Ms. Shrier is a writer living in Los Angeles.

## WORLD NEWS

# Lebanese Leader Seeks Saudi Support

Saad Hariri needs Riyadh's backing and money as he tries to form a government

BY NAZIH OSSEIRAN

**BEIRUT**—Almost a year after Saudi Arabia pressured him into a now-rescinded resignation, Lebanese leader Saad Hariri remains beholden to Riyadh as he struggles to form a government and manage a looming economic crisis.

Mr. Hariri—who was designated to continue as prime minister in the wake of this year's elections—had little choice but to attend Saudi Arabia's premier investment conference last week, when Riyadh needed a show of support amid an international uproar over the killing of dissident Jamal Khashoggi in the kingdom's Istanbul consulate, Lebanese political analysts said.

He needs Saudi political backing and money to remain in charge of a new government that has taken almost six months to form but could come together as soon as Monday night. He also needs Saudi help to counter the rise of his political rival, Hezbollah, the Iran-backed militia and political party in Lebanon.

Mr. Hariri laughed during the conference when Saudi Crown Prince Mohammed bin Salman joked about the prime minister's time in Riyadh in November 2017, a 17-day period that Lebanese President Michel Aoun described as an "abduction."

"Prime Minister Saad is staying for two days in Saudi Arabia so please no rumors that he has been kidnapped," Prince Mohammed said.

"I am here out of my free will," replied Mr. Hariri, arms in the air, smiling.

Mr. Hariri's Saudi sojourn last year remains a mystery, with no official explanations



Saudi Crown Prince Mohammed bin Salman, left, and Lebanon's Saad Hariri, center, attended an investment conference in Riyadh last week.

FAEZ NURELDINE/AGENCE FRANCE PRESSE/GTY IMAGES

from either Mr. Hariri or the Saudis beyond denials he was held against his will. While there, Mr. Hariri read an awkward statement on state television, saying he was resigning and staying in Riyadh because he feared assassination in Lebanon. He later gave an interview to Saudi state television during which he appeared to be taking cues from officials off-camera.

Mr. Hariri stayed in Saudi Arabia until Nov. 21, when he went to France and met French President Emmanuel Macron. Later, back in Lebanon, Mr. Hariri rescinded the

resignation and resumed his duties as prime minister.

While many Lebanese cringed at his embrace last week of Prince Mohammed, the optics were crucial for Mr. Hariri, who was pledging support for an essential political patron at a critical moment for both Saudi Arabia and Lebanon, said Sami Atallah, director of the Lebanese Center for Policy Studies, a Beirut think tank. In Lebanon's fractured political system, Saudi Arabia, Iran and other regional powers fund parties and maneuver behind the scenes for influ-

ence, and Mr. Hariri is Saudi Arabia's biggest Lebanese ally.

"Hariri had to appease the Saudi leadership," Mr. Atallah said, adding: "If he gives up on his foreign backers while the rest are still receiving financial, military, and political support, he will be weakened further."

Mr. Hariri's coalition suffered heavy losses in May elections, and he needs Saudi-backed political parties to make concessions to form a government. Lebanon often takes months to form a working government, but the delay this year is hurting the econ-

omy, causing worries about foreign investors yanking their deposits and forcing the country to default on its foreign debt, said Jason Tuvey, senior emerging markets economist at Capital Economics in London.

A working cabinet, representing Lebanon's 18 Christian and Muslim sects, is a condition for Lebanon to receive \$11 billion in loans and grants from countries and international lenders. A \$1 billion Saudi Arabian line of credit is in the package.

Mr. Hariri, a Sunni Muslim, is also grappling with the rising

power of Shiite Hezbollah. His inability to contain Hezbollah's rise was one reason that Saudi officials were angry with Mr. Hariri's leadership last year, and May's election turned the tide further toward Hezbollah.

"Iran has a tighter control over Lebanon because it now has a majority in parliament," said Sami Nader, director of the Levant Institute for Strategic Affairs, a think tank in Lebanon.

Saudi officials and Mr. Hariri's office didn't respond to requests to comment.

Mr. Hariri has worked this year to maintain good relations with Saudi Arabia, the country of his birth and where a construction business turned his father, the late former Prime Minister Rafiq Hariri, into a wealthy powerful man.

He praised Prince Mohammed at last week's conference for galvanizing support for the Lebanese aid package that can be tapped after a government is formed. "I was in constant contact with the crown prince regarding the kingdom's contribution," Mr. Hariri said. "He also played a great role in talking with other countries to encourage them to invest in Lebanon."

Lebanon's debt-to-GDP ratio of 150% is the third-highest in the world. Half the government's revenue is spent servicing that debt. In September, the cost of insuring Lebanon's debt against default rose by 600 basis points, or hundredths of a percentage point, amid doubts about the state's ability to pay back its loans.

In a July interview, Riad Salameh, the governor of Banque du Liban, the central bank, said the country has the tools to stave off a currency devaluation, including \$44 billion in foreign-cash reserves. He said Lebanon needs a government formed to unlock foreign aid and undertake economic changes. "Reforms are needed," he said. "The quicker the better."

# Turkey Keeps Up Pressure Over Killing of Journalist

BY DAVID GAUTHIER-VILLARS  
AND SUNE ENGEL RASMUSSEN

**ISTANBUL**—Turkish authorities pressed Saudi Arabia to disclose more information about the killing of a dissident journalist after a bilateral meeting failed to answer questions raised by President Recep Tayyip Erdogan about what happened to the body and who ordered the killing.

After weeks of denying that Saudi Arabia had played any role in the disappearance of Jamal Khashoggi, a vocal critic of Crown Prince Mohammed bin Salman, the kingdom has acknowledged the journalist was killed inside its Istanbul consulate on Oct. 2.

But Turkish officials say Ankara is growing increasingly impatient with Riyadh because the Saudi government's latest version of events remains at odds with the findings of Turkish investigators.

Saudi officials have said that, after Mr. Khashoggi was killed, his body was rolled up in a carpet and given to a "local operative" for disposal.

Turkish officials questioned that version, saying Turkey has evidence the journalist's body was hacked into pieces.

"It is almost impossible that Mr. Khashoggi was given to anybody in a human form," one Turkish official said, adding that Saudi Arabia has yet to provide any information about the local operative.

Nearly a month after Mr. Khashoggi was killed, Saudi Arabia is still grappling with a scandal that has damaged its standing in the West and strained its close ties with the U.S.

Last week, Mr. Erdogan urged the kingdom to help find Mr. Khashoggi's remains and identify any high-ranking culprit.

"Saudi authorities detain



A Saudi security officer at the Istanbul consulate on Monday.

tion would have required approval from the highest level of government.

Saudi and Turkish prosecutors met in Istanbul on Monday for more than an hour, but each side declined to share key information with the other, according to officials on both sides.

Saud al-Mojeb, who heads the Saudi government's investigation into the killing, was denied access to what Turkish officials have described as a central piece of evidence: an alleged audio recording of events inside the Saudi consulate on Oct. 2, the officials said.

For his part, the Istanbul chief prosecutor, Irfan Fidan, didn't obtain from his Saudi colleague the testimony from 18 suspects detained by Saudi authorities, they said.

"Cooperation must continue, but it must not be drawn out or turned into a diversion," Turkish Foreign Minister Mevlut Cavusoglu told reporters after the pros-

ecutors' meeting.

The Istanbul chief prosecutor's office last week formally requested the extradition of the 18 suspects detained in Saudi Arabia.

Turkish authorities say they have evidence the suspects came to Istanbul—three on Oct. 1 and 15 on Oct. 2—and were at the consulate when Mr. Khashoggi came to the diplomatic compound to retrieve papers for his planned marriage.

Saudi Arabia's Foreign Minister Adel al-Jubeir on Saturday rejected the extradition request, saying that the suspects would be held accountable in the kingdom once a probe is concluded.

At a security conference in Bahrain, Mr. Jubeir called the public response to Mr. Khashoggi's death "fairly hysterical" and described Saudi Arabia as a beacon of light fighting Iran's "vision of darkness."

—Summer Said contributed to this article.

## WORLD WATCH

## EUROPE

## Air Quality Shows Gradual Improvement

Air quality across Europe is slowly improving, but harmful emissions remain stubbornly high in some countries, according to a study by the European Environment Agency.

The agency calculated air pollution caused more than half a million premature deaths across Europe in 2015—mostly from tiny airborne particles known as PM2.5. But improvements in air quality mean the number of premature deaths is about half the level it was in 1990, it said.

Road traffic continues to be one of the main sources of Europe's air pollution, with nitrogen oxide from diesel cars particularly prevalent in major cities such as London and Paris and in large parts of Germany and Turkey. Levels of nitrogen oxide have declined since the start of the century, due in part to better filtering of the harmful gas.

The study also revealed the highest concentrations of PM2.5 are in northern Italy, Poland, the Balkans and Turkey.

—Associated Press

## TUNISIA

## Suicide Bombing Leaves Nine Wounded

A woman blew herself up in the center of Tunisia's capital on Monday, state media said, unsettling the North African nation that has in recent years become a symbol of political unrest.

The explosion wounded eight policemen and one civilian, according to Tunisia's Interior Ministry. The blast took place on Tunis's Habib Bourguiba avenue, an iconic pedestrian street.

Video images broadcast from the scene showed police dragging barricades into place and pushing back crowds along the tree-lined boulevard. The interior ministry called the explosion a suicide attack and said the injured were transported to hospitals, according to the official TAP news agency.

No group has claimed responsibility. The ministry of interior said the 30-year-old woman who blew herself up wasn't known to security authorities as an extremist.

Islamic State has claimed responsibility for a wave of attacks in Tunisia in recent years.

—Jared Malsin

## POLAND

## President to Skip Nationalist March

Poland's president won't take part in an Independence Day march in the capital organized by nationalist organizations, his spokesman said Monday, after the leader urged Poles to participate in the controversial event.

Andrzej Duda's change of mind is the latest mixed message coming from Poland's conservative ruling authorities toward far-right groups. Authorities have at times appeared to seek the support of those on the far right as their policies have alienated many centrist voters.

Last year, around 60,000 people marched on Nov. 11, some with banners calling for a "white Europe" and "pure blood."

Mr. Duda last year condemned expressions of racism at the march, while some officials at the time praised what they saw as a show of patriotism.

Mr. Duda's spokesman, Blazej Spychalski, said Monday that the president won't take part in this year's march in Warsaw, without giving a reason.

—Associated Press



Monday's suicide bombing on Habib Bourguiba avenue in Tunis wounded eight policemen and one civilian, according to Tunisia's Interior Ministry. No group has claimed responsibility for the attack.

RABIL DRIDI/ASSOCIATED PRESS

## ETHIOPIA

## French Leader Backs Ethiopian Overhauls

French President Emmanuel Macron expressed support for Ethiopian Prime Minister Abiy Ahmed's ambitious reforms and

diplomatic peace efforts.

The 42-year-old African leader was on a working visit Monday to France in his first trip to Europe since taking office in April.

Ethiopia's new leader "chose a courageous path, we will stand by his side," Mr. Macron said at

a news conference.

Mr. Abiy has implemented sweeping economic and political reforms, among them making peace with longtime rival Eritrea, which has set off a series of diplomatic thawing in Africa's turbulent Horn of Africa region.

—Associated Press

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, October 30, 2018 | B1

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## World Stock Values Hit 2-Year Low

By AKANE OTANI

Global stocks are trading at their lowest valuations in more than two years as pessimism grows over the growth outlook, dangling the prospect of opportunity to some bargain-minded investors.

After a punishing October, major indexes in Europe, Japan, Shanghai, Hong Kong, Argentina and Canada are languishing in correction territory—a drop of at least 10% from a recent high. The U.S. is teetering on the edge of joining its peers there after a selloff last week wiped out all of the S&P 500 and Dow Jones Industrial Average's gains for the year.

The breadth of the declines shows a remarkable reversal from 2017, when optimism about the global economy sent shares around the world to multiyear highs.

"The expectation at the start of the year was this story of synchronized global growth," said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management based in Horsham, Pa. "And it seems like that argument for investing in global equities faded pretty quickly out of the gates."

These days, investors say they are grappling with myriad anxieties: a slowing Chinese economy, geopolitical hot spots ranging from Italy to Saudi Arabia to Turkey and the still unresolved trade dispute between the U.S. and China. Adding to those concerns, data last week showed the eurozone economy grew at the slowest

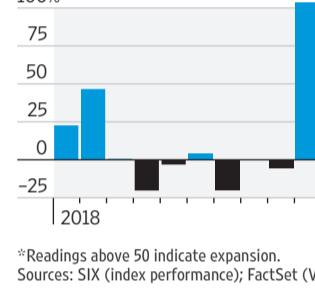
The global stock selloff marks a stark reversal from 2017, when many indexes around the world rallied, thanks to a synchronized pickup in global growth.

### Index performance



The Cboe Volatility Index, which measures investors' expectations for stock swings, has surged in October.

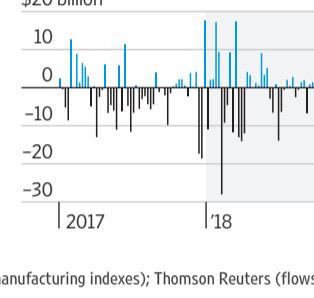
### Monthly change in the VIX



\*Readings above 50 indicate expansion.  
Sources: SIX (index performance); FactSet (VIX, manufacturing indexes); Thomson Reuters (flows)

As volatility has jumped, investors have pulled more money out of U.S. stock funds.

### Weekly flows for mutual funds and ETFs tracking U.S. stocks



## 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.

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## Global Stocks Fall To Lows

Continued from page B1

call it quits on stocks altogether. And most don't see the U.S., which until recently had led the global stock rally, tipping into recession in the near term. The Commerce Department on Friday said gross domestic product rose at a 3.5% seasonally and inflation-adjusted annual rate in the third quarter, buoyed by strong consumer spending that helped offset a drop in U.S. exports.

Still, many say the market's slide—which has wiped out the 2018 gains of technology titans such as China's **Tencent Holdings** Ltd., **Facebook** Inc. and South Korea's **Samsung Electronics** Co.—has forced them to take a second look at bets that had been winners.

Expectations that policy makers at the Federal Reserve will keep pressing ahead with plans to phase out stimulative policies have added to the sense that investors must search harder for growth that can fuel further price gains.

"For a while, just a couple of sectors were holding the whole market together," said Anwiti Bahuguna, senior portfolio manager and head of multiasset strategy at Columbia Threadneedle Investments. "And now we're finally seeing the beginnings of a rotation."

Some investors see glimmers of opportunity ahead.

The S&P 500 traded last week at about 15.6 times the next 12 months of earnings, down from 18.3 at the end of last year and below its five-year average of 16.5, according to FactSet.

After the drops of the past few weeks, 93% of markets in the MSCI All Country World Index are trading below both their 200-day and 50-day moving averages, according to BofA Merrill Lynch. The firm's analysts recommend buying stocks whenever that measure exceeds 88%.

### Some investors say they discern glimmers of opportunity ahead.

look less frothy than they did in January, when global stocks roared to records.

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Mr. Fairbank said on the earnings call that the company had "further dialed back" during the past year on spending limits for newly issued credit cards and on raising existing cardholders' spending limits.

Some 33% of Capital One's domestic card balances, for example, are owed by subprime borrowers, according to the bank.

Discover said it reduced the number of credit-card balance

recent years targeted affluent customers with above-average credit. Banks like JPMorgan Chase & Co. and Citigroup Inc. reported earnings earlier this month that pointed to consumers' continued strength.

Capital One and Discover, on the other hand, signaled they are paying more attention to how consumers use their cards' spending limits.

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## BUSINESS NEWS

# Musk's Tweets Muddy What His Role Is at Tesla

By TIM HIGGINS

Elon Musk took to Twitter on Monday with messages that sowed confusion about his official role at Tesla Inc., a month after a settlement with federal regulators intended in part to better govern his public statements.

"Deleted my Tesla titles last week to see what would happen," said a post on Mr. Musk's official Twitter account Monday afternoon. "I'm now the Nothing of Tesla. Seems fine so far." Less than 90 minutes later, at 3:06 p.m. PDT, he suggested in another tweet that he would take the title of president to fulfill legal requirements for company officers, or "it will confuse the authorities."

**The pact required Elon Musk to step down as chairman for three years.**

7 that said he had secured funding to take Tesla private. Shares soared on the unexpected announcement only to later plummet over ensuing days as it became clear that no such plan was finalized.

The settlement required that Mr. Musk and Tesla each pay \$20 million. It also required that he step down as chairman for three years and that Tesla add two new independent directors and establish a system to oversee Mr. Musk's communications.

Mr. Musk has continued his unorthodox use of Twitter since the settlement. On Oct. 4, he appeared to mock the SEC with a tweet labeling it the "Shortseller Enrichment Commission," a reference to his feuds with investors who bet that Tesla shares will decline. On Friday night, he suggested on Twitter that his Aug. 7 tweet was "worth it," despite the SEC fine.

Tesla shares, which closed up 1.2% Monday, fell by as much as 1% in after-hours trading before regaining some ground.

The latest Twitter episode follows Tesla last week posting a record profit for the third quarter that beat Wall Street expectations and boosted hopes that Tesla's new Model 3 can help transform it into a competitor against much larger global car makers.

The Tesla board early this year awarded Mr. Musk a compensation package preliminarily valued at as much as \$2.62 billion that pays out in company stock if he reaches several milestones during the span of a decade.

The package requires that he be either Tesla's CEO or executive chairman and chief product officer at each milestone for the stock awards to vest.

Tesla didn't respond to requests for clarification. The company hasn't disclosed any change in Mr. Musk's status as chief executive and chairman, though he is supposed to relinquish the chairmanship by mid-November as part of an agreement reached Sept. 29 with the Securities and Exchange Commission.

Mr. Musk's tweet on Monday referred to the recent deletion of his titles on the management page of Tesla's website, where titles of two other top executives were also removed. The company hasn't explained the changes.

The SEC agreement was to settle accusations by the agency that Mr. Musk misled investors with tweets on Aug.



Campbell's stock price is down 22% this year due to falling soup sales, a problematic expansion into fresh foods and higher debt.

## Campbell Split Proposed

By CARA LOMBARDO

Third Point LLC's initial plan to revamp Campbell Soup Co. includes exploring a breakup of the company as one of its central tenets, according to people familiar with the matter.

Daniel Loeb's activist hedge fund is waging an uphill battle in a proxy fight to replace Campbell's entire 12-person board. If it wins the board, Third Point believes the company should decide within 100 days whether to break up into two major units, one focused on meals and beverages and the other focused on snacks, according to a presentation reviewed by The Wall Street Journal that details Third Point's plans.

Third Point, which has said the only justifiable option under the current board is a full sale of the company, believes a split would make the company more attractive to investors and potential buyers down the line, according to people familiar with the plans. Earlier this

### Executive Departs Following Posts On Social Media

A Campbell Soup Co. executive abruptly left the company after posting comments on Twitter supporting a conspiracy theory about the migrant caravan in Mexico.

Campbell said Kelly Johnston, a vice president of government affairs, suggested on Twitter last week that billionaire George Soros's Open Society organization was assisting Central American migrants

heading north through Mexico.

The claim, which is untrue, has circulated on social media and was cited among many anti-Semitic online posts attributed to the suspect accused of killing 11 people on Saturday at a Pittsburgh synagogue.

Following Mr. Johnston's tweets, consumers made calls on social media for a boycott of Campbell products.

A Campbell spokesman said Mr. Johnston had planned to leave the company in November and that his departure was accelerated to last Thursday.

—Annie Gasparro

month it mentioned a split as one of many ideas its slate would consider.

Campbell has been hit by falling soup sales, a botched expansion into fresh foods and a sharply higher debt load because of its Snyder's-Lance snacks acquisition. Campbell's stock price has been battered, down roughly 22% this year.

In August it announced a plan to sell its fresh-foods and international units and focus on North American meals, beverages and snacks. Interim Chief Executive Keith McLoughlin, who replaced former CEO Denise Morrison after her abrupt departure in May, said at the time the company had considered a range of options includ-

ing a full sale or splitting itself in two.

Third Point also wants the company to focus on revamping its soup business, consider selling noncore assets such as Pepperidge Farm frozen cakes, and buy smaller, healthier snack brands, according to the plans.

Third Point believes Campbell is overlooking the potential to revive its soup business and thinks the soup business could benefit by adapting Conagra Brands Inc.'s frozen-foods playbook, which involved modernizing packaging, flavors and ingredients, the people said.

People familiar with the company's plans say frozen foods aren't the same as soup and deny it has shifted its focus from its soups. Campbell has said its plans for stabilizing its U.S. soup business include targeting consumers in their late 30s to mid-50s and focusing on convenience, affordability and taste for its namesake brands; it also plans on building up its largely organic Pacific brand and improving cash flow and margins for other brands.

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As of 9/30/18, Balanced Fund Class I Shares Morningstar Ratings™ in the Allocation – 50% to 70% Equity Funds category: 5 stars out of 703 funds, 5 stars out of 619 funds and 5 stars out of 450 funds, for the 3-, 5-, and 10-year periods, respectively.

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Forty Fund Class I Shares Morningstar Ratings™ in the Large Growth Funds category: 4 stars out of 1258 funds, 4 stars out of 1129 funds and 3 stars out of 818 funds, for the 3-, 5-, and 10-year periods, respectively.

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receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable)

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## TECHNOLOGY

WSJ.com/Tech

# 'Bet-the-Company Move' by IBM Chief

Red Hat acquisition for \$33 billion is bold step as executive embraces emerging technologies

BY JAY GREENE

With her \$33 billion deal for Red Hat Inc., Chief Executive Ginni Rometty is placing the biggest bet of her career on something International Business Machines Corp. has never done: a massive acquisition.

IBM is paying an amount for Red Hat that roughly equals the combined value of all the deals it has done in the

past 15 years, as tracked by Dealogic. IBM said unreported deals push the tally of previous acquisitions higher. The deal's value represents about 30% of IBM's current stock-market capitalization. IBM's next biggest deal was a \$5 billion purchase of Cognos Inc. in 2007.

IBM shares were down 4.1% to \$119.64 Monday amid a broad market sell-off.

For most of her nearly seven-year tenure as CEO, Ms. Rometty has tried to shake the rust off the aging tech giant with bets on emerging opportunities such as artificial intelligence and the blockchain, some of which have yet to pay out. With the Red Hat deal, IBM

is making a significant gamble on a longtime pillar of its turnaround plans, the business of renting out computing power and software in the cloud.

"This is a bet-the-company move by IBM," said Matt McIlwain, managing director of Madrona Venture Group LLC, a venture firm that focuses on cloud computing. The firm isn't an investor in either IBM or Red Hat.

On Monday, the companies said in a securities filing that Red Hat would pay IBM a \$975 million termination fee if the deal doesn't close in a year.

Massive acquisitions have a long history of not working out. And there are reasons to

be skeptical of IBM's record, said Craig Lowery, an analyst at Gartner Inc.

IBM paid roughly \$2 billion to buy SoftLayer Technologies Inc. in 2013, hoping to make a dent in Amazon.com Inc.'s leadership in the market for renting computing power and software, called infrastructure as a service.

But SoftLayer never became a service that threatened Amazon or others, or served as a platform from which IBM could significantly boost its other applications, Mr. Lowery said. "They've made a lot of deals," he said. "None of them have been particularly successful."

An IBM spokesman dis-

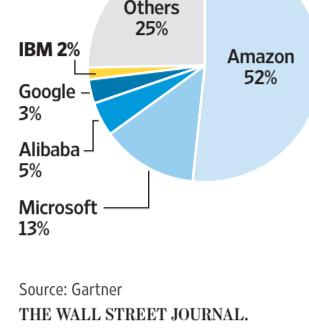
puted that sentiment, noting the company has done well integrating services businesses, such as with its \$3.5 billion acquisition of the consulting arm of PricewaterhouseCoopers LLP in 2002.

IBM and Red Hat expect the deal to close in the second half of next year.

Whether or not successful, the deal likely will provide a bookend to Ms. Rometty's continuing struggle to breathe new life into the 107-year-old company. Her efforts to shrink IBM's older, slower-growth lines of business while focusing on what she refers to as high-value businesses remain a work in progress.

## Cloud Companies

IBM was fifth in the world for public cloud-infrastructure service in 2017.



Source: Gartner  
THE WALL STREET JOURNAL.

# Grocery Stores Enlist Robots to Chase Online Orders

BY HEATHER HADDON

Grocers are stocking their warehouses with robots and artificial intelligence to increase efficiency as competition for consumer spending on food picks up.

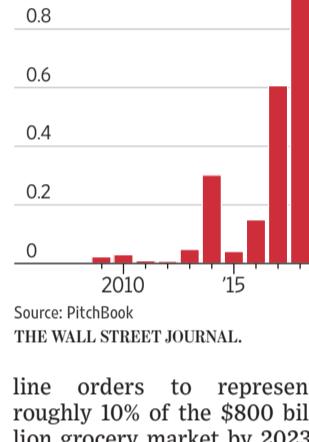
Robots are relatively new to the food industry, where customer interaction is common and many goods like fruit are fragile and perishable. Startups are vying to sell supermarkets an array of robots that perform different tasks. Venture-capital firms have invested more than \$1.2 billion in grocery technology this year, according to PitchBook, a financial-market data provider, double the total for 2017.

Technology geared toward packing up online orders for collection also faces competition from companies working to deliver groceries direct to a customer's home. Companies including Uber Technologies Inc.'s UberEats are considering delivering groceries as well as restaurant meals. Instacart Inc. and Shipt LLC already focus mainly on groceries.

Altogether, spending on technology by many of the biggest U.S. food retailers could accelerate the adoption of online ordering for groceries. Deutsche Bank expects on-

## Upmarket

Venture-capital investments in grocery technology have climbed.



line orders to represent roughly 10% of the \$800 billion grocery market by 2023, up from 3% today.

"We have to find a model where we can deliver groceries to customers' homes and do it in a more profitable way," said Narayan Iyengar, senior vice president at Albertsons Cos., the second-biggest U.S. supermarket chain.

Albertsons said it has hired Takeoff Technologies Inc. to



Simbe Robotics' 'Tally' robot scans shelves to flag when items are out of stock in a Schnucks store.

build a network of smaller warehouses where robots and artificial intelligence will help fill online orders. It is one of the deals expected to be announced by major retailers at the Groceryshop conference in Las Vegas this week.

Takeoff's first grocery sorting system for online orders started operating this month at a Sedano's Supermarket in Miami. Machines in the back of the Hispanic foods store retrieve items from towers of

products and then workers pack up the goods. The system is faster and uses less space than people gathering online orders by hand from grocery-store shelves, the companies said.

Takeoff competitor Israeli-based Commonsense Robotics said it is in talks to build similar small, delivery-focused warehouses with robots running on artificial intelligence for several U.S. supermarket chains next year. Common-

sense pays several million dollars to build a warehouse, and then charges a fee per item for grocers to process orders, the company said. Each facility is expected to process at least 1,000 grocery orders a day for delivery, according to the company. An Israeli drugstore chain was the first to use Commonsense's system this month.

And startup Alert Innovation is building an automated system for packing online gro-

cery orders at a Walmart Inc. store in New Hampshire. It is slated to begin running by next year.

Supermarkets have lagged behind other retailers in adopting new technology, investors and consultants said.

Dave Steck, an information-technology executive at Schnucks Markets Inc., was surprised by how outdated the fiber-optic cable was when he joined the St. Louis-based grocer in 2014.

"There hasn't been a lot of reliance of technology in the field," Mr. Steck said.

Schnucks overhauled its cable system, and this year hired Simbe Robotics Inc. to install robots in its stores.

Simbe's "Tally" devices scan shelves to flag when items are out of stock. SoftBank Robotics Group, a subsidiary of SoftBank Group Corp., struck a deal with Simbe this year to sell and distribute the Tally robot to retailers in Japan, North America and Europe.

Walmart is using another shelf-scanner system made by Bossa Nova Robotics Holding Corp. in 50 stores so far. The nation's top food seller also is testing an autonomous floor-scrubber that will be in 360 stores by the end of January.

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#### BANKRUPTCIES

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE**  
In re STRIPES US HOLDING, INC., Chapter 15 Case No. 18-12388 (CSS)  
Debtor in a Foreign Proceeding.<sup>1</sup> Re: Docket No. 11

**NOTICE OF FILING AND HEARING ON PETITION SEEKING RECOGNITION OF FOREIGN PROCEEDING AND RELATED RELIEF PURSUANT TO CHAPTER 15 OF THE UNITED STATES BANKRUPTCY CODE**

PLEASE TAKE NOTICE that on October 24, 2018, Richard Heis, in his capacity as the duly authorized foreign representative ("the Foreign Representative") of Stripes US Holding, Inc. (the "Debtor"),<sup>2</sup> filed the Chapter 15 Petition for Recognition of a Foreign Proceeding (Dkt. No. 1) and the Verified Petition Under Chapter 15 for Recognition of a Foreign Nonmain Proceedings and Related Relief (Dkt. No. 3) (together, the "Petition") pursuant to chapter 15 of title 11 of the United States Code (the "Bankruptcy Code"), with the United States Bankruptcy Court for the District of Delaware (the "Court").

PLEASE TAKE FURTHER NOTICE that the Foreign Representative seeks the entry of an order (a) finding that (i) the Debtor is eligible to be a "debtor" under chapter 15 of the Bankruptcy Code, (ii) the English Proceeding is a "foreign nonmain proceeding" within the meaning of section 1502 of the Bankruptcy Code, (iii) the Foreign Representative satisfied the requirements of a "foreign representative" under section 101(24) of the Bankruptcy Code and (iv) the Petition was properly filed and meets the requirements of section 1515 of the Bankruptcy Code; (b) granting recognition of the English Proceeding as a "foreign nonmain proceeding" under section 1511 of the Bankruptcy Code; (c) certifying, giving notice and giving effect within the territorial jurisdiction of the United States to the English Proceeding, the Scheme and the order sanctioning the Scheme, including giving effect to the releases set forth in the Scheme under section 1521 of the Bankruptcy Code; (d) permanently enjoining all parties from commencing or continuing any action or proceeding in the United States against the Debtor or its assets located within the territorial jurisdiction of the United States that is inconsistent with the Scheme; (e) waiving the 14-day stay of effectiveness of the proposed order granting the relief requested in the Petition; and (f) granting related relief.

PLEASE TAKE FURTHER NOTICE that by order entered on October 24, 2018 (Dkt. No. 11) the Court has scheduled a hearing (the "Hearing") to consider the relief requested in the Petition for 9:30 A.M. (Eastern Standard Time) on November 16, 2018 in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Courtroom Number 6, Wilmington, Delaware 19801-3024.

PLEASE TAKE FURTHER NOTICE that copies of the Petition and all documents filed in the chapter 15 case are available to parties in interest on the Court's Electronic Case Filing System, which can be accessed from the Court's website at <http://www.deb.uscourts.gov> (a DEBCR login and password are required to retrieve a document) or upon written request to the Foreign Representative or a counsel (including the attorney for the Debtor).

**MORRIS, NICHOLS, ARSHT & TUNNELL LLP**, Derek C. Abbott (No. 3376), Andrew R. Remming (No. 5120), Joseph C. Barsalona II (No. 6102), 1201 N. Market St., 16th Floor, Wilmington, DE 19801, Telephone: (302) 658-9200, Facsimile: (302) 658-3989, dabbott@mmt.com, remming@mmt.com, jbarsalona@mmt.com; **LINKLATERS LLP**, Robert H. Trust, Amy Edgy, Christopher J. Hunker, 1345 Avenue of the Americas, New York, NY 10105, Telephone: (212) 903-9000, Facsimile: (212) 903-9100, christopher.hunker@linklaters.com, amy.edgy@linklaters.com, christopher.hunker@linklaters.com, Counsel to the Foreign Representative.

**PLEASE TAKE FURTHER NOTICE** that the Hearing may be adjourned from time to time without further notice other than an announcement in open court, or a notice of adjournment filed with the Court, of the adjourned date at the hearing or any other further adjourned hearing.

Dated: Wilmington, Delaware, October 24, 2018. Respectfully submitted, **MORRIS, NICHOLS, ARSHT & TUNNELL LLP**, /s/ Derek C. Abbott (No. 3376), Andrew R. Remming (No. 5120), Joseph C. Barsalona II (No. 6102), 1201 N. Market St., 16th Floor, Wilmington, DE 19801, Telephone: (302) 658-9200, Facsimile: (302) 658-3989, dabbott@mmt.com, remming@mmt.com, jbarsalona@mmt.com-and- **LINKLATERS LLP**, Robert H. Trust, Amy Edgy, Christopher J. Hunker, 1345 Avenue of the Americas, New York, NY 10105, Telephone: (212) 903-9000, Facsimile: (212) 903-9100, christopher.hunker@linklaters.com, amy.edgy@linklaters.com, christopher.hunker@linklaters.com, Counsel to the Foreign Representative.

<sup>1</sup> The last four digits of the Debtor's Federal Employer Identification Number are 2800. The location of the Debtor's registered office is 1200 Orange Street, Wilmington, Delaware 19801.

<sup>2</sup> The Debtor is the subject of proceedings (the "English Proceeding") currently pending before the Chancery Division (Companies Court) of the High Court of Justice of England and Wales (the "English Court") concerning a scheme of arrangement (the "Scheme") under part 26 of the Companies Act 2006 of England and Wales (as modified, amended or re-enacted from time to time, the "Companies Act").

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## Americans Wait to Buy Phones

Continued from page B1  
phone off, you realize that you're getting a considerable sum knocked off your bill every month. When you get a new phone you lose that financial advantage," said Jeffrey Moore, a telecom-industry analyst and principal of Wave7 Research. Smartphones are also less differentiated today, he said, making some consumers less eager to upgrade.

Sprint Corp. is offering a "bring your own phone" deal that cuts \$10 a month per line on some of its unlimited plans.

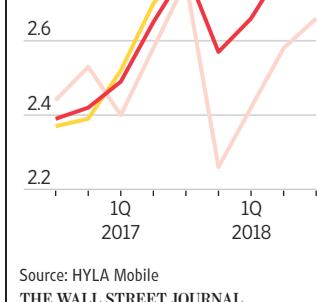
UBS Group AG analysts expect 22.8% of U.S. postpaid phone users—or those that pay their bill monthly under longer-term contracts—to upgrade their device in 2018, down from 30% in 2015.

Customers keeping devices longer can help carriers hang on to clients because upgrading is a time when consumers may jump to another service provider.

The shift had helped improve churn rates for wireless carriers, Citigroup analysts wrote earlier this month, referring to the rate at which customers leave.

## Holding On

Americans are waiting longer to upgrade their smartphones.



## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24442.92** ▼ 245.39, or 0.99%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.83 21.15  
 P/E estimate \* 15.90 19.54  
 Dividend yield 2.27 2.20  
 All-time high 26828.39, 10/03/18



Bars measure the point change from session's open

July Aug. Sept. Oct. 23500

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2641.25** ▼ 17.44, or 0.66%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 21.71 24.16  
 P/E estimate \* 16.41 19.49  
 Dividend yield 1.95 1.92  
 All-time high 2930.75, 09/20/18



July Aug. Sept. Oct. 2450

## Nasdaq Composite Index

**7050.29** ▼ 116.92, or 1.63%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.27 26.00  
 P/E estimate \* 19.15 21.55  
 Dividend yield 1.05 1.07  
 All-time high: 8109.69, 08/29/18



July Aug. Sept. Oct. 6850

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600
<b>Dow Jones</b>	25040.58	24122.23	<b>24442.92</b>	-245.39	-0.99	26828.39	23271.28	<b>4.7</b>	-1.1	<b>11.2</b>
<b>Industrial Average</b>	10165.86	9757.50	<b>9896.11</b>	-69.56	-0.70	11570.84	9440.87	<b>1.0</b>	-6.7	<b>6.7</b>
<b>Transportation Avg</b>	742.85	731.16	<b>740.24</b>	10.52	<b>1.44</b>	774.47	647.90	<b>-1.6</b>	2.3	<b>8.6</b>
<b>Utility Average</b>	27865.52	26815.15	<b>27189.13</b>	-179.59	-0.66	30390.61	26521.20	<b>2.1</b>	-1.7	<b>8.0</b>
<b>Total Stock Market</b>	679.84	655.23	<b>662.90</b>	-4.25	-0.64	786.73	661.92	<b>-3.3</b>	-6.8	<b>7.3</b>
<b>Barron's 400</b>										

## Nasdaq Stock Market

Nasdaq Composite	7295.61	6922.83	<b>7050.29</b>	-116.92	-1.63	8109.69	6698.96	<b>5.2</b>	2.1	<b>11.6</b>
Nasdaq 100	6973.19	6574.75	<b>6713.90</b>	-138.50	-2.02	7660.18	6227.59	<b>7.8</b>	5.0	<b>12.9</b>

## S&amp;P

S&P	500 Index	2706.85	2603.54	<b>2641.25</b>	-17.44	-0.66	2930.75	2564.62	<b>2.7</b>	-1.2	<b>8.1</b>
MidCap 400	1831.71	1769.25	<b>1788.59</b>	-6.51	-0.36	2050.23	1788.59	<b>-2.0</b>	-5.9	<b>7.4</b>	
SmallCap 600	951.93	920.22	<b>930.09</b>	-2.06	-0.22	1098.36	889.94	<b>2.9</b>	-0.7	<b>10.4</b>	

## Other Indexes

Russell 2000	1513.28	1461.65	<b>1477.31</b>	-6.51	-0.44	1740.75	1463.79	<b>-0.9</b>	-3.8	<b>8.2</b>
NYSE Composite	12178.88	11820.33	<b>11942.51</b>	-34.43	-0.29	13637.02	11942.51	<b>-3.1</b>	-6.8	<b>4.4</b>
Value Line	528.30	510.38	<b>515.65</b>	-2.73	-0.53	593.57	515.65	<b>-4.4</b>	-8.3	<b>3.4</b>
NYSE Arca Biotech	4627.71	4376.99	<b>4455.92</b>	-80.94	-1.78	5400.34	4045.25	<b>8.2</b>	5.5	<b>7.8</b>
NYSE Arca Pharma	575.47	561.88	<b>567.92</b>	3.15	<b>0.56</b>	598.21	516.32	<b>6.5</b>	4.2	<b>1.2</b>
KBW Bank	97.59	95.10	<b>96.10</b>	1.28	<b>1.35</b>	116.52	93.87	<b>-5.6</b>	-9.9	<b>9.1</b>
PHLX® Gold/Silver	66.30	64.13	<b>64.70</b>	-0.46	-0.71	92.08	61.92	<b>-21.5</b>	-24.1	<b>7.4</b>
PHLX® Oil Service	123.78	116.17	<b>117.51</b>	-5.24	-4.27	170.18	117.51	<b>-10.5</b>	-21.4	<b>-12.5</b>
PHLX® Semiconductor	1181.29	1119.37	<b>1140.15</b>	-12.85	-1.11	1449.90	1140.15	<b>-9.9</b>	-9.0	<b>2.0</b>
Cboe Volatility	27.86	22.01	<b>24.70</b>	0.54	<b>2.24</b>	37.32	9.14	<b>135.2</b>	123.7	<b>19.1</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	13,314.0	263.35	-0.51	<b>-0.19</b>	265.40	263.20
Resideo Technologies	REZI	11,544.6	25.82	...	<b>unch.</b>	25.83	25.05
Akorn	AKRX	6,395.7	6.70	0.07	<b>1.06</b>	6.86	6.62
Bank of America	BAC	5,285.2	26.55	-0.06	<b>-0.23</b>	26.83	26.51
General Electric	GE	4,788.6	11.19	0.03	<b>0.27</b>	11.45	11.07
Zynga	ZNGA	4,182.7	3.67	0.05	<b>1.38</b>	3.67	3.59
Invesco QQQ Trust I	QQQ	4,175.2	163.29	0.06	<b>0.04</b>	165.17	163.16
Comcast Cl A	CMCSA	3,189.5	36.23	0.24	<b>0.67</b>	36.25	35.74

## Percentage gainers...

Akamai Technologies	AKAM	296.0	67.64	5.59	<b>9.01</b>	68.73	60.51
Chegg Inc.	CHGG	72.3	24.95	1.96	<b>8.53</b>	25.50	22.79
Olin Corp	OLN	95.0	20.90	1.00	<b>5.03</b>	20.90	19.80
Transocean	RIG	223.5	10.86	0.46	<b>4.42</b>	10.93	10.35
Lumber Liquidators	LL	231.8	12.71	0.38	<b>3.08</b>	12.71	12.33

## ...And losers



## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open	interest
		Open	High	hi	lo	Low	Settle	Chg	Open	interest
<b>Copper-High (CMX)</b> -25,000 lbs;\$ per lb.		2,765	2,765	2,750	2,735	2,005	225			
Oct 2,7625	2,7665	2,7560	2,7385	-0.0055	225					
Dec 2,7470	2,7800	2,7300	2,7405	-0.0005	118,835					
<b>Gold (CMX)</b> -100 troy oz;\$ per troy oz.										
Nov 1232.60	1232.70	1223.60	1224.70	-7.70	194					
Dec 1236.40	1237.60	1226.10	1227.60	-8.20	373,789					
Feb'19 1242.90	1243.60	1232.30	1233.70	-8.20	66,876					
June 1253.00	1253.50	1244.80	1245.80	-8.30	15,840					
Aug 1260.20	1260.20	1251.50	1251.50	-8.50	2,803					
Dec 1272.20	1272.20	1263.90	1263.70	-8.60	5,931					
<b>Palladium (NYM)</b> -50 troy oz;\$ per troy oz.										
Dec 1089.50	1106.80	1073.30	1079.30	-6.60	23,588					
March'19 1081.00	1100.00	1067.80	1072.50	-6.10	4,455					
June 1062.80	1070.50	1062.80	1063.90	-7.60	139					
<b>Platinum (NYM)</b> -50 troy oz;\$ per troy oz.										
Nov 831.80	831.80	831.80	832.10	2.60	47					
Jan'19 837.60	845.60	833.50	836.90	2.50	68,141					
<b>Silver (CMX)</b> -5,000 troy oz;\$ per troy oz.										
Nov 14,670	14,720	14,395	14,386	-0.259	1,270					
Dec 14,720	14,780	14,405	14,442	-0.258	159,741					
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls;\$ per bbl.										
Dec 67.59	67.95	66.29	67.04	-0.55	459,476					
Jan'19 67.73	68.09	66.48	67.21	-0.54	217,917					
Feb 67.84	68.18	66.63	67.34	-0.50	115,570					
March 67.84	68.22	66.76	67.48	-0.45	154,486					
June 68.23	68.36	67.14	67.74	-0.30	173,051					
Dec 67.16	67.47	66.44	67.05	-0.11	214,869					
<b>NY Harbor Usld (NYM)</b> -42,000 gal;\$ per gal.										
Nov 2,3027	2,3118	2,2689	2,2843	-0.0187	21,681					
Dec 2,3038	2,3122	2,2679	2,2841	-0.0193	139,523					
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal;\$ per gal.										
Dec 1,8081	1,8343	1,7913	1,8209	-0.0089	134,157					
Jan'19 1,8107	1,8352	1,7944	1,8222	-0.0077	81,279					
<b>Natural Gas (NYM)</b> -10,000 MMBtu;\$ per MMBtu.										
Nov 3,140	3,199	3,100	3,185	...	4,635					
Dec 3,188	3,203	3,133	3,198	-0.027	255,004					
Jan'19 3,252	3,265	3,199	3,261	-0.029	243,517					
Feb 3,172	3,184	3,123	3,181	-0.027	111,420					
March 2,940	2,945	2,902	2,944	-0.020	228,724					

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open	interest
		Open	High	hi	lo	Low	Settle	Chg	Open	interest
<b>Agriculture Futures</b>										
<b>Corn (CBT)</b> -5,000 bu;cents per bu.										
Dec 368.00	371.50	365.50	366.75	-1.00	751,884					
March'19 380.25	384.00	377.75	379.25	-7.75	408,631					
<b>Oats (CBT)</b> -5,000 bu;cents per bu.										
Dec 292.00	295.75	285.00	286.50	-5.50	5,242					
March'19 285.75	287.75	280.00	280.75	-3.50	1,851					
<b>Soybeans (CBT)</b> -5,000 bu;cents per bu.										
Dec 845.00	852.50	837.25	839.00	-6.00	76,946					
Jan'19 858.00	865.50	850.50	852.25	-5.50	294,828					
<b>Soybean Meal (CBT)</b> -100 tons;\$ per ton.										
Dec 307.40	310.80	306.30	308.20	.90	159,700					
Jan'19 309.80	312.70	308.30	310.00	.50	114,016					
<b>Soybean Oil (CBT)</b> -60,000 lbs;cents per lb.										
Dec 28.22	28.37	27.88	27.89	-.27	184,006					
Jan'19 28.44	28.59	28.10	28.11	-.27	113,916					
<b>Rough Rice (CBT)</b> -2,000 cwt;\$ per cwt.										
Nov 1071.00	1083.00	1036.00	1047.50	-25.50	926					
Jan'19 1092.50	1101.00	1056.00	1063.00	-30.00	6,766					
<b>Wheat (CBT)</b> -5,000 bu;cents per bu.										
Dec 510.25	515.00	502.75	507.25	2.00	248,387					
March'19 518.75	533.00	521.25	526.00	1.75	132,084					
<b>Wheat (KCO)</b> -5,000 bu;cents per bu.										
Dec 504.75	510.25	497.00	501.50	1.25	157,374					
March'19 530.00	536.00	523.50	527.75	1.00	90,444					
<b>Wheat (MPLS)</b> -5,000 bu;cents per bu.										
Dec 579.25	589.50	576.25	577.50	-.25	36,030					
March'19 589.75	597.00	585.00	586.00	..	23,033					
<b>Cattle-Feeder (CME)</b> -50,000 lbs;cents per lb.										
Nov 155.275	155.450	153.800	153.900	-.900	8,194					
Jan'19 150.050	150.400	149.350	149.825	-.125	26,898					
<b>Cattle-Live (CME)</b> -40,000 lbs;cents per lb.										
Oct 114.300	114.675	114.125	114.300	-.425	1,058					
Dec 118.500	118.750	117.025	117.250	-.150	119,677					
<b>Hogs-Lean (CME)</b> -40,000 lbs;cents per lb.										
Dec 58.500	59.450	58.200	58.850	.925	96,442					
Feb'19 66.600	6									



## MARKETS

# Treasurys Fall, Italy Avoids Downgrade

By DANIEL KRUGER

U.S. government bond prices slipped Monday after Italy avoided a credit-rating downgrade and data showed muted U.S. inflation.

The yield on the benchmark 10-year Treasury note rose to 3.083%, according to Tradeweb, from 3.077% Friday. It had reached as high as 3.116%.

Yields, which rise as bond prices fall, climbed in early trading after S&P Global Inc. on Friday held Italy's credit rating at BBB. The credit-rating firm also revised its outlook for Italian debt to negative, but the move eased concerns of an imminent downgrade.

S&P said plans by the country's antiestablishment governing coalition to run bigger budget deficits would weigh on future growth and exacerbate a heavy debt burden, but analysts said the decision not to downgrade the debt was met with relief.

The decision "started a bit of a risk-on trade," said Dan Mulholland, head of Treasury trading at Credit Agricole.

## 3.083%

Yield on 10-year Treasury notes on Monday

Yields pared their increase after the personal-consumption expenditures price index rose 0.1% in September from August, the Commerce Department said Monday. That marked the fourth straight month in which the Federal Reserve's preferred inflation gauge fell short of the 0.165% monthly pace needed to meet its 2% annual target.

A decline in U.S. stocks also weighed on yields, as concerns about global trade tensions accentuated a slide in shares of technology companies.

For policy makers weighing how much more to raise interest rates, the data underscore an evolving view that the lowest unemployment rate in nearly four decades might not be creating excessive inflationary pressures. If inflation stays under control, it could support the case for suspending rate rises at some point in coming months.

Investors will also be watching to see whether any additional declines in U.S. stocks this week diminish expectations for Fed rate increases next year, analysts said. The Fed raised rates in September for the third time this year, while penciling in one more rate increase for this year and three for 2019.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

## 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$130,471,389,400	\$117,428,213,700
Accepted bids	\$45,000,641,900	\$39,000,686,700
"noncomp"	\$1,160,422,700	\$824,767,800
"foreign noncomp"	\$582,000,000	\$400,000,000
Auction price (rate)	99.417347	98.771500
(2.30%)	(2.43%)	
Coupon equivalent	2.351%	2.494%
Bids at clearing yield accepted	79.0%	92.5%
Cusip number	912796P8	912796R0

Both issues are dated Nov. 1, 2018. The 13-week bills mature on Jan. 31, 2019; the 26-week bills mature on May 2, 2019.

# Options Imply Volatile Tech Stocks

By GUNJAN BANERJI

Stock investors stung by volatility this earnings season are betting that the tumult in technology shares will continue.

Investors are pricing in upside swings for Facebook Inc., Apple Inc. and Alibaba Group Holding Ltd., when the companies release their quarterly results this week.

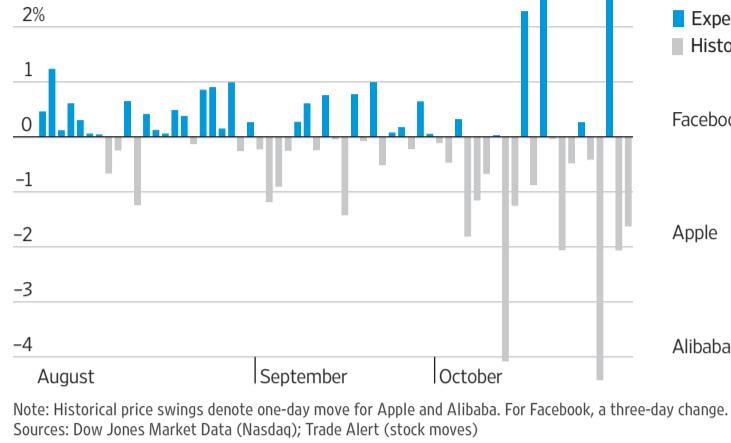
Options prices forecast a swing of 9.3% in Facebook shares in the days after the social-media company posts earnings on Tuesday after the market close, data from Trade Alert shows. That is much bigger than the average move of 5.5% that Facebook has posted following its past eight quarterly releases, options data from Trade Alert show.

Facebook investors already have suffered this year as several controversies and fears over slowing growth have dogged the company. Its shares have slumped almost 20% in

## Buckle Up

Options traders anticipate this earnings season's market turbulence will continue for tech stocks.

### Nasdaq Composite, daily moves



Note: Historical price swings denote one-day move for Apple and Alibaba. For Facebook, a three-day change.

Sources: Dow Jones Market Data (Nasdaq); Trade Alert (stock moves)

of 3.8% in the past eight quarters. Investors also anticipate an 8.5% swing in Alibaba's U.S.-listed shares after its report this week, compared with the average move of 2.8%, according to Trade Alert data Friday.

The estimates don't indicate which direction shares might sway, just the magnitude of the move. The percentages are derived from an options trade known as a straddle, which entails buying both bullish and bearish contracts that can be exercised at the same price for the stock.

Some projections made by the options market have already largely come true. On Thursday afternoon, options investors priced in a 6.1% move in Amazon.com Inc. shares, well above the stock's historical average of 4.3%. The company after the market close on Thursday reported record profit but also noted slowing revenue growth. Its shares sank 7.8% Friday and declined again on Monday.

2018, on track for their first down year ever.

Falling Facebook shares are part of a larger shift of investor sentiment souring on tech. After being the darling stock sector for years, technology

names have roiled the broader market several times in 2018. Last week, they dragged benchmark indexes into negative territory for the year. The tech-heavy Nasdaq Composite tumbled 3.8% last week to end

a correction, while the benchmark S&P 500 slid 3.9%.

Investors also are projecting a 6.2% one-day move after Apple's earnings report on Thursday, which compares with the iPhone maker's average swing



Workers at a distillery of Kweichow Moutai, whose shares fell 10% after an earnings report that raised questions about Chinese consumer stocks

YANG WEIBIN/XINHUA/ZUMA PRESS

# Chinese Liquor Maker's Sales Disappoint

By SAUMYA VAISHAMPAYAN

A Chinese drinks giant's lackluster earnings have left investors nursing a hangover.

Shares of **Kweichow Moutai Co.**, China's biggest liquor maker, slumped 10% in the opening minutes of trade on Monday. The stumble came after the company, which sells expensive versions of the Chinese spirit baijiu, reported quarterly sales and earnings that undershot analysts' expectations.

Other big distillers like **Wuliangye Yibin Co.** and **Jiangsu Yanghe Brewery Joint-Stock Co.** also slumped by 10% each,

With Monday's pullback, Kweichow Moutai shares have swooned 21% this year, roughly in line with the 23% drop in the Shanghai Composite.

Chinese consumer stocks have been favorites of investors, including those abroad, as the way to bet on the country's transformation from an export-driven economy to one fueled by the spending of its residents.

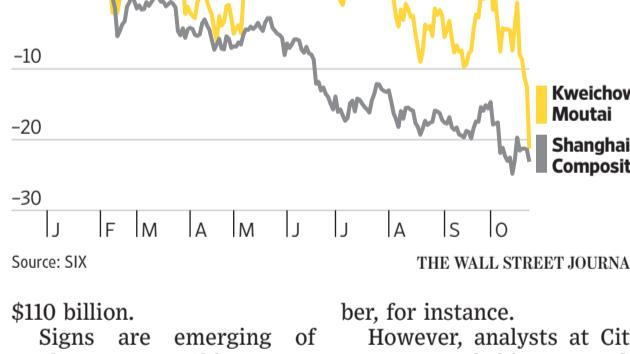
Kweichow Moutai in particular had proved popular with foreigners, who had snapped up shares before it and other yuan-denominated stocks were included in MSCI's emerging-markets index this year.

For example, the company was one of the top holdings of the Aberdeen Emerging Markets Fund at the end of September. Amid the frenzy, it became the world's most valuable liquor company in 2017, and as of Friday's close it had a market value of roughly

## Looking Rough

Shares of Kweichow Moutai, which makes a popular Chinese liquor called baijiu, tanked after a disappointing earnings report.

### Share-price and index performance



Source: SIX

attribute it to a slowdown of premium baijiu consumption or even China macro, at large."

Both they and counterparts at Goldman Sachs said the company was disadvantaged by the comparison with very strong sales last year. Several banks, including Goldman and Citigroup, maintained their buy ratings on Kweichow Moutai.

Anson Chan of Daiwa Capital Markets hailed rising exports and new English-language packaging, which should help Kweichow Moutai break into new markets like the U.S.

There are other mixed signals about Chinese consumption. Retail-sales growth has slowed this year. But, for example, China sales at Gucci, the high-end fashion house owned by Kering SA, have remained robust.

♦ Heard on the Street: The headache may last ..... B11

# Dollar Rises as Data Back Rate Increases

By IRA IOSEBASHVILI

The dollar rose Monday, after strong U.S. economic data bolstered the case for the Federal Reserve to continue raising interest rates at its current pace.

The WSJ Dollar Index, which

measures the U.S. currency against a basket

of 16 others, rose 0.4% to 90.62.

Personal-consumption expenditures increased a seasonally adjusted 0.4% in September from the prior month, the Commerce Department said Monday.

Economists surveyed by The Wall Street Journal had forecast a 0.4% rise in spending.

Expectations of a strong

# Hedge Fund Frontlight to Close

By RACHAEL LEVY

Boston-based hedge fund **Frontlight Capital LP** is shutting after fewer than three years in operation, people familiar with the matter said.

Four other hedge funds earlier this month announced they were closing, as investors re-evaluate a once-high-flying industry plagued by weak returns.

Through September of this year, Frontlight's fund, Frontlight Enhanced Macro Master Fund I, LP, lost 4.17%, according to a document reviewed by The Wall Street Journal. The fund lost 5.6% last year. The firm managed about \$280 million, the document said.

Frontlight deployed a macroeconomic investing strategy, meaning it bet on macroeconomic factors including interest rates.

The firm was launched by Edward DeNoble, who previously worked at Jack Meyer's Convexity Capital Management.

Mr. DeNoble founded Frontlight in 2015. Its master fund began investing the following year, according to the document.

During his time at Convexity, Mr. DeNoble was considered a top trader who for years pushed for more of a macro approach that would take views on the direction of rates, people familiar with the matter previously said.

Mr. Meyer and Convexity's other co-founders, former

Harvard bond traders David Mittelman and Maurice Samuels, ultimately decided they were uncomfortable making such trades, where they felt Convexity had little competitive advantage, the Journal previously reported.

Mr. DeNoble left Convexity and later started Frontlight.

The firm is the latest of several hedge-fund firms to shut down. Tourbillon Capital Partners LP, Highfields Capital Management and Criterion Capital Management recently announced they would return billions of dollars to clients.

SPO Partners & Co. announced it was closing last week, according to a letter to clients seen by The Wall Street Journal.

# Gold Prices Move Lower

By DAVID HODARI AND AMRITH RAMKUMAR

Gold prices fell Monday, hurt by a stronger dollar and higher Treasury yields.

Front-month gold for October delivery fell 0.6% to \$1,224.50 a troy ounce on the Comex division of the New

York Mercantile Exchange.

Prices have trimmed some of their year-to-date losses lately with stocks wobbling and investors favoring the haven metal.

But a stronger dollar and expectations for higher Treasury yields that make gold less attractive continue to hang over precious-metals markets, analysts say.

## MARKETS

# Rising Rates Threaten Fragile Confidence

By SAM GOLDFARB

Short-term interest rates are rising again, posing a threat to already-fragile financial markets by increasing borrowing costs for investors and businesses.

After hovering around 2.3% for most of the spring and summer, the three-month London interbank offered rate has been climbing since the middle of September, settling at 2.53% on Monday, its highest level since November 2008.

Libor measures the cost for banks to lend to one another for short periods and is used as a benchmark for a range of interest rates, including those on margin debt and many corporate loans.

Libor has been rising for much of the past three years as the Federal Reserve lifts its policy rate. Its pace, though, has varied based on its spread to the federal-funds rate, which has been surprisingly volatile this year for reasons analysts have had a difficult time explaining.

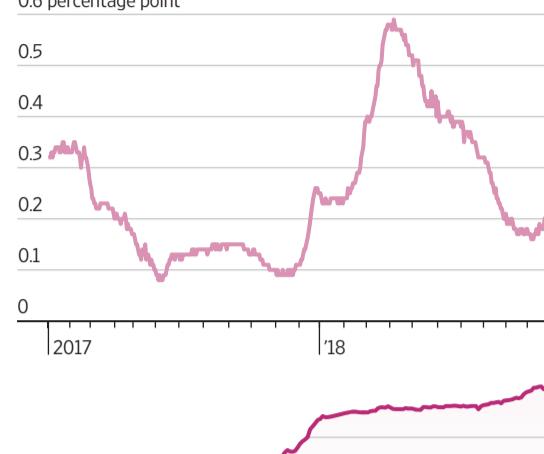
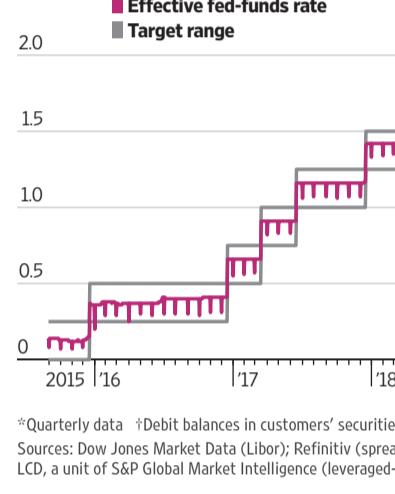
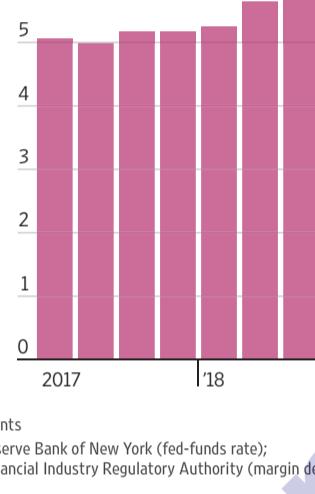
Libor's recent rise has been modest. But there are signs it could accelerate, as rates have climbed even faster in the Libor futures market.

It also comes at a bad time for investors, diminishing potential returns for those who borrow and cutting into the profits of companies with floating-rate debt just as the S&P 500 heads toward its worst month in nearly a decade.

"As the cost of borrowing to fund investments in risky assets rises, your expected return from that leveraged trade falls," said Guy LeBas, chief fixed income strategist at Janney Montgomery Scott. "On the margin, it creates selling pressure."

Increases in Libor could hurt some businesses more than others. One vulnerable sector is real-estate investment trusts, which have about 15% of their borrowing in

The cost of debt for businesses and investors has climbed along with short-term interest rates such as Libor and the federal-funds rate.

**Libor's spread to expected federal-funds rate****Federal-funds rate****Average leveraged-loan yield\*****Margin debt†**

\*Quarterly data †Debit balances in customers' securities margin accounts

Sources: Dow Jones Market Data (Libor); Refinitiv (spread); Federal Reserve Bank of New York (fed-funds rate); LCD, a unit of S&amp;P Global Market Intelligence (leveraged-loan yield); Financial Industry Regulatory Authority (margin debt)

floating-rate debt typically tied to Libor, according to Deutsche Bank estimates.

Many companies with poor credit ratings could also be hurt, given a recent boom in leveraged loans, which businesses have increasingly

turned to in recent years as an alternative to fixed-rate junk bonds. As of Friday, the average yield on leveraged loans was 5.94%, up from 5.17% at the end of last year, according to LCD, a unit of S&P Global Market Intelligence.

From late 2017 through early 2018, Libor rose rapidly, largely because its spread over the expected federal-funds rate increased nearly sixfold. It leveled off for the next several months as the spread fell back near previous levels. It

has ticked higher recently along with the spread, causing the impact of the Fed's monetary policy to be amplified rather than mitigated.

Analysts don't fully know why the spread has moved the way it has in recent months.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

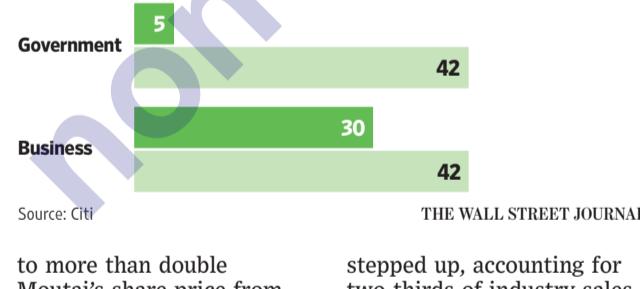
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## Moutai Investors Drown Sorrows

**Turning to Drink**

Individual consumers have become the most important source of demand for baijiu.

**Share of baijiu sales by sector**

a strong sales performance in autumn 2017, even without the lagged effect of production problems at the company five years ago. (It takes that long to make a bottle of the grain-based liquor.) The negative impact of that supply bottleneck, along with recent changes in the way Moutai sells to distributors, could linger next year.

China's slowing economy could compound those problems if it helps keep a lid on sales prices. At \$200 a bottle for its main brand, Moutai's baijiu is already an expensive way to drown one's sorrows. The gloom around China and Chinese stocks means that interest in Moutai may not pick up soon—even though it trades at a discount to global peers such as Diageo and Rémy Cointreau, around 19 times expected earnings next year, according to FactSet.

For Moutai's stock, this is a morning after that could last a while. —Andrew Peaple

to more than double Moutai's share price from early 2017 to mid-June this year.

That hasn't all been the drink talking. Beijing's anti-corruption drive earlier this decade hit Moutai and its peers hard, as government officials slowed their spending on lavish banquets. But individual consumers have

stepped up, accounting for two-thirds of industry sales last year, up from 12% in 2012. With nearly 70% of the premium end of the market, Moutai has been a big beneficiary. Rare has been the analyst report that doesn't mention Moutai as a top pick among Chinese stocks.

Still, it was always going to be hard for Moutai to beat

## New Rules Fuel Profit Swings at U.K. Banks

dark too long.

Under the new rule in international accounting standards and the version set to be introduced in the U.S. in 2020, banks are meant to book some impairments on all loans based on their expected performance over their lifetime. For very safe mortgages, this will be extremely small; for credit cards, somewhat larger.

But the rules are making results more volatile. Executives have to take account of an array of economic scenarios and many rely on external forecasts, but their assessment of these is subjective.

Their different approaches made a big difference to quarterly profits: Without its U.K. charge, RBS pretax profits would have been up more than 20% instead of just 10% higher. At Barclays group, pretax profits would have been down 8% without the improvement in expected loan losses in the U.K. and the U.S., rather than up 32% as reported.

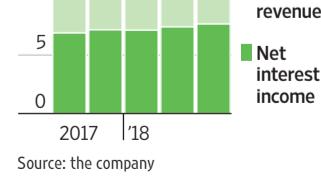
This kind of disclosure is better than being kept in the dark, but for investors, it takes some getting used to.

—Paul J. Davies

## Higher Yields Won't Lift HSBC Forever

**Rolling Wave**

HSBC Group's quarterly revenue



Hong Kong, one of its biggest markets, are tied to those in the U.S.

HSBC reported revenue growth of nearly 9%, or \$1.1 billion, in the third quarter from the year-earlier period. Of that, \$768 million was

growth in net interest income.

But while HSBC's loan book was nearly 7% larger, most of this growth came from mortgages in the U.K. and Hong Kong where strong competition for the safest customers is squeezing interest revenue.

In fact, HSBC's total income from mortgages, cards and other personal lending declined in the third quarter year over year, while income from wealth management was flat.

All of the revenue gain in its retail and wealth arm effectively came from \$758 million growth in income from current accounts, savings and deposits.

Banks make money from

deposits by investing excess funds in higher-yielding safe securities such as short-term Treasuries.

HSBC isn't alone in seeing these benefits: The profitability of JPMorgan Chase's deposits has improved significantly over the past year, with its deposit margin rising strongly.

HSBC may get to ride the rising-rate wave longer than U.S. rivals because competition for deposits from money-market funds and other products is lower in Hong Kong. However, the latest quarter is another reminder that the bank faces much tougher lending markets. Boosting profit from loans remains its biggest challenge.

—Paul J. Davies

## OVERHEARD

At some point you run out of stocks to buy. The latest in a long line of investment products that exclude bad stuff is the U.S. Vegan Climate ETF, which excludes companies that, among other things, produce animal products, weapons, energy from fossil fuels and tobacco.

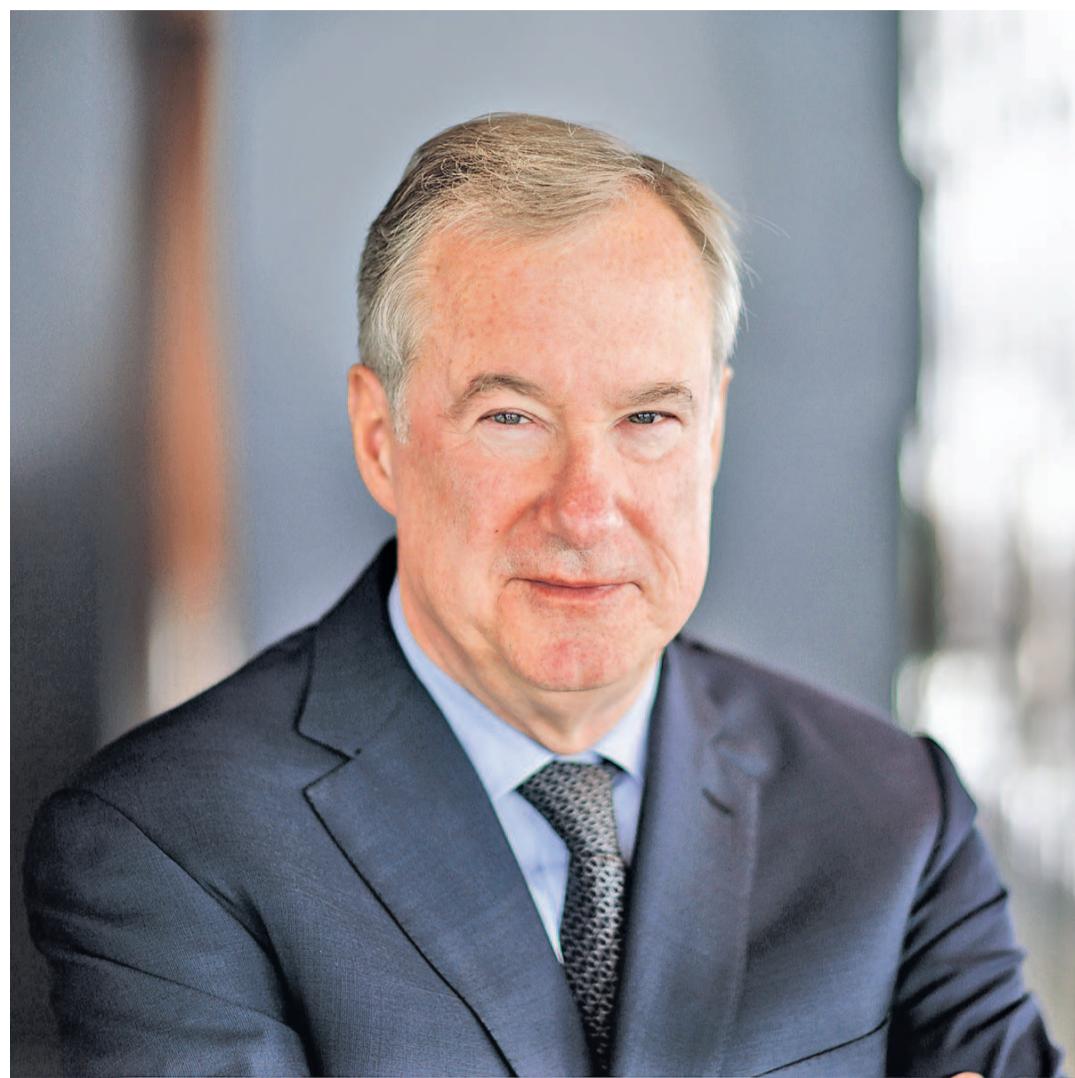
The ETF, set to launch in January, eliminates nearly half of the 500 biggest U.S. companies.

Like other funds of its type,

the U.S. Vegan Climate ETF is dominated by technology firms and banks, largely because many other industries are cut out.

Where to draw the line is always the issue. Banks, for example, lend to all of the excluded industries.

The likely audience for this product may not cheer another component, Las Vegas Sands, the casino operator owned by conservative megadonor Sheldon Adelson.



**Terry Laughlin**

1954 – 2018

We remember our dear friend and teammate

A builder and leader who exemplified our purpose  
of service to our clients and communities

You made us better

We celebrate your life

We mourn the loss of you

**Bank of America** 

## JOURNAL REPORT

# C-SUITE STRATEGIES

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Wednesday, October 30, 2018 | R1

## THE BIGGEST MISTAKES BOSSES MAKE WHEN MAKING DECISIONS

No. 1: Telling people they have a voice when they really don't



BY ROBERT I. SUTTON

**I**T ALMOST GOES WITHOUT SAYING that decision-making is one of the most crucial aspects of leadership. But here's the surprising part: Research shows that *how* bosses make decisions is just as important as *what* decisions they make.

Do it right, and you have employees who are more satisfied with their jobs and bosses, do better work and feel more committed to their companies. Do

it wrong, and you have employees who are frustrated, resentful, angry and confused—and less productive.

Unfortunately, too many bosses do it wrong.

Where do decision-making processes go awry? And how can bosses make it right? Here are four ways that bosses trip themselves up.

### Bosses Who Only Pretend That Employees Have Influence

Good decision-making entails consulting key stakeholders—and using their input

to shape final choices. Doing so improves the quality of the decisions, and makes employees more motivated to implement them.

But too often, the consultation of others is a sham. It *looks* like the real thing, but bosses are just pretending that others' input has some influence over the final decision.

Some leaders use sham participation in hopes of fooling powerless but useful people—who will rubber-stamp the decision and work hard to implement it. Others see sham participation as a necessary

if hollow ritual given local traditions and procedures; they do it because that's how things have always been done. And some leaders believe that, even when people realize their ideas don't count, the mere opportunity to voice opinions somehow makes them feel better about their leaders and organizations.

Yet research suggests that sham participation contains many of the elements—including deception, disrespect and lack of influence over decisions—that end up discouraging and demotivating.

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## JOURNAL REPORT | C-SUITE STRATEGIES

# Bosses' Mistakes In Making Decisions

Continued from the prior page  
employees.

Let me offer an example. A few years back, a professor I know joined a committee formed by university administrators to provide input from faculty, students and staff on the design of their new building.

It turned out to be a sham participation: Nearly all design decisions were made before this committee ever met. My colleague says administrators and their architects had already decided that most people would sit in open offices—even though users interviewed listed privacy as their top priority, and the professor had reinforced those preferences with studies showing that open offices reduce productivity, satisfaction and social interaction.

My colleague resigned from the committee in frustration a few months later.

He says he felt used because "not one thing I said or argued for the whole time mattered." And now, several years later, he is still angry about the time wasted and, more so, about being misled.

The broad lesson here is that wise leaders develop, specify and communicate decision rights. They spell out who has authority to make particular decisions, whose opinions will be considered, and who has no input or influence. It is better to exclude people than to ask them for input when it will have no impact. Pretending that employees' opinions matter when they don't disrespects their time, undermines leaders' legitimacy and alienates people whose goodwill is necessary for implementing decisions.

And yes, some people may be hurt or upset that they don't get to be part of a decision. But wishing you were in the loop has much fewer negative effects than being told you are in the loop—and finding out you aren't.

## Bosses Who Don't Know When to Slow Down

The conventional wisdom suggests that "paralysis by analysis" plagues many companies, fueled by bad leaders who suffer from indecision and procrastination. The best leaders make most decisions fast. Employees like working with bosses who are confident in their craft and don't waste time.

But employees also know that some decisions require more careful thought—especially risky, important and complicated ones that are costly (or even impossible) to reverse. In such cases, when bosses make a snap decision, it isn't just that it's likely to turn out wrong. The process also un-

not going to do anything today."

Rather than acting in haste, he wrote the top 80 people in the company and asked each for a two-page memo that explained: 1. Who are you? 2. Which issues do you believe are most pressing? 3. What would you do if you were me? He then met with each for at least an hour to discuss his or her memo.

Afterward, the CEO crafted an 80-page charter that stated the company's strategy, and set forth its values, goals and paths to success. Then he began making big decisions, including closing a plant that was losing \$10 million a month and selling peripheral businesses.

Because this boss made good de-

setback, or simply anxiety about the decision can provoke such unnecessary reconsideration.

All that insecurity and anxiety infects their teams, which undermines faith in decisions and cuts into the enthusiasm about implementing them.

I know of one such executive who suffered from this affliction. Again and again, after his team had made and begun implementing a decision, he became overwhelmed by worries that it was the wrong thing to do. So he would gather his team, tell them he had second thoughts, ask them to collect more data, and encourage more discussion and debate. In nearly all cases, they decided it was the right

things: act on your temporary conviction as if it was a real conviction, and when you realize that you are wrong, correct course very quickly."

## Bosses Who Use Decision-Making as a Substitute for Action

"A decision by itself changes nothing" sounds obvious. Deciding to start a new diet or exercise regime doesn't help unless you actually do it. Unfortunately, as Jeffrey Pfeffer and I wrote in "The Know-Doing Gap," too many leaders act as if, once they make a decision, and perhaps spread the word, their work is done.

The truth is, it has only just begun.

In one organization we studied, the top team decided the company would change to a project-based structure. They communicated to the rank and file that the change was coming. Yet, a year later, nothing had been done to implement this redesign: no plans, no budget, no schedule and no people assigned to make it happen.

This organization was infected with "the smart-talk trap." As Dr. Pfeffer and I wrote, in such places "the received message is: Don't worry about your accomplishments, just make sure that you sound good." This organization mostly hired, rewarded and promoted leaders who spouted compelling and exciting ideas—not those who made sure ideas and decisions were implemented. It was as if deciding to do something smart was all that was required to make it happen.

In contrast, the best leaders treat a good decision as a necessary but not sufficient step. They assign, track and reward people to make sure that such smart talk is turned into effective action.

In the end—as my colleague Huggy Rao and I are cataloging in our broader "friction project"—all of these mistakes come down to a simple truth: Organizations have way too many blind spots when it comes to management. They often make the right things too difficult and frustrating, and make the wrong things too easy. We need to find a way to change that.

**Dr. Sutton is a professor in the department of management science and engineering at Stanford University and co-author of "Scaling Up Excellence." He can be reached at [reports@wsj.com](mailto:reports@wsj.com).**



STOCK

dermines employees' faith in their leader and the decision—and it makes employees less motivated to implement the decision. It's the difference between a smart, confident decision and an ignorant, rash one.

Wise bosses know when it is time to slow things down. I interviewed a former CEO who was hired to turn around a troubled mining and energy company. This company hadn't had a CEO for nearly a year, earnings had plummeted, and several recent major projects had failed.

He said that, when you take over a struggling company, "Everyone wants you to do something, so the first thing you say, very calmly, is, 'We're

cisions, and he made them in ways that bolstered employee commitment to those difficult choices, the company soon bounced back: After a loss of more than \$1 billion the year he took charge, within a couple of years it was posting over \$1 billion a year in profits.

## Bosses Who Treat 'Final' Decisions as Anything But

Many insecure bosses have a habit that is especially damaging: After a decision has been made and communicated and implementation has begun, their insecurity compels them to revisit the choice too soon and too often. A few complaints, a small early

decision after all (or too early to tell if it was right or wrong). All that unnecessary hand-wringing squandered their time and fueled frustration and resentment—which drove several people to leave the organization.

Years ago, Intel's Andy Grove gave a lovely description of how wise leaders strike the right balance between confidence and doubt. The late co-founder and CEO of the semiconductor giant explained that most decisions can't wait, that "you have to make them when you have to make them." And because leaders will always make some bad decisions, "I think it is very important for you to do two

# A BANK THAT ALSO WANTS TO BE A TECH COMPANY

The CIO of Capital One Financial talks about the creation of Eno, its chatbot

BY SARA CASTELLANOS

**C**apital One Financial Corp. wants to be both a technology company and a bank.

Since 2011, Chief Information Officer Rob Alexander has expanded his technology staff to 9,000 from 2,500, hiring hundreds of software engineers, developers and artificial-intelligence experts to develop products such as a recently launched digital chatbot. He also helped spearhead an effort over the past three years to move the bank's backend software development tools and infrastructure to the public cloud. That way, he says, the bank's technical staff can get software products to market faster, more easily and with top-notch security.

The rate at which Capital One is relying on the cloud, embracing technology and competing for AI talent is "surprising and remarkable," says Lex Sokolin, global director of fintech strategy for financial-company research firm Autonomous Research.

Mr. Alexander spoke with The Wall Street Journal about the development of the bank's chatbot, Eno, and the challenges and advantages of operating like a technology company. Edited excerpts follow.

## Understanding intent

**WSJ:** Did you run into any challenges creating the Eno chatbot?

**MR. ALEXANDER:** In 2016 we experimented with and piloted a version of Eno that was built on a commercial third-party natural language processing AI engine. We quickly came to the conclusion that while the performance was good, it really has to be great for cus-

tomers to use it.

The off-the-shelf natural language processing models weren't good enough, and we had to start from scratch and build our own because we care about accuracy in two ways. One, Eno needed the ability to understand the intent of a request, and then the functionality to execute on that intent. The first version of Eno didn't understand the intent well enough.

For example, we calculated 2,500 ways a customer might request his or her balance, including misspellings and things that autocorrect does. The model is constantly learning what those variations are and what the customer's intent was.

**WSJ:** What have you changed about Eno over time based on customer feedback?

**MR. ALEXANDER:** If the chatbot can't help customers with things that are important to them, or they get generic responses, they won't use it.

A lot of customers ask Eno to remind them before their bill is due on their card. We have trained Eno to understand that request, and then automate the process of setting up reminders for customers in advance of when their bill is due.

Other examples of that proactivity would be if we see fraudulent or suspicious activity on your account, Eno can automatically reach out to you through the mobile app, SMS text or email. If we see a double charge for the same merchant right away or an unusually big tip on a restaurant bill out of pattern, Eno will send a notification or email or SMS text to a customer that says, "Hey, this looks suspicious, did you mean to do that?"



we hire software engineers, data engineers, machine learning and cloud infrastructure and cyber engineering. That's the toughest challenge in this whole thing, because you're trying to attract a kind of talent that's in high demand in the marketplace.

**WSJ:** What are you doing to attract that talent?

**MR. ALEXANDER:** We have to offer competitive compensation and benefits, and we benchmark ourselves against tech companies and their compensation. Our founder is still the CEO, and there's that ethos that you get with a founder-led organization. It feels much more like a startup. We're also very focused on providing an environment that allows people to learn and build their skills.

**WSJ:** What are some areas of opportunity that you've identified for using machine learning to serve customers better?

**MR. ALEXANDER:** Fraud is a really interesting problem. The hard part from a technology perspective is you have to make decisions in real time. We've got a customer standing there at point-of-sale and there is this 50-millisecond requirement to return an answer on "do we approve this transaction?"

You've got to have really sophisticated technology to deal with the volume of data and deal with it in real time, and you want to apply complex algorithms to distinguish those transactions that are abnormal and out of pattern and look like fraud. But you've got to tune it well because you don't want to decline a real transaction. We've been investing heavily in this.

Another machine-learning example is a feature we've developed as part of our auto-finance business. You take an image of a car that is either a photo that you take—or you can hold up your phone with your camera in real time and point it at a car that you're interested in—and we can automatically in real time tell you what your monthly payment would be on that vehicle.

**Sara Castellanos** is a Wall Street Journal reporter in New York. Email her at [sara.castellanos@wsj.com](mailto:sara.castellanos@wsj.com).

## Automated Help

The percentage of those surveyed who said they would be willing to engage with a chatbot to:

Make a purchase

37%

Get recommendation or advice

37%

Receive offers and coupons

36%

Conduct online banking

14%

Source: DigitalLBi, Harris Poll online surveys of 4,089 U.S. adults, November 2016

THE WALL STREET JOURNAL

**WSJ:** You said there are 2,500 ways a customer might request their balance. What common customer phrasings did it not recognize before that it does now?

**MR. ALEXANDER:** Some examples of this include "How much money is in my account?" This is an example of an inquiry that doesn't directly use the word "balance," but Eno understands the intent behind the question.

"How much have I racked up on my card?" This is an example where a customer is speaking in natural language, in a way they would think

about balance, despite the context being a bit unclear.

**WSJ:** Can you provide some examples of things that Eno wasn't doing well that you changed, based on feedback?

**MR. ALEXANDER:** As we started in our web application, we noticed customers typing in very lengthy messages. This would confuse Eno, due to multiple intents, and extraneous information. So we did a design change: Up front, Eno says that it does better with shorter questions. This reduced customer friction, and Eno has responded better.

Typically, we prefer to adapt the tech to the human behavior, but in this case we saw an opportunity to influence human behavior in a way that set both Eno and the customer up for success while the technology continues to evolve.

**WSJ:** What makes Eno different as a result of it being created by an in-house team of technologists?

**MR. ALEXANDER:** One important point to call out is that Eno wasn't just built by a team of in-house technologists. It was built by an integrated team of product, tech and design professionals, all contributing to the project's success from start to finish.

ENO'S PERSONALITY IS A GREAT EXAMPLE OF THE OUTCOMES FROM THAT OPERATING MODEL.

WHEN WE SET OUT TO DESIGN THE INTELLIGENT ASSISTANT, WE RECOGNIZED THAT CHARACTER DEVELOPMENT WAS A CAPABILITY WE DIDN'T HAVE—SO WE HIRED FILMMAKERS, ANTHROPOLOGISTS, JOURNALISTS AND DESIGNERS WITH DEEP EXPERIENCE IN CHARACTER DEVELOPMENT TO HELP DEFINE AND SHAPE HOW OUR INTELLIGENT ASSISTANT WOULD CONNECT WITH OUR CUSTOMERS.

TODAY, WE HAVE AN INCREDIBLY TALENTED IN-HOUSE AI DESIGN TEAM THAT IS DEEPLY FOCUSED ON CREATING EXPERIENCES THAT LEAD TO CONTEXTUALLY RELEVANT, MEANINGFUL CONVERSATIONS AND RELATIONSHIPS ROOTED IN TRUST, EMPATHY AND UNDERSTANDING.

FOR EXAMPLE, OUR DECISION TO DESIGN ENO AS A GENDER-NEUTRAL INTELLIGENT ASSISTANT WAS MADE BY THAT INTERNAL TEAM.

## Talent competition

**WSJ:** What's an example of a challenge you've had to overcome in the transition toward operating more like a technology company?

**MR. ALEXANDER:** It's really about how to attract and retain the type of talent that you need, and in quantities that are required to fulfill on that mission of operating like a technology company. Today

# DEEP WITHIN THE BRAIN, WE'VE FOUND A WAY TO MANAGE THE SYMPTOMS OF PARKINSON'S

Life-changing technology from Abbott is helping people with Parkinson's live more fully. Using a mobile platform, pulses of energy can be sent to the area of the brain that helps control their symptoms.

From wireless implants that send critical information about your heart to your doctor to wearable sensors that track glucose levels without blood, life-changing technology from Abbott helps millions live healthier, fuller lives.

DIAGNOSTICS

MEDICAL DEVICES

NUTRITION



*life. to the fullest.™*

**Abbott**

## JOURNAL REPORT | C-SUITE STRATEGIES

## WHAT'S BEHIND AT&T'S PLAN FOR 5G TECHNOLOGY

John Donovan says the next-generation mobile service is about more than just smartphones

BY DREW FITZGERALD

**A**T&T has been out shopping this year, spending billions of dollars to buy an advertising business, a movie studio and TV channels.

But the company still gets about 80% of its revenue from traditional telecom services like cellphone plans, broadband links and pay-TV subscriptions. That business is facing a shake-up with the approach of fifth-generation, or 5G, wireless service, which promises to make mobile connections as fast as fiber-optic cable.

Wireless companies are counting on 5G's capabilities to broaden their customer base beyond phones to new machines like driverless cars and factory robots. **AT&T** executives are so enticed by the promise of mixed-reality goggles, which superimpose images in users' field of vision, that they invested in visor maker Magic Leap.

AT&T is in a race to launch 5G services faster than its rivals, though each is taking a different path to get there. **Verizon Communications** Inc. tried to get the jump on its competition with its own pre-5G standard. AT&T directed its research toward internationally recognized specifications—hoping that doing so will make its service more adaptable as the technology matures.

The chief executive of AT&T's communications division, John Donovan, spoke with The Wall Street Journal about AT&T's plans for 5G, among other things. Here are edited excerpts of the conversation.

### The new networks

**WSJ:** There's been a lot of talk about 5G technology. When it comes, what will it look like?

**MR. DONOVAN:** You'll start to see handsets rolling out as early as the first quarter of 2019, but much more probably and in more volume when you start to look at the back half of '19. Things will be compatible with not only 5G but also all of the prior generations. With nonstandards tech-

nology, [that kind of backward compatibility] is not typically the case. That's why we didn't waste too much time on the nonstandard version like some of our competitors.

**WSJ:** It sounds like there's a chicken-and-egg problem. If you don't know what consumers are going to want 5G service for, how do you know where to build the network first?

**MR. DONOVAN:** We think the 5G network is going to be most impactful for most consumers and businesses based on specific use cases. One would be retail. With this 5G network, you're going to be able to get centimeter-level accuracy on location. These potential use cases include recognizing consumers entering the store, alerting the concierge or manager to provide a personalized experience [and showing] product features on adjacent digital signage or scanning and displaying product features within the store app on the consumer's mobile device.

We've made two announcements so far. One is in robotic manufacturing in Austin, Texas, with Samsung. And we have an exclusive for the Magic Leap mixed-reality goggles.

The speed of 5G means the next generation of goggles will be smaller, lighter and cheaper. When we did the announcement with Magic Leap, one of the things we announced is that Di-



AT&amp;T COMMUNICATIONS

*'Things will be compatible with not only 5G but also all of the prior generations.'*

JOHN DONOVAN

recTV Now will be one of the apps available on the goggles. So, you put the goggles on and you can project four televisions onto the wall.

It's mind-blowing to think about creating an 80-inch television from a set of goggles.

**WSJ:** When 5G comes to my cellphone, am I going to pay more for a plan?

**MR. DONOVAN:** That's to be determined. When we went from megabits and text-message plans to unlimited in the 4G network, there wasn't a lot of incremental revenue. But 4G dropped our costs dramatically, so it improved our margins.

With 5G, you can never call these things until you get into the marketplace. Most would say now that it's going to carry a premium because it's so superior in some of the things it can do. But that premium may be that you have three new devices in your home that have small connection fees, and not necessarily that you have an iPhone in your hand and the plan it's on costs more.

**WSJ:** Looking back on past generations of wireless, as networks mature, it gets harder to tell the networks apart, at least in the consumer's mind. How do you try to distinguish

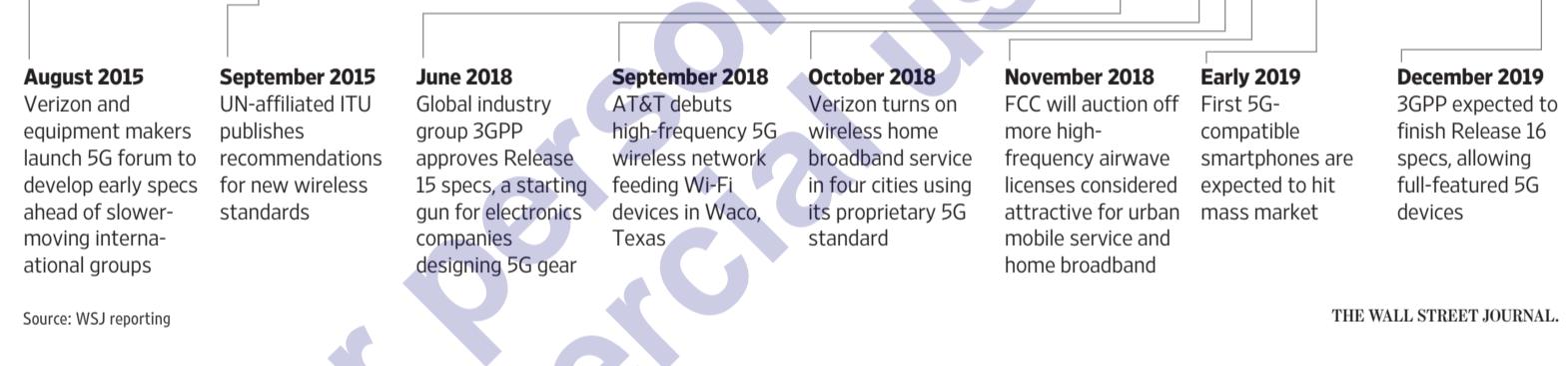
*yourself from the other guys?*

**MR. DONOVAN:** Generally, we've hit a point with networks that there's "good enough." The analogy I use is oxygen. You'll notice if it's not there. But if it is there, in its highest state it's invisible. How do you make it visible? Your people. I love the idea when it's about the people in the stores, the call centers, your sales rep. We're more likely to win in a world differentiated around people than marginally differentiated by machines.

**Mr. Fitzgerald** is a Wall Street Journal reporter in Washington. Email [drew.fitzgerald@wsj.com](mailto:drew.fitzgerald@wsj.com).

### Research and Deployment

Milestones in the evolution and rollout of 5G technology



THE WALL STREET JOURNAL.

## WW INTERNATIONAL LOOKS BEYOND DIETING

The company formerly known as Weight Watchers has a new, expanded mission

BY SUZANNE VTRANICA

**D**uring a recent Bruno Mars concert at the Barclays Center in Brooklyn, some concertgoers passed on the greasy hot dogs, opting instead to nibble on sesame lamb meatballs. Meanwhile, other attendees, granted passage to a VIP section, listened to a three-minute meditation app and fiddled with new kitchen tools.

The unique concert offerings were part of an elaborate marketing maneuver by **WW International** Inc., formerly Weight Watchers, as it tries to reinvent its brand and broaden its product offering beyond diet help to include general health and wellness.

The New York-based company is betting its new slimmed-down name and repositioning will help it broaden its appeal beyond women, as it tries to make good on its promise to Wall Street to ramp up revenue and members. WW set targets of five million members and \$2 billion in revenue by 2020, a significant increase from the \$1.3 billion it took in last year.

The changes, which also include adding meditation help to the WW app and a new line of cooking tools, are some of the boldest moves the diet giant has made since it began in the 1960s when founder Jean Nidetch started inviting friends into her Queens, N.Y., home once a week to discuss how to lose weight.

The tasks of getting consumers to embrace the new name and the "Wellness That Works" slogan falls to Gail Tifford, a 48-year-old former Unilever marketer who joined the company in March as chief brand officer. She spoke with The Wall Street Journal about how WW data is shaping the company's products and marketing, and how WW intends to attract more men. Here are edited excerpts.

**WSJ:** Why has the word "diet" become a four-letter word?

**MS. TIFFORD:** It's becoming totally irrelevant. When you ask people what's motivating them, they say they want to be healthy and strong. Ten years ago, they would say, "I want to be skinny."

**WSJ:** What research went into this repositioning and name change?

**MS. TIFFORD:** We knew with weight in our name that it would really not encompass everything we are striving to be. Our member base already refers to it as WW. It's not easy finding something that can translate in 11 countries. We conducted 26 focus groups in four countries including the U.S. It showed high awareness and appreciation for the WW name.

**WSJ:** Will people embrace the wellness pitch?

**MS. TIFFORD:** Our community has been talking about wellness for a long time. If you look at Connect, our in-app community, the No. 1 hashtag used is #NSV, which stands for "non-scale victory." We see people talking about what they've gained in their life from being healthy. It's not just about food and recipes.

**WSJ:** If people don't have the urgent and measurable goal of losing weight, why join? What goals can WW offer that have that immediacy?

**MS. TIFFORD:** One way we're diversifying our membership is through life stage. Whether you're becoming a parent, graduating from college or becoming an empty-nester, these are moments that make you take a fresh look at your health. We are finding those are far more powerful than the number on the scale.

**WSJ:** How is WW's customer data influencing its products and marketing?



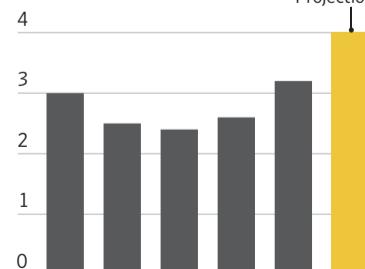
ANDREW KELLY/AP IMAGES

*'Approximately 10% of our subscribers are men, and we plan to grow that significantly.'*

GAIL TIFFORD

### Hunger for Growth

WW International's subscribers have trended up in the past two-plus years. The company has set a target of five million by 2020.



Note: Year-end figures  
Source: the company

our members start to self-organize and connect more with each other, so we launched Connect. We saw from the data that the No. 2 most-tracked beverage on our app was wine, so that helped with our product portfolio. We partnered with a winemaker to create Cense, a low-calorie wine.

We also saw that more men were joining the program. So we introduced new male ambassadors like DJ Khaled and Kevin Smith.

**WSJ:** How many of WW's subscribers are men, and how much do you plan to enlarge that segment?

**MS. TIFFORD:** Approximately 10% of our subscribers are men, and we plan to grow that significantly.

**WSJ:** How do you attract more men?

**MS. TIFFORD:** We are tailoring and targeting specific ads to men. We are putting more men in our advertising. One of our campaigns features a firefighter who joined WW. He now has his entire fire station on it.

I also think the evolution to WW will help. It becomes a badge, as opposed to a stigma.

**WSJ:** How old is the average subscriber?

**MS. TIFFORD:** On average, a joining member is in their 40s.

**WSJ:** How do you get younger people to embrace the service?

**MS. TIFFORD:** First, it's about creating experiences. You'll see us really reimagining our studios. We could bring a chef in to give healthy-cooking lessons.

Another example is our one-year partnership with the Barclays Center in Brooklyn, where we launched the WW Freestyle Café to provide healthy eating options for people who are going to concerts.

**WSJ:** WW paused its offer to give teenagers free memberships after the program faced backlash on social media from eating-disorder groups claiming that dieting can lead to eating disorders in teens. Is the teen market still a priority for WW?

**MS. TIFFORD:** We're committed to helping families get healthier, and—as with everything we do—it will be guided by science. We've formed a Youth Advisory Board made up of 24 experts from seven countries with expertise in pediatrics, psychology and healthy-weight management. They've met several times in the months since our announcement, and we look forward to sharing more on our approach soon.

**WSJ:** Will your push to diversify your subscriber base include adding more African-Americans and Hispanics?

**MS. TIFFORD:** Yes.

**WSJ:** Has that been an untapped opportunity for the company? How will you do it?

**MS. TIFFORD:** Yes. It's about listening and understanding where their needs are, and how we can come into their communities and meet them where they are. That is the first step. It's a really exciting opportunity.

**WSJ:** Have you ever used WW?

**MS. TIFFORD:** I used the program 16 years ago, and it changed my life. I am currently using it, now, and it continues to change my life, every day.

**Ms. Vranica** is a news editor for The Wall Street Journal in New York. She can be reached at [suzanne.vranica@wsj.com](mailto:suzanne.vranica@wsj.com).

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## JOURNAL REPORT | C-SUITE STRATEGIES

BY FRANCESCA GINO

**D**oes anybody like meetings? I think it's fair to say that most of us consider them to be a waste of energy and time.

But instead of just complaining, I set out on a mission, visiting dozens of organizations across the globe, in search of one that conducted meetings where everybody contributes and learns. I am happy to say I finally found a group that fit the bill. But I wasn't in a corporate office park. Rather, I was in an improv comedy class I took with my husband.

In most meetings, leaders tend to dominate the conversation, with subordinates often too afraid or too disengaged to contribute. But in improv, everyone is talking, and everyone's contribution is welcomed and valued.

How do comedians manage to achieve such an egalitarian atmosphere? And how can leaders create the same collaborative atmosphere and run more effective meetings? Leaders probably won't want to play the actual games used in improv, though they could certainly make meetings more fun. But they can adapt them to a corporate setting.

The following four improvisation techniques can be particularly helpful to leaders who want to turn meetings from a punchline into a positive.

**Start with a warm-up.** Speaking up in meetings can be hard, especially when you're new or low on the totem pole. A good leader is aware of this challenge and works to put people at ease right from the start.

In our class of improv newbies, warm-up exercises helped everyone get over their jitters about jumping into scenes with strangers and trying to be clever. One frequent exercise,



MARK MATCHO

## WANT TO RUN A GOOD MEETING? FIRST, TAKE A COMEDY CLASS

Improv training can teach leaders how to have meetings that actually accomplish something

was called "Red Ball." We stood in a circle and passed around an invisible red ball. When the ball came to you, you were expected to introduce a signature move to replace your name. The first time I played it, a guy named Mark jumped and slapped his rear end, making everyone laugh. The game put us in the right mind-set for what came next: offering ideas for scenes and exercises.

That obviously won't work in a corporate setting. But the idea of a warm-up can. The leader might go around the room and ask everyone to tell a joke or to share something meaningful they did over the weekend. It could be just about anything that is brief and fun and gets everybody comfortable with speaking. In my research, I've found that when people feel at ease, they are more likely to have the confidence to express themselves—even if that means challenging their managers.

**Use "plussing" to foster creativity.** Recently I attended a meeting at a professional-services firm about a big strategic decision. "What if we were to approach it from a different angle?" an employee asked halfway through. "For instance, we could ask our current..." We never heard the rest, as the person running the meeting interrupted him: "Let's stay fo-

cused on the approach we're discussing now." Poof: In an instant, the employee's idea was shut down.

Most of us are too quick to judge others' ideas, an urge that is even stronger when we're in a position of power. In my research, I've found that leaders who feel powerful dominate discussions—a costly pattern, as valuable contributions go unspoken and group performance suffers.

### Leaders can adapt the games used in improv to business.

In improv, though there's no overt hierarchy, the most confident players could easily dominate a scene and trample over others' ideas. But improv tempers this risk through a core principle: "Yes, and..." Even when you aren't that excited about the direction the person before you has taken, you accept the terms of the scene and add to it, rather than contradicting it.

Leaders can rely on the same principle in meetings. In business, this is known as "plussing." To build on someone's idea and avoid putting them on the defensive, say, "Yes, and..." rather than "Yes, but...." By communicating curiosity rather than

judgment, plussing softens criticism—and makes it much more likely that a leader will hear and use others' ideas.

It's also a way to show respect for others and their contributions. That's important: When Georgetown University's Christine Porath surveyed 20,000 employees world-wide, she found that they ranked respect as the most important leadership behavior. When we feel respected, her research finds, we are happier in our jobs and more loyal to our organizations.

**Listen better.** Not only do leaders regularly shut down creative thinking in meetings, but they also frequently fail to hear ideas. In discussions, all of us tend to focus on what we'd like to say rather than giving our full attention to what others are saying.

Listening carefully to others is another core principle of improv. There is no planning ahead; rather, you respond to what your partner has just said. That's only possible when you are listening—not only to every one of your partner's words, but also to her emotions and the rhythm (fast or slow) she chose for the scene.

To learn to become better listeners in improv, we played a game called "Last Word Response," in which we responded by starting a sentence with the last word our partner said. The game teaches people to listen fully to

what others are saying, instead of jumping in or planning their response before the speaker is finished.

Leaders, who are the worst culprits when it comes to interrupting others, might try playing this game at a meeting. Tell participants that after someone finishes her thought, the next person should use that person's final word as the first word of his thought. Waiting until someone has finished helps us be fully present and absorb what they're saying.

Listening also involves being succinct when talking so that others have the chance to speak, too. I learned this in an improv game called "One-Word Story." Each person contributed one word at a time to a story. This game showed us that each individual, regardless of their status or title, can play a role in the group effort.

The same principle can be helpful in meetings. By explicitly stating from the start that "there are no bad ideas, so even what might seem like half-baked ones should be part of the conversation," leaders can encourage everyone to talk.

**Be open to a change in direction.** We're all fond of our ideas and perspectives, so we have difficulty opening up to the ideas of others and reacting positively when others are redirecting a meeting. My colleagues and I found in our research that once we've decided on a course of action, it is difficult to move away from it, even when others are presenting evidence that suggests that we are wrong.

In improv, participants are trading in the currency of unpredictability. When you build a scene, you don't know what your partners will say next, how others will react or even when the scene will end. The other players may bring up topics that you know nothing about or change direction completely. That's OK. The goal is to always react purely in the moment.

Meetings would benefit from the same type of openness. Leaders can encourage it by stating its importance at the start of the meeting, and by showing curiosity with "why," "how," and "what if" types of questions.

Having completed the improv class, I'm pretty sure neither my husband nor I will be headed for "Saturday Night Live." But we now know that we can laugh at ourselves and roll with it when things don't go as expected. By applying these improv techniques to meetings, leaders can make it more likely to have meetings where everybody speaks and good ideas are more likely to be heard.

And there might even be a few laughs.

**Ms. Gino is a Harvard Business School professor and the author of "Rebel Talent: Why It Pays to Break the Rules at Work and in Life." Email [reports@wsj.com](mailto:reports@wsj.com).**

## WHY NYU IS MAKING ITS MEDICAL SCHOOL TUITION-FREE

Robert Grossman, dean of the school, says students face morally challenging questions when they graduate loaded with debt

BY SARAH TOY

**W**hen Robert Grossman was named chief executive of NYU Langone Health and dean of New York University School of Medicine in 2007, he was already thinking about how to make tuition free for NYU's medical students.

Dr. Grossman discussed the possibility with Home Depot Inc. co-founder Kenneth Langone, the long-time chairman of the medical center's board of trustees. Mr. Langone got on board with the idea right away and began to recruit other donors, Dr. Grossman says.

Just over 11 years later, the two made a stunning announcement at the white-coat ceremony for the incoming class of 2022, a tradition where new medical students receive a white coat to mark the start of their training. Dr. Grossman and Mr. Langone told 102 incoming students and their families: New York University is covering tuition for all of its medical students—starting with you.

Although NYU's tuition initiative isn't the first of its kind, it is the first of such scale. The medical school has raised more than \$450 million of the \$600 million it will need to fund the initiative into perpetuity, including \$100 million from Mr. Langone and his wife, Elaine.

Some critics were skeptical about the initiative, saying it wouldn't do much to open doors for underrepresented minorities, nor would it incentivize students to go into primary care, a field that has long faced

shortages. In a conversation with The Wall Street Journal, Dr. Grossman discussed why covering medical-school tuition addresses a "moral imperative" and responded to critics. Here are edited excerpts of the conversation.

**WSJ:** How did NYU come to decide to fund all of its medical students?

**DR. GROSSMAN:** Right from the start, I said we had an aspirational agenda, and one of the things we thought about was having a tuition-free medical school. I came from a family that didn't have a lot of means. So I knew what it meant not only to get scholarships and loans, but also to try to pay them back.

**WSJ:** What are the specific goals?

**DR. GROSSMAN:** I thought that it was critically important to do anything we could to take stress out of medical school. The material you have to learn is ferocious. There's a transition between college and becoming a mature doctor. You look at the prospects after you graduate medical school—the training program is incredibly long and you're not making anything for three to 14 years after you do a residency or a fellowship.

**WSJ:** But some would argue that medical students will eventually earn good salaries and will not have a problem paying off their loans.

**DR. GROSSMAN:** There's a significant training period after medical school. In that period, you're paid a relatively small sum of money—\$50,000 to \$70,000 a year—and, you are, in most cases, working very hard. It's an 80-



JULIANA THOMAS

*'It's very difficult at the margins to decide who gets what.'*

ROBERT GROSSMAN

### Financial Diagnosis

The debt status of U.S. medical-school students at graduation

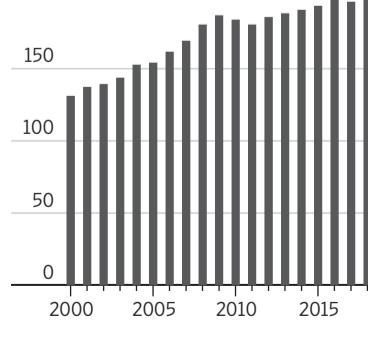
#### Percentage of graduates with education debt



Note: Education debt includes medical-school debt and college debt.

Source: AAMC

#### Graduates' median education debt in 2018 dollars



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less lucrative fields like primary care. But making tuition free wouldn't necessarily address these issues.

**DR. GROSSMAN:** I thought the point that people were missing was that this is for everyone. We're not being selective. We're not trying to target particular groups. Our primary goal was to give every member of our class an opportunity to have tuition-free medical education. Diversity is important for us. Primary care is important. But the goal was not to create primary-care physicians. We wanted people to have choice. We wanted to give people an opportunity to be the best possible physicians and go where their talents are.

**WSJ:** Why not provide funding based on merit or need?

**DR. GROSSMAN:** We wanted to be inclusive, frankly, and it's very difficult at the margins to decide who gets what. What we saw was the tremendous stress—financial stress—on the students, on their families. People say: "Well, you're giving money to rich students." Well, who's actually rich? Are the students rich? What's the relationship between the students and their parents? We don't profess to know anything.

**WSJ:** What do you mean when you say this is a "moral imperative"?

**DR. GROSSMAN:** Is it moral to load students up with debt when the prospects after medical school are somewhat diminished, and there's a long period of training, during which most of them won't be able to pay back the debt they have? You leave these students with decisions that are morally very challenging. Can I get married? Can I have a family? Can I buy a house? Can I do all these things because I'm trying to have a career and pay off debt and amassing interest?

**WSJ:** Will free tuition help NYU draw more top talent? If someone is undecided between NYU and Harvard, will it tip the scale in NYU's favor?

**DR. GROSSMAN:** It wasn't about any other school. We were competitive before we did the free tuition.

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hour workweek. Then it's a very long path until you build up your own practice. Those are formative years where a lot of people are starting families, having partnerships. There

are tremendous opportunity costs.

**WSJ:** People have assumed that NYU's goals were to increase diversity and encourage people to go into

## JOURNAL REPORT | C-SUITE STRATEGIES

## HOW KOHL'S IS SUCCEEDING WHERE OTHERS HAVEN'T

For starters, its CEO says she doesn't think of the company as a department store

BY SUZANNE KAPNER

**D**epartment stores, once the go-to destination for the shopping needs of the entire family, have been under assault as buying has shifted online and to more value-oriented chains such as Walmart Inc. and T.J. Maxx.

While other types of retailers, including Best Buy Co. and Target Corp., have pivoted enough to survive the retail crisis, in which dozens of chains went under and hundreds of stores closed, department stores have been slower to change.

Sears Holdings Corp. and Bon-Ton Stores Inc., two venerable department stores that dominated their markets for much of the past century, filed for bankruptcy protection this year. Others are struggling to stay relevant, including J.C. Penney Co., which is on its third chief executive in seven years as it has careened from one strategy to another.

Kohl's Corp., by contrast, is surviving the onslaught better than many of its peers. It has tried to do things differently, including striking a controversial partnership with Amazon.com Inc. and teaming with social-media platform PopSugar Inc. to design a line of clothes. The result has been a string of strong sales.

Chief Executive Michelle Gass, a 50-year-old former Starbucks Corp. executive who took the helm of Kohl's in May after joining the company in 2013, spoke to The Wall Street Journal about the changing retail market and what Kohl's is doing to stay ahead of the competition. Edited excerpts follow.

**WSJ:** Why do you think Kohl's is having success when so many other retailers, especially department stores, are struggling?

**MS. GASS:** We don't think of ourselves as a department store. We aren't in malls. Our stores have a racetrack design, which makes them easy to navigate. The cash registers are at the front of the store, rather than dispersed in departments, which makes checkout easy to locate. From the early days, we created a model that is easier and more convenient for shoppers than a typical department store.

**WSJ:** You have more than 1,100 stores. Unlike other retailers, you haven't had mass closings. Why is that?

**MS. GASS:** We haven't faced the same pressure to close stores as other retailers have. The moves we are making to use our stores differently are helping us to keep them relevant. We are making our stores smaller. We are looking at opportunities to lease out extra space. In Milwaukee, we are leasing space to Aldi [the supermarket chain]. We put up a wall. We're reducing the inventory by double digits and assorting as a smaller store.

### Embracing Amazon

**WSJ:** Last year, you launched a partnership with Amazon.com. You've created dedicated departments to showcase some Amazon electronic products such as Echo. And you are allowing shoppers to return purchases from Amazon at Kohl's stores. Weren't you nervous about getting in bed with a company that is upending the retail industry?

**MS. GASS:** There is a lot of space for



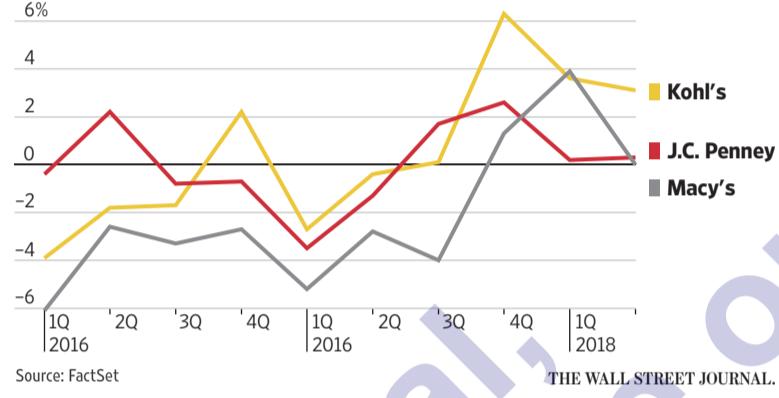
KOHL'S CORP.

*'Our stores have a racetrack design, which makes them easy to navigate.'*

MICHELLE GASS

### Positive Performance

Kohl's is showing signs of separating itself from its competitors. The percentage change in same-store sales for three major department-store chains:



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both of us. In thinking about the partnership, it was how do we take Amazon's dramatic customer base and combine it with Kohl's physical stores to create value for both of us.

**WSJ:** How is it going so far?

**MS. GASS:** We now accept Amazon returns in 100 stores and have ded-

icated Amazon departments in 30 stores. Based on the volume of returns we are getting, people are using the service. What we are trying to determine is, of the people coming in and returning something from Amazon, how many are crossing the aisle and buying something from Kohl's?

**'Mindset of experimentation'**  
**WSJ:** Department stores tend to have an older customer base. What are you doing to reach younger shoppers?

**MS. GASS:** That's where PopSugar comes into play. It's one of the most wide-reaching social-media properties for millennial females. We were already advertising some of our brands on PopSugar. That told us they are reaching the customers we want to reach.

We designed and produced a clothing collection with them. The first line is in stores now.

**WSJ:** How can you tell whether it's resonating with younger shoppers?

**MS. GASS:** Thirty-five percent of the sales are online, which is much higher than our overall average.

**WSJ:** Department stores tend to get younger shoppers through their gift registry business. Yet, you chose to exit that business. Why?

**MS. GASS:** We weren't creating a great customer experience, so I'd rather not be in the business. We'll probably bring it back someday, but it will look a lot different. When you do things like that, it forces you to think about making a sea change versus an incremental change.

**WSJ:** Change can be hard for people in big organizations. How have you tried to get your team to embrace it?

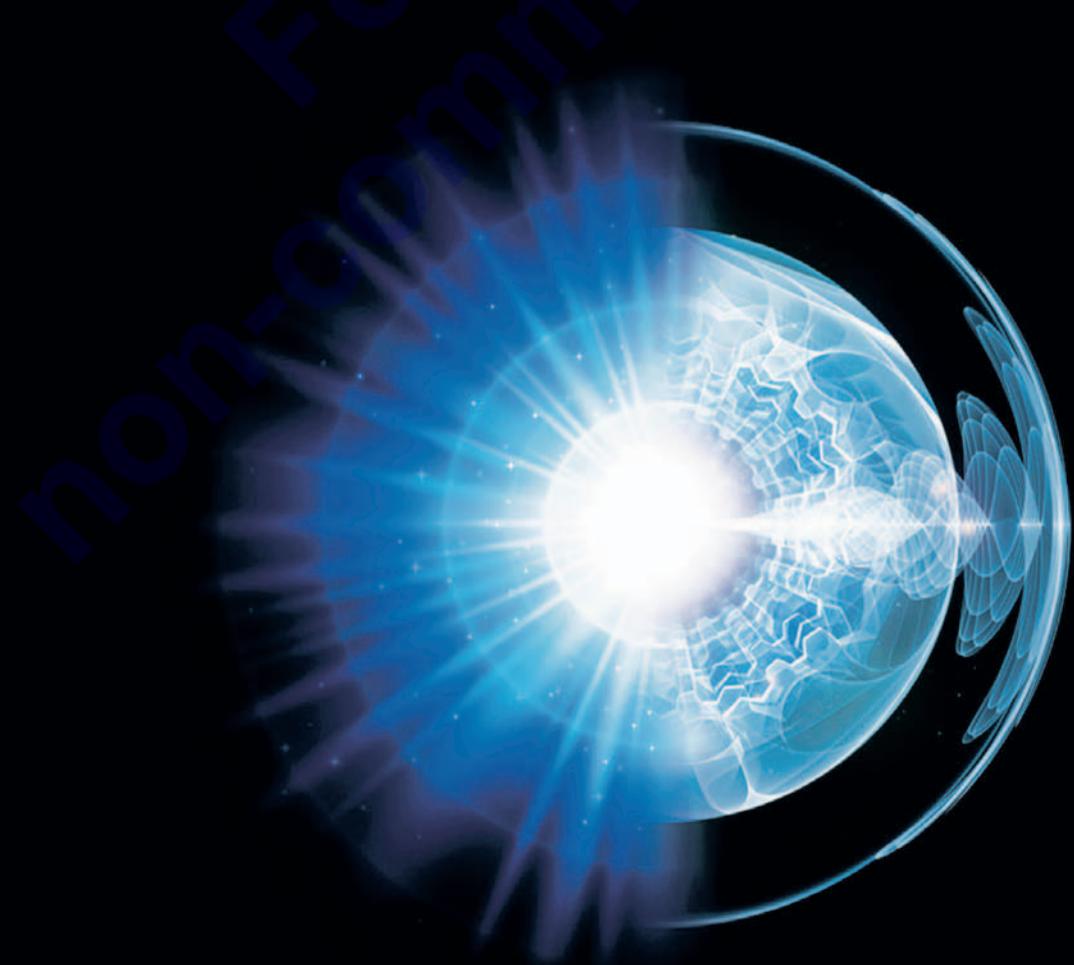
**MS. GASS:** I tell them the most important thing is around innovation and speed. Those that are too slow will be left behind. You aren't always going to get it right, but you've got to be out there trying things and have a mind-set of experimentation.

**WSJ:** With so many retailers disappearing—Toys "R" Us Inc. recently closed all its stores—where do you see opportunity to pick up market share this holiday season?

**MS. GASS:** We're getting into the toy business in a bigger way. We added the Lego and FAO Schwarz brands. With Bon-Ton not around, that store had a lot of overlap with Kohl's. We plan to go after those customers.

*Ms. Kapner is a reporter for The Wall Street Journal in New York. Email her at [suzanne.kapner@wsj.com](mailto:suzanne.kapner@wsj.com).*

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## JOURNAL REPORT | C-SUITE STRATEGIES

BY SARAH E. NEEDLEMAN

**A**s chief studios officer of Electronic Arts Inc., Laura Miele commands an army of more than 6,000 people globally who are behind some of the world's most popular videogame franchises, including FIFA, Battlefield and The Sims. She is also one of just two women on the senior leadership team, working in an industry whose top brass and creators are mostly male.

There are just five women with chief officer titles across the top five publicly traded U.S. game companies by market capitalization, including Ms. Miele. And in 2017, just 21% of 963 game creators surveyed worldwide said they were female, down slightly from 22% of 2,202 creators surveyed in 2014, according to the International Game Developers Association, a trade group.

Ms. Miele, 49 years old, started out as a project manager for a small video-game studio and worked her way up. She says she hasn't faced gender bias, but adds that inclusion is a top priority and she is interested in having more women make games and more games portray strong female protagonists. Indeed, many of Electronic Arts' most popular series have large female fan bases, including The Sims, Mass Effect, Bejeweled and Dragon Age.

In a recent interview, Ms. Miele discussed what is attracting more women to games, dealing with toxic player behavior and why female soldiers belong in a game about World War II. Edited excerpts follow:

**'Diversity framework'**

**WSJ:** You're one of just two women in the C-suite at EA, a company in a male-dominated industry. What's that like? Have you experienced any gender bias?

**MS. MIELE:** I don't think about my position through the lens of gender, and I haven't encountered any bias, but I'm not turning a deaf ear to it. I passionately believe in women's rights and started a women's networking and mentorship group at EA about four years ago. I've had some amazing mentors here, and I wanted to pay it forward. And I think we're making strides, both internally and in the representation of female characters in games.

For example, women are running meetings and they're being heard. We also have a pretty large project called "A Diversity Framework" that we created to understand how women are represented in our games. How many female roles are in them? How many lines of dialogue do they have? When are they the antagonist, the protagonist? So we have this pretty amazing audit, or framework if you will, that we run all of our games through. I'm not being prescriptive about it. I'm not saying there has to be a minimum level of dialogue for female characters or there has to be this many women in a game. But any choices that we make are deliberate. And I think that is what I want most for the content that we create and for the players that we create the content for.

**WSJ:** Videogames have long been criticized, though, for overly sexualizing female characters. What do you make of those claims?



ALANNA HALE FOR THE WALL STREET JOURNAL

*"Any choices that we make are deliberate."*

LAURA MIELE

## A QUEST FOR WOMEN GAMERS

Behind Electronic Arts' strategy to change the male culture of videogames

**MS. MIELE:** It has been a problem, but it's something we at EA steer away from. It isn't necessary or appropriate, so it just isn't something that we choose to embrace. The female characters in our sports franchises, such as FIFA and NBA Live, represent real players from real teams, so they look the same as they do in real life. We also have strong female protagonists in "Star

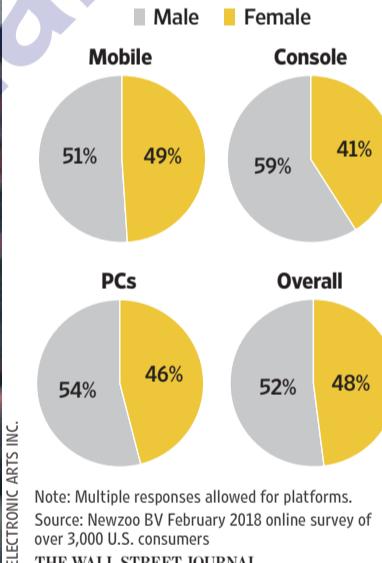
Wars Battlefront II" and most of our BioWare games.

**WSJ:** Players haven't always reacted positively to the inclusion of female characters in games. EA recently faced criticism on social media for featuring female soldiers in its coming Battlefield game set in World War II, which some players called anachronistic. Do you have any regrets?

**MS. MIELE:** I was surprised and a little disappointed at how strong the reaction was, but there wasn't even a single question about us backing off from it. This is representative of what many players want—the option to play the game as a female soldier—and of what happened. There were women in World War II, and they played a significant role in intelligence and in the battles. We stand be-



Iden Versio is a soldier in "Star Wars Battlefront II" and one of several female protagonists in EA videogames.



Note: Multiple responses allowed for platforms.  
Source: Newzoo BV February 2018 online survey of over 3,000 U.S. consumers

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hind how we're designing the game and bringing the game to market.

**WSJ:** The majority of console and PC gamers have historically been male, though the gap has been shrinking. Why do you think that's the case, and what can be done to attract more female gamers?

**MS. MIELE:** Our statistics show that 50% of our players are women. Mobile gaming has been, for some women, a gateway into more immersive, high-definition gaming on their TV sets or PCs. And those games are developing richer, more diverse stories, so they're becoming more appealing for female players. We've learned with our Sims [life-simulation] franchise over the years that opportunities for creative self-expression and cooperative play are especially appealing to female gamers.

**'Play, watch, create'**

**WSJ:** Players can talk with each other through headsets in many online multiplayer games. But a common gripe is that some gamers engage in sexist, racist and other types of bad behavior. What needs to be done to make those games more welcoming?

**MS. MIELE:** There are certainly toxicity issues that are significant. We can do more, we need to do more, and we will. This is a huge priority for EA and something that's on the top of our list to continue to address in multiple dimensions. For example, we're building systems that will give players a way to immediately report bullying or toxic behavior in our games. This isn't going to be a one-fix-all sort of scenario, but we are going to be aggressive about it and we are going to be relentless about it. Having a company culture that embraces diverse thought and skills is the first place for us to start.

**WSJ:** EA and the videogame industry overall has grown dramatically in recent years in terms of players, revenue and profits. What do you think have been the biggest drivers?

**MS. MIELE:** Games are so much more accessible. They're on more devices, and that's helping people build more connections. I'm playing a game with my son right now, we're in a guild together, and I have these shared experiences with him and some of his friends that are incredibly gratifying. You can also now watch other people play games—EA is getting big into esports, [videogames played competitively, often before spectators]—and you can create your own content in games like The Sims. All of our games will have these elements of play, watch, create as we go forth.

**WSJ:** When you get an hour of free time, what game do you play?

**MS. MIELE:** Right now I am playing "Command & Conquer: Rivals," which is a mobile turn-based, real-time strategy game in beta that we're creating. And I'm playing it more than just an hour a day. I'm really ashamed to say how much I've been playing it lately.

**Ms. Needleman is a reporter for The Wall Street Journal in New York. Email her at [sarah.needleman@wsj.com](mailto:sarah.needleman@wsj.com).**

## MANAGEMENT TOP 250 | RICK WARTZMAN AND LAWRENCE CROSBY

## Why Some Companies Succeed in Declining Industries

These exceptional firms outperform their peers across the board—most dramatically in innovation

MANAGEMENT SCHOLARS have long talked in terms of "sunrise industries" on the ascent and "sunset industries" on the decline.

But even industries on the downswing have companies that are top performers. The question then becomes: In what ways are these highflying companies different from their less-vigorous peers? What drives their success?

The answer, according to the latest research stemming from the Drucker Institute's gauge of corporate effectiveness, is clear: Many of these companies are extremely innovative—well beyond average for their industry.

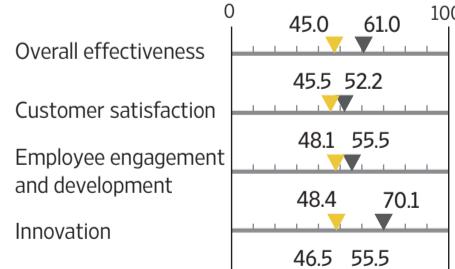
The Drucker Institute's measure forms the basis of the Management Top 250, an annual ranking of corporate performance produced in partnership with The Wall Street Journal, which debuted last year and is set to be published again in December. Based on Peter Drucker's core principles, it aims to give a rounded view of a company's "effectiveness," which Mr. Drucker defined as "doing the right things well."

**Corporate outliers**

Using our statistical model, 693 large, publicly traded corporations were examined through the lens of 37 indicators in five categories: customer satisfaction, employee engagement and development, innovation, social responsibility, and financial strength. The companies were then compared with one another through standardized scores, which have

**Defying Gravity**

In the five least effective industries measured—retailing, real estate, media, insurance and energy—20 companies out of 195 stood out as high performers. The scores shown are the mean on a 0 to 100 scale.



Sources: Drucker Institute, using data from American Customer Satisfaction Index, Bloomberg Finance LP, Clarivate Analytics, CSRHub, Glassdoor, HIP Investor, PayScale, Satmetrix Systems, Supply Chain Resource Cooperative, Sustainalytics, Temkin Group and wRatings

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a range of 0 to 100 and a mean of 50.

More recently, however, we sought to evaluate the effectiveness not just of individual companies but of entire industries.

For this latest analysis, we sorted the companies in our universe into 24 different industry groups as prescribed by the Global Industry Classification Standard, a system created by S&P Dow Jones Indices and MSCI Inc.

What we discovered was that the five industries with the highest overall effectiveness were household and personal products; semiconductors; food, beverage and tobacco; software and services; and automobiles and components. The five least effective were retailing; real estate; media; insurance; and energy.

But among the 195 companies within these least effective industries, there were 20 firms that more than held their own.

One example is Allstate Corp. Its total effectiveness score was 58.7—much better than the insurance industry mean of 44.5—landing it at No. 109 in last year's Management Top 250.

Meanwhile, Jones Lang LaSalle Inc. came in at No. 35 on the list with an effectiveness score of 66.8, easily eclipsing the real-estate industry mean of 46.7. L Brands Inc. was ranked No. 46 with an effectiveness score of 65.5, far outpacing the retailing industry mean of 47.2. And Exxon Mobil Corp.—No. 18 in the Management Top 250—boasted an effectiveness score of 71.1, blowing away the energy industry mean of 41.1.

As we looked at such cases, we couldn't help but wonder: Was there anything in particular that caused them to soar while most of their peers were sagging—the corporate equivalent of defying gravity?

Of the 20 companies bucking the trend for their industry, two notched their highest score in customer satisfaction and two in financial strength. Three of them posted their best mark in the employee engagement and development category, and four in social responsibility.

But nine of the companies counted innovation as the area in which they most distinguished themselves. Innovation, in other words, provided the bulk of the lift.

Our innovation category assesses the number of patent applications, trademark applications and trademark registers a company has; its spending on research and development; consumer and expert perceptions of how innovative it is; a rating of how well it innovates throughout its supply chain; and the rate at which its old patents have been abandoned—a proxy for Mr. Drucker's notion that it's hard to start cultivating new ideas unless you've let go of those that are obsolete.

**Emulating Amazon**

In all, the 20 companies had a mean score of 70.1 in innovation, compared with just 48.4 across the five lagging industries.

Of course, how a company becomes more innovative is another matter. We are currently conducting research to understand, among other things, whether having an engaged workforce is a key to fostering innovation.

One company that certainly seems to have figured it out is Amazon, which ranked No. 1 in the Management Top 250 and has consistently demonstrated mastery of all of the innovation practices that Mr. Drucker said were essential: planned abandonment, continuous improvement, exploiting what's already working, and inventing "the different tomorrow that...replaces even the most successful products of today."

Interestingly, some consider Amazon a tech company. (The Wall Street Journal labels it this way.) In the taxonomy we used, Amazon is tagged as a retailer.

Either way, if you can emulate Amazon's devotion to innovation, you have a good shot at keeping the sun from setting on your company—even if it's setting on your industry.

## JOURNAL REPORT | C-SUITE STRATEGIES

# THE BEST WAYS TO GIVE EMPLOYEES PERFORMANCE AWARDS

Companies often reward too many workers, and in ways that can do a lot of damage

BY JANA GALLUS

**R**ecognizing exceptional employee performance with an honor or award is an easy, inexpensive way to boost productivity and morale.

Unfortunately, too many organizations do it wrong.

They may focus on only one type of award, they give too many of them, and they include cash benefits under the erroneous assumption that this is what is needed to make recognition effective. Such poorly structured programs can actually backfire, and harm a company's performance.

Here, then, are some guidelines for companies seeking to tap the power of honors and awards:

**Don't: Rely solely on "confirmatory" awards**

These types of awards, which are based on predefined

and clearly observable criteria, simply confirm the established performance hierarchy. A "Top Salesperson of the Month" award is a good example. These prizes are similar to bonus pay and often come with a cash component.

While confirmatory awards have their place, organizations often overlook their downsides: Because the criteria for winning are clear, employees may be encouraged to game the system or concentrate efforts on meeting the award's criteria at the expense of less measurable tasks, such as collaborating with colleagues. There is even an incentive to fake performance or manipulate the measures for winning.

Confirmatory awards also risk repeatedly producing the same set of winners, which can leave others disappointed instead of motivated. That, in turn, can give rise to envy and destructive behaviors. Even the winners may be adversely affected, lowering their perfor-

mance to avoid social penalties.

Because granting the award is largely automatic, the honor also doesn't signal any special recognition from management. Previous research suggests the importance of managerial attention for employee motivation, and these awards require little to no such attention. Management's role can be limited to conferring the award, and even that part can be highly automated—for example, with electronically issued certificates.

**Do: Use "discretionary" awards**

There are honors where a manager, without any obligation, chooses to recognize noteworthy behavior.

Such discretionary awards provide an opportunity to reward exceptional behavior that

goes beyond what is expected or asked for and that isn't already acknowledged by bonuses and other incentives.

For example, prosocial behaviors such as collaboration can be recognized with teamwork honors. The element of surprise for the winners makes such awards particularly potent.

**Don't: Overdo it**

When too many people win the same prize, this waters down the award's meaning and undermines the whole idea of acknowledging exceptional achievement. Award inflation can even invite ridicule—think of the scorn directed at grade-school "participation" trophies.

When awards become a matter of course, they quickly lose their power to motivate. Companies that commit to too-frequent award schedules may struggle to find worthy recipients, especially if they have few employees. And if the same individual is repeatedly recognized, there is less value in each additional award.

**Do: Diversify awards**

Managers can avoid the hazards of award inflation by creating different levels of the same award—say, by naming a gold, silver and bronze winner—or by creating different

**Thank You for Your...**

About nine in 10 companies have employee-recognition programs. Among those, the most common:

Length of service

85%

Above-and-beyond performance

77%

Programs to motivate specific behaviors

51%

Source: WorldatWork Trends in Employee Recognition 2017 survey of 341 companies in the U.S. and other countries

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awards for different behaviors, such as helpfulness, creativity or persistence.

This doesn't mean managers should create awards for any behavior they find desirable. Rather, awards should recognize behaviors that are critical to achieving the company's objectives, and each award should have a unique identity so that it holds special value.

**Don't: Mindlessly tack on money**

Adding a cash component to an award can signal that management takes it seriously, but it also can undermine the

award's effectiveness. Research suggests that monetary awards may hurt intrinsic motivation—for example, by undermining an individual's sense of autonomy or by shifting the focus from the joy of fulfilling an interesting task to the end of receiving compensation—and that they don't necessarily improve long-term performance.

One problem is that cash awards invariably invite comparisons between different awards and associated tasks: Is the cash award too low? Too high? If a large cash prize is promised for achieving some prosocial task, such as helping out colleagues, employees may fear that others will attribute their behavior to the desire to earn the reward rather than being a good citizen. A small amount of money, on the other hand, can send a signal that the task isn't really appreciated.

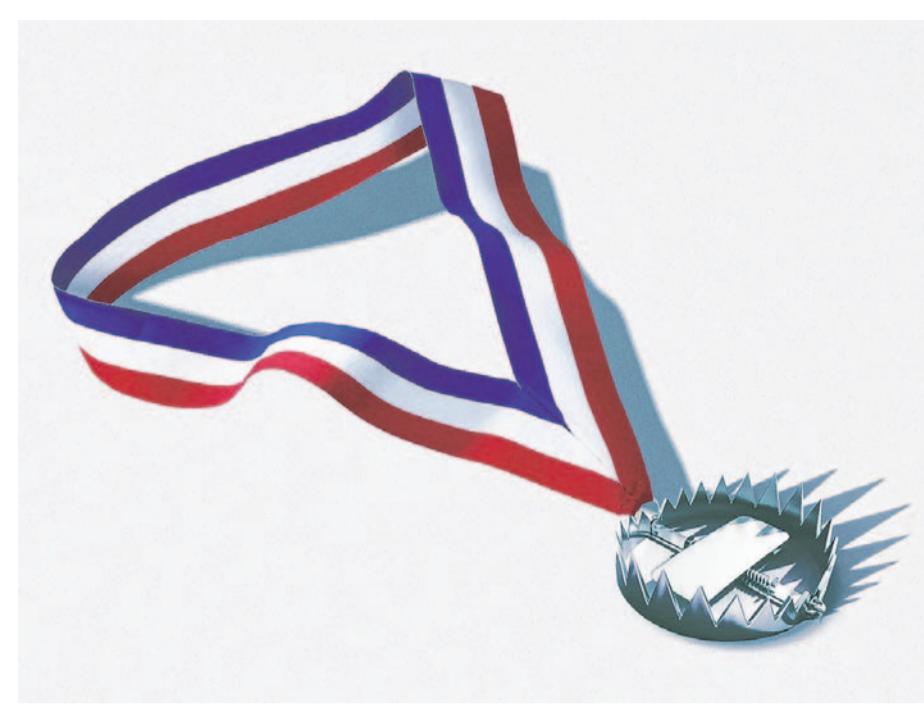
These comparisons extend to co-workers, too. Employees will start comparing the cash they received to the amount their co-worker received for earning another award, which can lead to destructive behaviors fueled by envy.

As they increase the stakes, cash prizes also aggravate the problems of manipulation and multitasking, whereby employees focus on the compensated tasks at the expense of uncompensated behaviors, which are often difficult to measure (for example, helpfulness). That, in turn, hurts the organization.

**Do: Signal an award's importance in other ways**

Personal recognition from managers can be far more effective than cash in indicating how much the recipient is valued. Well-designed award ceremonies demonstrate to winners and nonrecipients alike how important the award and the underlying behavior are considered to be.

**Dr. Gallus is an assistant professor of strategy and behavioral decision-making at UCLA's Anderson School of Management. Email her at [reports@wsj.com](mailto:reports@wsj.com).**



NICHOLAS ORTEGA



**MR. LISSETTE:** Yes. Popcorn. We had all the manufacturing, distribution and branding capabilities to be a leader on that, and we missed it. We have white space in popcorn, and we have white space in tortillas. We've been doing a lot on tortillas and developing some brands that will hopefully dramatically improve our category position in tortillas.

**WSJ:** How are you upgrading products to stay fresh and relevant?

**MR. LISSETTE:** We put our innovation in a hierarchy. The Utz brand of potato chips is a \$280 million brand. Our Bachman-branded Jax cheese curls are an \$11 million brand. I'm going to spend more time ideating around the \$280 million brand than the \$11 million brand.

The good and the bad thing about social media is people speak their minds. People are very open to expressing their opinions about your brand and about your products. We get a lot of innovation from there as to how to stay fresh, but some of it is also just looking at our product line. For example, I saw a tweet just yesterday that said we should develop a Golden Flake "hot" Sweet Heat potato chip, instead of just Sweet Heat. That was forwarded to our innovation team, who put it into the flow of ideation.

**WSJ:** What new flavors has Utz successfully introduced?

**MR. LISSETTE:** Right now, we're really riding pork rinds. The category itself is riding high. It's centered around the Keto diet, Atkins diet and the zero-carbs diet. We have expanded that into larger sizes and different flavors. We've utilized it to grow tremendously in the convenience-store channel. It's now expanding into the mass channel and has done quite well at the club channel because of our manufacturing platform and distribution.

**WSJ:** What's an example of a product line that didn't work as well as you had hoped?

**MR. LISSETTE:** We have gone a bit too far sometimes in our brand expansion. A decade ago, we created a trail mix type of nuts and granola. I don't know if our brand was able to transcend in the mind of the consumer that it made sense, but we had to try it. We failed.

We tried at one point to, from the ground up, create a Hispanic-oriented product line, and that just failed. It's about understanding the borders of what you can and can't do with the brand.

**WSJ:** Are there snack trends you wish you had taken more seriously?

## THRIVING ON GUILTY PLEASURES

The CEO of Utz says the move toward healthy snack foods may be overstated

BY JAEWON KANG

**O**ne of the hottest trends in snack foods today is the move toward healthier fare—the desire for something to munch on that is better for you than the typical pretzel or potato chip.

**Utz Quality Foods Inc.** hasn't ignored that trend: Its Good Health line, for example, includes Veggie Chips, Stix and Straws. Still, Utz is betting that consumers will always seek guilty-pleasure snacks, whether it's 99-cent potato chips or \$8 barrels of pork rinds.

The strategy has paid off for Utz. The fourth-generation family-owned company, which operates out of its historic base in rural Pennsylvania, has generated cumulative sales growth of 26% over the past five years, and is projected to increase sales by about 13% in 2018.

Dylan Lissette, CEO since 2012, has overseen a period of product upgrades and acquisitions at Utz, which expects to generate nearly \$1 billion of net sales next year. Mr. Lissette, who started working in the Hanover, Pa.-based company's mailroom in 1995, about a year after marrying into the founding family, recently spoke with The Wall Street Journal about how Utz sets itself apart. Edited excerpts follow.

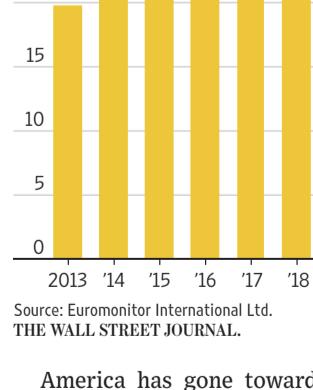
**WSJ:** Consumers increasingly look for healthier snacks. What is Utz doing to attract these shoppers?

**MR. LISSETTE:** I have a theory on trends. What is hot today won't be hot tomorrow—but it doesn't mean it won't be hot again five years later. In my early days, pretzels were the better-for-you snack. Over time, pretzels were no longer considered better for you. Pork rinds are back and they're hot again. Through all of this, Doritos have killed it. Pretzels are back on the upswing again. It's a big cycle.

We always try to approach our offerings of snacks so that you literally have to be able to eat a bag of it. You want to be able to open a bag, taste it and say "Wow, that's really good." Then you just keep eating it.

### Growing Appetite

Sales of salty snacks in the U.S.



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## JOURNAL REPORT | C-SUITE STRATEGIES

## SIRIUS + PANDORA = ?

The CEO of SiriusXM on how the company will leverage having two revenue streams

BY ANNE STEELE

**J**im Meyer, chief executive of **Sirius XM Holdings Inc.**, the satellite radio service available in some 112 million vehicles in the U.S., is looking beyond the car—and beyond radio.

Sirius was built on car-radio subscriptions, which continue to grow. But the radio industry has faced competition from streaming music apps such as Spotify, which offer songs on demand.