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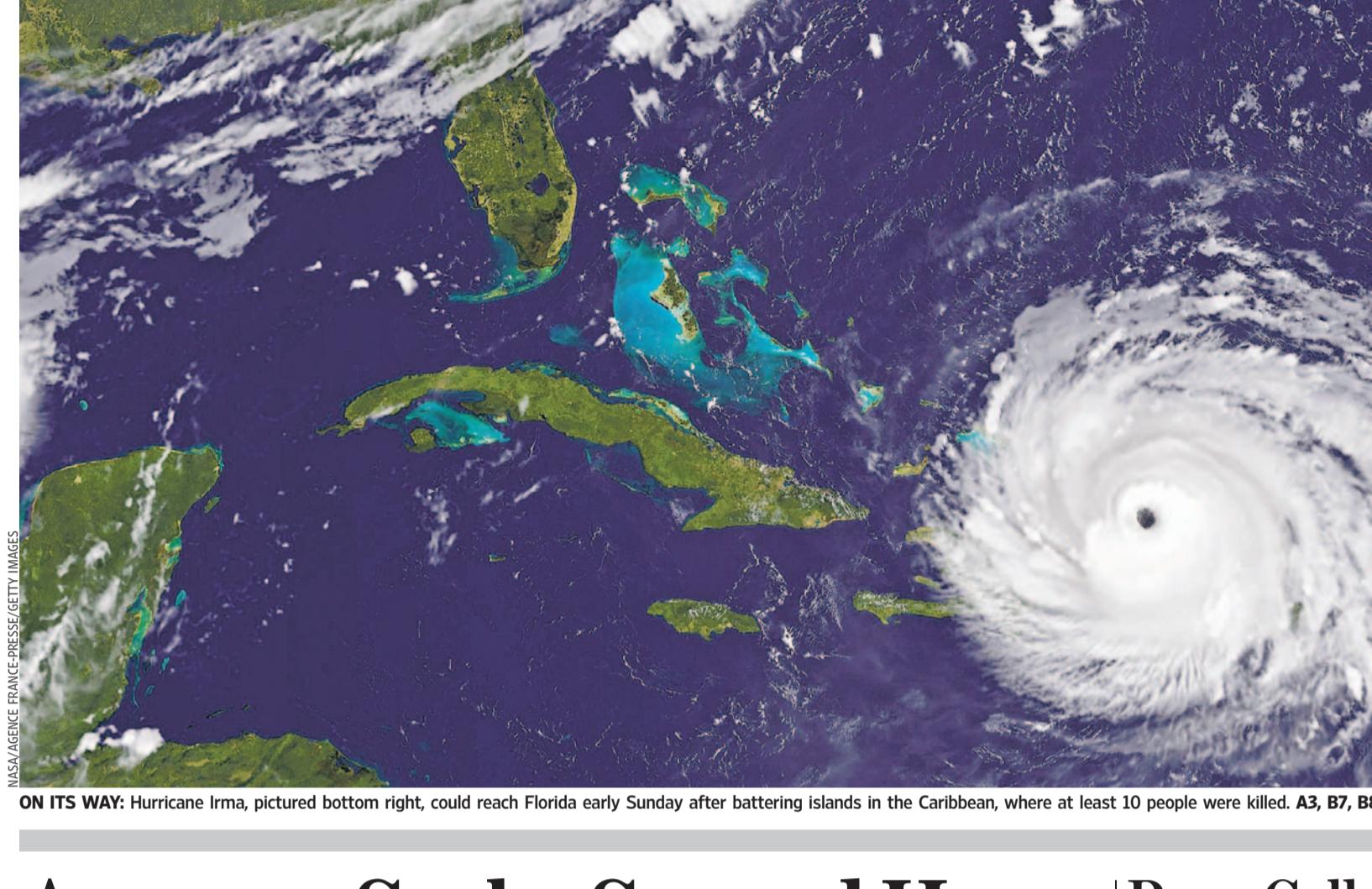
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Florida Braces as Irma Closes In, Leaving Destruction in Its Wake



ON ITS WAY: Hurricane Irma, pictured bottom right, could reach Florida early Sunday after battering islands in the Caribbean, where at least 10 people were killed. A3, B7, B8

Amazon Seeks Second Home

Added headquarters in North America is expected to house up to 50,000 workers

By CARA LOMBARDO

Amazon.com Inc. is in the market for a second home.

The Seattle-based online retailer said Thursday it plans to open an additional headquarters somewhere in North

America that will house up to 50,000 employees and cost \$5 billion to build and operate.

The rapidly growing company is soliciting bids for the project, dubbed Amazon's HQ2, and said it would prioritize metropolitan areas with more than one million people that are within 45 minutes of an international airport and near a strong university system.

Amazon also said incentives offered by state and local governments will be significant

factors in the decision.

The company, which currently employs 380,000 people, has already announced plans to create 130,000 U.S. jobs through mid-2018 and expand its network of warehouses. Amazon has more than 40,000 workers at its headquarters.

"We expect HQ2 to be a full equal to our Seattle headquarters," Amazon Chief Executive Jeff Bezos said in prepared remarks. "Amazon HQ2 will bring billions of dollars in up-

front and ongoing investments, and tens of thousands of high-paying jobs. We're excited to find a second home."

Amazon's announcement is likely to set off a frenzy among states and municipalities eager to recruit the e-commerce juggernaut to their areas by offering the right mix of tax incentives and allowances. Amazon has received more than \$1 billion in incentives since 2000 from state

Please see AMAZON page A2

EMPLOYERS GET NEW TASK: STORM REPAIR

Big corporations shell out funds to get staff back to work; long-term costs begin to add up

HOUSTON—Chemicals maker Covestro AG set up a drive-through station for employees to pick up bleach, plastic tarps, gas and other emergency supplies.

By Erin Ailworth, Vanessa Fuhrman and Lynn Cook

Occidental Petroleum Corp. is housing displaced staff in hotels and is giving out interest-free loans and \$5,000 grants to pay for repairs.

When Beaumont's water service failed, Exxon Mobil Corp. used a fleet of 36 helicopters to deliver water to employees and their families.

"It's a small price to pay," said Jerry MacCleary, the North America chief for Germany's Covestro, which was forced to stop production at its Baytown, Texas, manufacturing site, its biggest in the U.S., after Hurricane Harvey knocked out key local suppliers and many of its employees couldn't get to work. "We can't run this place without people."

Never before in the modern era has a hurricane created such damage in one of the U.S.'s major corporate hubs. Houston, the nation's fourth-largest city with 2.3

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♦ Refinery closures leave diesel shortage in Europe..... B7

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A HIGH-RISE BUILT FOR ME

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PRESSED PENSIONS TAKE ON RISK

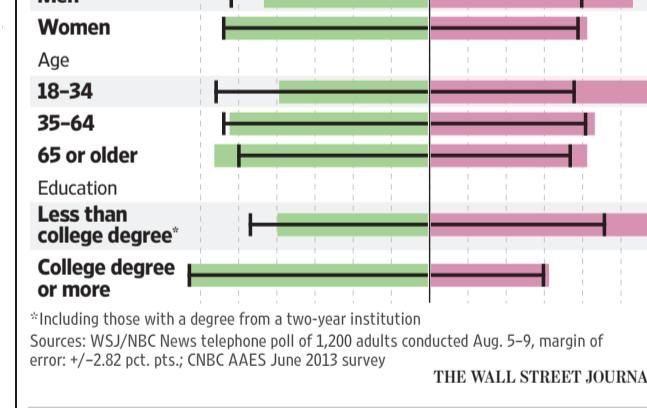
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A PAEAN TO PIONEER STYLE

OFF DUTY, W1

Slipping Grades for Higher Education

Fewer Americans say a four-year college degree is worth the cost, especially younger people and those without such a degree. A5



*Including those with a degree from a two-year institution

Sources: WSJ/NBC News telephone poll of 1,200 adults conducted Aug. 5-9, margin of error: +/- 2.82 pct. pts.; CNBC AAES June 2013 survey

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Ryan Calls Trump's Tax Goal Difficult

By RICHARD RUBIN AND KRISTINA PETERSON

WASHINGTON—House Speaker Paul Ryan said President Donald Trump's goal of lowering the corporate tax rate to 15% would be difficult to achieve.

"The numbers are hard to make that work," Mr. Ryan (R., Wis.) said in an interview with the New York Times streamed live on Thursday. He said he agreed with Mr. Trump's goal, but that "at the end of the day, we have to make those numbers work."

Mr. Ryan said House Republicans saw as an "achievable goal" lowering the corporate tax rate to somewhere in the mid-to-low 20% range.

Mr. Ryan's tax plan, which he released in 2016 alongside other House Republicans, called for a 20% corporate tax rate and a 25% tax rate on so-called pass-through businesses, which pay taxes through their owners' individual tax returns.

But that 20% rate relied on about \$1 trillion in revenue.

Please see RYAN page A5

Yuan's Sharp Rise Muddles Outlook for China's Growth

A surge in the value of the yuan has blindsided Wall Street and stands to complicate China's efforts to simultaneously

neously manage a slowdown in growth while deepening its ties to global markets.

The yuan jumped to its strongest in 16 months this week, bringing its total gain versus the dollar to 7% in 2017, more than recouping all of its decline last year. Last month, the yuan soared 2% against the dollar, its biggest monthly advance since July 2005.

Traders and analysts attribute the yuan's changing fortunes both to the dollar's softening and to the Chinese central bank's stepped-up con-

Euro Jumps as ECB Weighs Next Move

The euro rose as the central bank said it has begun to consider how fast it will reduce bond buying..... A3, B8

trols over the yuan—through an altered mechanism to guide its value—which have prodded

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This Just In: Burning Man Has a Newspaper War

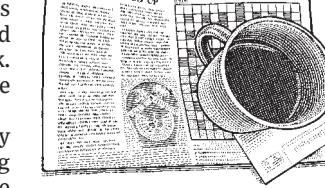
* * *

'Burnalists' at the offline festival battle heat—and competition

By JACK NICAS

BLACK ROCK CITY, Nev.—The Black Rock Beacon's morning news meeting started an hour late one day last week. A dust storm the night before blew the newsroom down.

Around 11 a.m., while many attendees of the weekly Burning Man counterculture festival were still awake from



Black Rock Beacon newspaper

the night before, a crew of 10 "burnalists" gathered under a new tent to plan the next day's newspaper.

The photographer was a blue-haired mailman from Canada. The masthead designer was a San Francisco graphic artist, drinking a beer and wearing a bacon-themed outfit who introduced himself as

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WORLD NEWS

New Conflict Looms in Syria as ISIS Fades



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

The Syrian regime's successful offensive in Deir Ezzour this week pushed it ahead in the race against America's Kurdish-led allies over who will inherit Islamic State's remaining Syrian real estate.

With the extremist group losing ground fast, President Bashar al-Assad has emerged in his strongest position since

the Syrian uprising began in 2011. Yet large parts of the country remain outside his reach, including an American-protected zone run by the Kurds in northeastern Syria and a smaller Turkish occupation zone nearby.

The question now is where precisely the line between regime and Kurdish areas will be drawn after Islamic State's defeat and whether it will solidify into a semi-permanent partition of the country or spark a new bout of violence that could force the

U.S. to make difficult choices.

American military planning calls for the Kurdish-led Syrian Democratic Forces, currently finishing the battle to take Raqa from Islamic State, to push further south down the Euphrates River and to seize the extremist group's remaining cities of Mayadeen and then al-Bukamal on the Iraqi border. That contested swath of Syria also holds most of its oil and gas reserves.

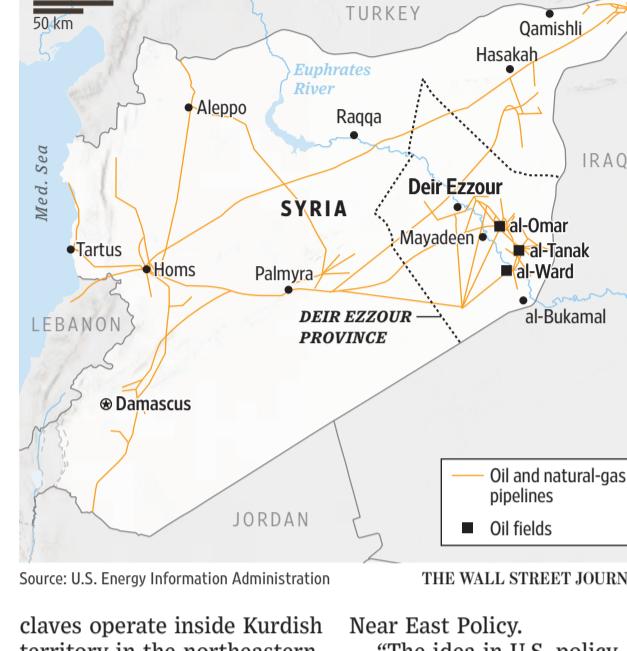
This week's blitz by the Syrian army and its Shiite militia allies to relieve a besieged garrison in Deir Ezzour could within days cut off the way for such SDF advances. Large parts of the city remain under Islamic State control.

"It was a race but once the regime takes Deir Ezzour, it's game over for the U.S.-led coalition. They will have to stop," said Monzer Akbik, a leader of the mostly Arab Tayyar al-Ghad party that is loosely allied with the SDF. "After Deir Ezzour, the regime will be able to go to al-Bukamal, and once al-Bukamal is taken, the Iranians will have achieved an uninterrupted land route from Tehran to Baghdad to Damascus to Hezbollah in Beirut."

The regime and SDF aren't enemies, so far. They both share a hostility to Turkey and Turkey's Syrian proxies, who occupy an area northeast of Aleppo. Despite isolated skirmishes over the past year, regime-held en-

Militant Resources

Some of Syria's most significant oil infrastructure is located in Deir Ezzour province, where populated areas along the Euphrates River are largely controlled by Islamic State.



Source: U.S. Energy Information Administration

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claves operate inside Kurdish territory in the northeastern cities of Hasakah and Qamishli, while the large Kurdish enclave of Afrin in western Syria enjoys Russian protection from Turkey and is connected to the rest of the world through regime territory.

"The SDF and the regime generally did not fight each other until now. We will see soon whether this will still hold true," said Andrew Tabler, a Syria expert at the Washington Institute for

Near East Policy.

"The idea in U.S. policy circles is that we will now have a soft partition of Syria along the Euphrates, as it was along the Elbe [in Germany] at the end of the Second World War, except that the Americans are now coming from the east and the Russians from the west. But the regime and the Iranians are not interested in a soft partition. What they are after is a military victory."

Indeed, Mr. Assad has repeatedly rejected the idea of

maintaining Kurdish autonomy in northern Syria. Safwan Akkash, one of the leaders of the moderate and predominantly Sunni Arab Syrian opposition, predicted that the regime will eventually attack America's Kurdish allies.

"The regime will not tolerate a Kurdish autonomous region," he said. "Everything will be temporary in the sharing of influence between the Russians and the Americans. The current conflict will be followed by another conflict."

That may not happen immediately, in part because the U.S. and Russia are loath to see a full-out war between the regime and the SDF. The regime also has more immediate priorities, such as rebel-dominated Idlib province in the northwest, which is increasingly controlled by jihadists allied with al Qaeda.

But such a conflict appears imminent and should it erupt, it would confront Washington with an unpalatable choice of either abandoning its Kurdish allies or taking direct military action against the Assad regime, said Robert Ford, the U.S. ambassador to Syria under the Obama administration who is now a fellow at the Middle East Institute in Washington.

"Sooner or later, the government in Damascus will try to reimpose its authority. Will they move in six months, a

year, 18 months?" Mr. Ford said. "That will be a big decision for the Trump administration: Should they use American armed forces to protect the Syrian Kurdish autonomous region? If they do, it would be against international law, and I don't think there is any country in the region that would support it."

One hope of avoiding such a scenario—which would, among other things, strain even further the already fraught U.S. relationship with Russia—lies in the United Nations-sponsored peace process in Geneva.

There, however, the Kurdish movement—now in control of the second-largest territory after the regime—isn't even represented because of Turkish objections. And the beleaguered Sunni Arab opposition, which was making major advances until Russia's intervention two years ago reversed the course of the war, holds increasingly weak cards.

This means that, for Mr. Assad, there are few reasons to be flexible in the peace process now, said Kamal Alam, a visiting fellow at the Royal United Services Institute in London who frequently travels to Damascus.

"The government has the upper hand, and they are far stronger than they have ever been" since the war began, Mr. Alam said. "They will still go to the talks, but they no longer have the pressure to give up too much."

AMAZON

Israel Hits Assad Regime Military Positions

Continued from Page One
and local governments to help the company build its warehouses, according to Good Jobs First, a group that is critical of corporate tax credits.

"They're going to want a gazillion dollars in benefits," said Erik Gordon, an assistant professor at the University of Michigan's Ross School of Business. "It's going to be a big price tag and expectedly so, because who else can bring you tens of thousands of jobs—good jobs—and change the image of who you are?"

Bids are due Oct. 19 and the company said it intends to choose a site sometime next year. Amazon expects the new jobs, many of which will be in software development, to have average compensation of more than \$100,000. Mr. Gordon said cities outside of traditional technology hubs could use Amazon's headquarters to help quickly remake their image.

\$5B

Estimated cost to build and operate Amazon's second home

Israel attacked a Syrian military position early Thursday, according to Syrian state media and a monitor, taking aim at sites including a facility believed to be linked to chemical weapons.

By Raja Abdulrahim
in Beirut and
Nancy Shekter-Porat
in Tel Aviv

The U.K.-based opposition monitoring group Syrian Observatory for Human Rights said the airstrikes were aimed at a military training base and a warehouse for mid- and short-range missiles near the town of Masyaf in central Syria.

Also targeted was a scientific research center, a facility targeted by U.S. sanctions this year for involvement in chemical-weapons production, it said.

The observatory said Iran maintains a presence at the base.

Syrian state media reported that the strike killed two soldiers. It wasn't clear how much damage the airstrikes caused to the facil-

ties. A pro-government news site, Al Masdar News, reported that there was little to no damage, citing pro-regime social-media sites.

As a policy, Israel doesn't confirm or deny airstrikes in Syria. The military declined to comment on Thursday.

Gen. Amos Yadlin, Israel's former military-intelligence chief, tweeted that the factory targeted produces the chemical weapons and barrel bombs that have killed thousands of Syrian civilians.

"The [reported] attack is an escalation because it's in a place that is a Syrian research and production center, very sensitive issues for us," Gen. Yadlin told Army Radio.

The U.S. blacklisted 271 employees of the facility, the Scientific Studies and Research Center after an April 4 sarin gas attack that killed at least 83 civilians, many of them women and children.

The strike came a day after a United Nations report blamed the Syrian regime for the attack and called it a war crime. Syria denies it has used chemical weapons.

Other Israel analysts said



Israeli soldiers maneuvered a tank during a military exercise in the northern part of the Israeli-annexed Golan Heights on Thursday.

the strike was significant. Gadi Shamni, a former general who served as a military aide to Prime Ministers Ariel Sharon and Ehud Olmert, told Army Radio: "All actions intended to clarify Israel's red lines are important."

An Iranian military presence with operational capabilities in Syria is a red line for Israel, Gen. Shamni said.

Israeli officials for weeks have warned against an increased Iranian and Hezbollah buildup of arms in Syria

as Islamic State rapidly loses ground and other parties in the multisided conflict look to take control of the extremist group's territory. Israeli officials fear Iran will use Syria as a platform to attack Israel.

Prime Minister Benjamin Netanyahu told U.N. Secretary-General António Guterres last week: "Iran and Hezbollah announce in advance that they are planning two war fronts against Israel. It is our right not to allow this noose to tighten around Israel."

Gen. Amir Eshel, Israel's former air-force commander, told Israeli media in August that since 2012, Israel has hit weapon convoys destined for Hezbollah nearly 100 times.

The Syrian military said the strike was an attempt by Israel to raise the spirits of Islamic State militants, who have suffered a number of military losses recently at the hands of the regime.

The regime of President Bashar al-Assad has for years blamed foreign plots for supporting the antigovernment opposition and the extremist Islamic State.

YUAN

Continued from Page One
companies that had been hoarding dollars to convert them into local currency.

In recent trading sessions, investors have regularly pushed the yuan stronger than the level set daily by central bank—a rare occurrence for a currency that has often been battered over the past year.

"Market expectations are at work here," an official at the People's Bank of China says.

The yuan's recent ascent comes with a heavy price tag for Beijing. It has dialed back long-running efforts to make the yuan a freer currency and imposed strict controls on money leaving China. Even as those measures have helped

stem outflows—official data Thursday showed China's foreign-exchange reserves rose for a seventh straight month to \$3.092 trillion in August—the steps have damped demand from overseas for Chinese assets.

Meanwhile, the pent-up desire among Chinese companies and individuals to diversify their assets offshore means that pressures on the yuan to weaken have merely been bottled up, economists say. The Chinese economy's growing challenges, from debt and industrial overcapacity to an out-of-balance housing market, suggest there is a lack of fundamental drivers to keep the currency going up.

Bryan Carter, head of emerging-market fixed income at BNP Paribas Asset Management, believes the policy-

driven advance in the yuan is essentially done. He expects the currency to give up some of its recent gains after the Communist Party's twice-a-decade congress next month, which will help shape the nation's power structure for years to come.

With that transition looming, China's leadership wants its currency to be stable to buttress the economy and avoid trade disputes. A roaring yuan, however, is putting pressure on manufacturers who are counting on foreign orders as domestic demand remains lackluster. (An appreciating yuan makes Chinese goods more expensive overseas.)

Wu Yinhe, who runs a stainless-steel kitchenware and furniture manufacturer in southern China, says her company is feeling the pinch.

"External demand is pretty good," says Ms. Wu, general manager of Golden Star Steel Furniture Factory in the city of Jiangmen. But the yuan's strengthening means she is getting less bang for dollar earnings when she converts them into the Chinese currency, she says.

Exports have been one of the few bright spots that have helped China keep growth on track in the past few months.

Already, the yuan's newfound strength has started to weigh. Official data show that year-over-year growth in Chinese goods sold overseas dropped to 7.2% in July from 11.3% in the previous month.

How China manages the yuan is closely watched by policy makers and investors. Its foreign-exchange regime has been a lingering source of uncertainty. Two years ago, the central bank's sudden 2% devaluation of the yuan set off a global market sell-off.

The yuan's rise is the latest ripple from the 2017 decline in the U.S. dollar. Many investors expected the yuan to weaken to 7 to the dollar this year, reflecting a strengthening U.S. economy and Chinese efforts to cushion the export sector. Instead the yuan's appreciation to near 6.5 to the dollar has forced a reassessment.

Many reform-minded officials and academics have called on Beijing to take advantage of the current market sentiment to renew its efforts to liberalize the yuan.

But for now, there are few signs of any meaningful market-oriented change. In fact, the yuan's recent surge started when the central bank in late May asserted greater control over the currency by adding what it calls a "countercyclical" factor into the way it sets the rate against the dollar. This has given the central

bank greater leeway to lift the yuan as the dollar weakens: More than 80% of the yuan's gain this year occurred after the introduction of that factor.

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Sources: Thomson Reuters (yuan); Wind Info (exports).

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WORLD NEWS

Eye on Euro, ECB Reconsiders Stimulus

BY PAUL HANNON
AND TOM FAIRLESS

FRANKFURT—The European Central Bank has begun to consider how quickly it will reduce its purchases of government bonds in 2018, and the pace of tapering will depend in part on the euro's strength, Mario Draghi said Thursday.

The eurozone economy has grown more strongly this year than policy makers had expected, and the central bank's economists again raised their forecast in new projections released by the ECB's president.

They now expect the currency area's gross domestic product to be 2.2% higher by the end of December than it was a year earlier. If they are right, that would be the fastest expansion since 2007, be-

fore the global financial crisis.

That acceleration means the eurozone economy needs less stimulus from the central bank than it has over recent years, and in a news conference Mr. Draghi said the governing council had begun to consider its options for next year at a two-day meeting that concluded Thursday.

He stressed that the discussions had been "very, very preliminary" and said policy makers will await advice from the ECB's staff before reaching any conclusions. Mr. Draghi tagged the council's Oct. 26 meeting as the most likely venue for an announcement, barring surprise developments.

"Probably the bulk of these decisions will be taken in October," Mr. Draghi said.

While the outlook for

growth has improved, that has yet to transform the expectations for inflation, which is the ECB's target. With the euro's strength lowering prices of imported goods and services, the central bank's economists lowered their inflation forecasts and now see consumer prices rising by just 1.2% next year and 1.5% in 2019, well below the central bank's target of just below 2%.

Mr. Draghi said the euro's exchange rate would be a key factor in the decision on how rapidly to cut bond purchases. By increasing the supply of euros, the bond purchases tend to limit the currency's appreciation.

"The recent volatility in the exchange rate represents a source of uncertainty which requires monitoring with regard to its possible implica-



ECB President Mario Draghi.

makers had finally discussed the future of the bond buying program as a group.

Mr. Draghi underlined the degree to which the economic recovery is reliant on continued stimulus from the central bank, noting policy makers agreed on the need for "a continued very substantial degree of monetary accommodation."

The ECB earlier left all its key interest rates unchanged and said it would continue to buy €60 billion (\$71.5 billion) a month of bonds at least through December, "or beyond if necessary."

The ECB's caution echoes that of the U.S. Federal Reserve, which has been gradually raising interest rates since late 2015, but whose top officials have warned recently that it may be difficult to continue because of persistently

weak inflation.

The fate of the ECB's €2.3 trillion stimulus program is the biggest question hanging over Europe's financial markets. Since its launch 2½ years ago, the program has helped to keep down borrowing costs and the euro's exchange rate, fueling a robust recovery across the 19-nation eurozone.

Financial markets took fright in late June when Mr. Draghi hinted in Sintra, Portugal, that the ECB might gradually start to shrink its stimulus as the region's economy strengthens. Since then the ECB has offered no fresh guidance on its next steps.

Like policy makers in Japan and the U.S., officials in Frankfurt are scratching their heads as to why the economic recovery hasn't been accompanied by stronger inflation.

Hurricane Irma Batters Caribbean

MIAMI—Hurricane Irma threatened more West Indian islands Thursday after killing at least 10 people in the Caribbean and sparking widespread power outages in Puerto Rico, as forecasts put the powerful storm on a possible collision course with Florida and other Southeast U.S. states.

By Jon Kamp,
Scott Calvert and
Arian Campo-Flores

Irma's winds have weakened slightly, but it remained a "potentially catastrophic" Category 5 storm that ranks among the most powerful ever recorded in the Atlantic Ocean, according to a National Hurricane Center's update.

Irma's eye was recently moving west-northwest off the northern coast of Hispaniola while heading for the Turks and Caicos Islands. The current forecast track calls for the storm to potentially reach south Florida by early Sunday, with tropical storm-force winds arriving by Saturday.

Hurricane watches were expected for portions of the Florida Keys and Florida peninsula, the hurricane center said. "Look at the size of this storm, it's huge. It's wider than our entire state and could cause major and life-threatening impacts on both coasts," Florida Gov. Rick Scott said Thursday.

At least eight people were killed and 23 were injured in French overseas territories, French Interior Minister Gérard Collomb said, adding that the figure could rise. "The de-



People seek higher ground on a flooded street in Santiago de los Caballeros, Dominican Republic.

struction is massive," Mr. Collomb said.

Irma killed at least one person after devastating the island of Barbuda, where the storm made landfall early Wednesday. Gaston Browne, prime minister of Antigua and Barbuda, flew over the island of 1,500 people by helicopter on Wednesday and reported that 90% of the buildings were damaged.

Puerto Rico, with a population of about 3.4 million, appeared to have been spared the ferocious assault that Irma delivered to other Caribbean islands, but the extent of damage remained unclear and the U.S. territory was contending with widespread power outages and the threat of continued flooding. A woman died in Arecibo, on the northern

coast, after she fell while walking to an emergency shelter, according to Ernesto Morales, a National Weather Service meteorologist in San Juan.

Gov. Ricardo Rosselló on Thursday said 68% of the customers of Puerto Rico's electric utility lacked power, with outages affecting hospitals, forcing many to rely on generators and requiring the relocation of some patients. Before Irma's arrival, an executive with the utility company had said it could take months for many residents to have electricity restored.

In addition, the storm cut off water service to 17% of Puerto Rico's residents, Mr. Rosselló said. Most of those stoppages stemmed from the electricity outages. There was also exten-

sive highway damage, mostly from fallen trees, he said. "Though this event was strong, it certainly could have had a greater impact," Mr. Rosselló said at a news conference.

Irma delivered 2 to 8 inches of rain across Puerto Rico, and in some locations as much as 12 inches, Mr. Rosselló said. An additional 4 inches could fall in the coming days. The governor warned that flooding "remains a worry and a danger."

In the U.S. Virgin Islands, there are reports that 25 buildings in St. Thomas lost roofs and two shelters flooded, said Mr. Morales, from the San Juan weather service office.

Dudley Althaus,
Sam Schechner, Matthew Dalton and Brian Baskin contributed to this article.

Colombia Tries to Heal Wounds of War

Pope Francis, on pastoral visit, urges nation to 'build bridges' to reconciliation

BY KEJAL VYAS
AND JUAN FORERO

NEIVA, Colombia—Edna Rocio Pinto said she was just 10 years old when combatants from the FARC rebel group grabbed her as she was fetching water near her family farm and raped her. The family soon after fled their land.

Eighteen years later, Ms. Pinto says she is conflicted as she watches the FARC transform into a political party as part of a peace deal that ended a half-century guerrilla war. She wants justice, she says, but also national reconciliation, Pope Francis' main theme as he visits this country of 48 million.

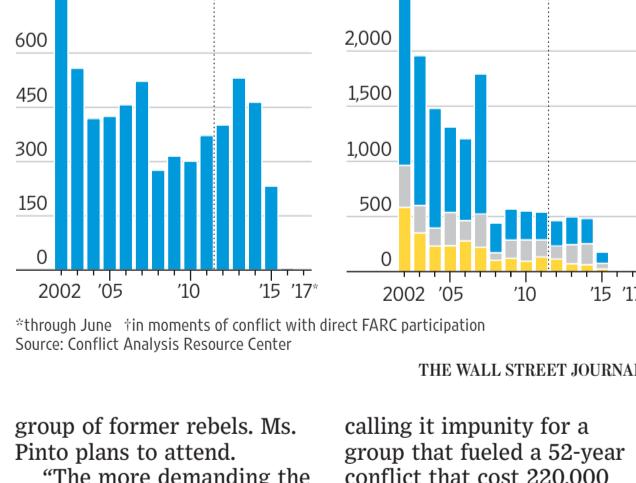
"The victims need truth, justice, reparations," said Ms. Pinto, now 28 and a counselor for victims in this provincial city, Neiva, a former rebel zone. "Instead, sometimes it feels like we're rewarding our victimizers."

The Vatican strongly supported the negotiations here that led to an accord with the FARC last year. But the pontiff is finding a polarized country during his five-day tour, with polls showing a majority of Colombians skeptical of a deal they see as overly generous to former rebel commanders.

Pope Francis' most direct engagement with victims of war comes Friday when he holds a prayer service in the cattle city of Villavicencio with 6,000 of them and a

Violence Down

Rebel attacks and combat deaths fell as FARC guerrillas and the government neared a peace deal.



group of former rebels. Ms. Pinto plans to attend.

"The more demanding the path that leads to peace and understanding, the greater must be our efforts to acknowledge each other, to heal wounds, to build bridges," Pope Francis said Thursday in a speech in Bogotá. "This visit intends to offer you an incentive, a contribution that in some way paves the path to reconciliation and peace."

Some 6,000 former rebels, who disarmed under the peace accord, last week officially became a political party. The president's conservative rivals fiercely oppose the rebels' new status,

calling it impunity for a

group that fueled a 52-year conflict that cost 220,000 lives and forced millions of poor farmers off their land.

President Juan Manuel Santos argues the deal—trading arms for ballot boxes—is good for Colombia. FARC commanders are unlikely to see jail time but are required to compensate victims, admit their crimes and be investigated under a special tribunal.

"We opted to put the victims at the center of the solution to the conflict," Mr. Santos told The Wall Street Journal in an interview. "We have to heal the wounds, the open wounds; one sees them

every day."

Several victims who will

greet the pope, though, said

that while they support

peace they remain deeply

suspicious of the FARC and

question whether they will

truly find closure.

These people—who like Ms. Pinto are registered in the government's official database of victims—include Holmes Fabian Ordóñez, who lost a foot to a rebel land mine, and Magdalena Rivas,

whose son was held hostage by the guerrillas and eventually slain.

Yolanda Perea Mosquera, 33, said she was raped by rebels as a child; when her mother complained to the FARC, they killed her. She wants to have the opportunity to confront the killers.

"I need to know, 'Why me? And why my family?'" she said. "Why did they leave me without a mother?"

The former rebel leaders and their supporters say they hope the pope's visit will prod conservatives to support the pact, which calls for a modernization of the countryside, reparations for victims, a joint rebel-government effort to fight drugs and other policies.

"The pope is coming here at the best time to give us air, give us strength, to generate confidence between us Colombians and to show us that coexistence is possible," said Imelda Daza, a political activist working with the FARC.

Some lawmakers fear controversial changes could be made to British law.

EU Brexit negotiator Michel Barnier said Thursday the onus was on the U.K. to come up with a solution that would avoid the re-emergence of a border between the two parts of the island—a move that could upset the peace process in Northern Ireland—while complying with EU laws. Irish foreign minister Simon Coveney earlier this week said his country doesn't want to become a "backdoor" to the EU's single market for the U.K.

Lawmakers, including from the Conservative Party, have raised issues with the bill. Chris Leslie, a Labour lawmaker, said the bill weakened the rights of lawmakers to represent their constituents.

"It will give the executive unparalleled powers to change laws that affect the lives and rights of the British people by the stroke of a ministerial pen," he said.

At the heart of the debate is whether ministers should have the power to modify elements of EU law once they are incorporated into U.K. law.



British Prime Minister Theresa May faces concern from some members of Parliament about having enough say on the EU exit.

WORLD NEWS



Vendors sell flags of North Korea and China on the boardwalk next to the Yalu River in the border city of Dandong, China. China is North Korea's top trading partner.

U.N. Says Pyongyang Skirts Curbs

Report cites prohibited trade with member states in commodities, arms and financing

By IAN TALLEY

WASHINGTON—United Nations member countries are helping North Korea evade international sanctions meant to halt its nuclear-weapons program, a new U.N. report alleges, including through prohibited trade in arms and commodities and financing.

The draft report, prepared by the U.N.'s panel of experts on North Korea for the Security Council and reviewed by The Wall Street Journal, comes as the U.S. is urging the sanctions be strengthened in response to North Korea's latest nuclear and missile tests.

It reinforces longstanding U.S. complaints about shortfalls in compliance, which lead Washington to act on its own.

"Despite an increased rate of member states' submission of national implementation reports to the Security Council, the actual implementation of the sanctions lags far behind what is necessary to achieve the core goal of denuclearization," the panel of experts said.

This latest panel report, which gauges compliance as recently as early August, found that as the U.N.'s sanctions regime expands, so does the scope of evasion. The panel said "lax enforcement" and North Korea's evolving techniques to evade sanctions are undermining U.N. efforts to coerce Pyongyang to abandon the development of weapons of mass destruction.

The Trump administration has threatened to ban U.S. trade with countries, such as China, that continue to do business with North Korea, though experts and analysts have said this would be difficult. As it seeks to pressure China, Russia and other nations to cut off business and financial ties, the administration is expected soon to roll out additional actions targeting Chinese companies and banks.

North Korea doesn't recognize the sanctions as legitimate. Asked about them late Wednesday, a man identifying himself as a staff member of North Korea's mission to the U.N. said they represent hostile policy toward his country.

The U.N. panel of experts said it documented the presence of North Koreans throughout Africa and the Middle East, particularly in Syria, acting on behalf of sanc-

tions entities.

The U.N. experts say they are investigating cooperation in chemical weapons, ballistic missiles and conventional arms between Pyongyang's primary arms dealer, Korea Mining Development Trading Corp., and Syria's Scientific Studies and Research Center, the government agency responsible for developing nuclear, chemical and biological weapons.

Two member states had interdicted shipments from North Korea to Syria, the panel said, and Pyongyang is involved in Syria's Scud and surface-to-air missile systems.

Over a six-month reporting period starting in late 2016, North Korea also generated \$270 million in revenue from prohibited sales of commodities, including coal, iron and zinc, largely to China. After

China said it would temporarily ban purchases of North Korean coal, Pyongyang began routing sales to other countries, U.N. investigators said.

The U.N. panel also named several North Korean banks established, managed or owned by Chinese companies.

Beijing told the panel that the companies aren't authorized to establish banks in North Korea, but the panel said it hadn't heard whether Chinese authorities had acted to shut them down.

The panel also recommended that the Security Council sanction a network comprising individuals, companies and bank accounts in China, Indonesia, Malaysia, Singapore and the Middle East—that it said is operated by North Korea's intelligence agency for exporting military communications equipment.

Australia To Vote on Same-Sex Marriage

By ROB TAYLOR

CANBERRA—Australia's top court cleared the way for the government to hold a nationwide vote on legalizing same-sex marriage, setting the stage for intense "Yes" and "No" campaigns in coming weeks.

The court's decision Thursday to throw out a legal challenge to the survey came as a relief for Prime Minister Malcolm Turnbull, whose conservative government has been marred by internal divisions over same-sex unions.

Despite public support for changing the law—an Essential opinion survey this week put the figure at 59%—the issue of gay marriage is proving particularly difficult Down Under. Canada, New Zealand and most of Western Europe have enacted marriage equality through their parliaments, while the U.S. has done it through the courts. Australia has become the odd man out among English-speaking nations.

A poll shows support for legalization, but a fierce 'No' campaign is still anticipated.

But the Parliament has twice blocked a compulsory national vote promised by Mr. Turnbull, with opposing lawmakers worried it will unleash a vitriolic campaign between supporters and opponents that would unnecessarily divide the country.

Underscoring those concerns, neo-Nazi groups were blamed this week for posters in the city of Melbourne that claimed "gay marriage enables pedophilia."

Mr. Turnbull, a moderate, favors legalizing same-sex marriage; his Sydney electorate hosts the city's annual Gay and Lesbian Mardi Gras parade.

But many of the more-conservative lawmakers in his administration don't, including his predecessor Tony Abbott, whom Mr. Turnbull toppled in a leadership coup.

Marriage isn't a constitutional issue in Australia, meaning a referendum isn't required to change the law.

Marriage-equality advocates opposed to holding the public ballot had urged the High Court to block the survey, arguing the government had no constitutional authority to pay for it. Supported by the main opposition Labor Party and the third-largest bloc, the Greens, they had hoped to force the government to hold a conscience vote in Parliament.

In a unanimous decision, the seven High Court judges on Thursday ruled postal ballots could start being mailed to voters next week, with an outcome to be announced Nov. 15.

U.S. Steps Back From Ending Korea Pact

WASHINGTON—The Trump administration told top lawmakers that it has put on the back burner any discussion of terminating a free-trade agreement with South Korea, according to people familiar with the matter, after intense resistance from Capitol Hill and business groups.

By Jacob M. Schlesinger, Michael C. Bender and Byron Tau

White House officials told some senior members of Congress on Tuesday and Wednesday that a plan to end the five-year-old bilateral pact, known as Korus, was no longer an immediate priority, after holding internal discussions on the matter late last week.

The officials didn't say the termination idea had been scrapped permanently, only that it was no longer being considered as imminent, according to congressional aides.

Indeed, while congressional

aides said some White House officials in private conversations with Republican leaders were soft-pedaling the prospects for a pullout, two other lawmakers said other Trump advisers said in a national security briefing for House members Wednesday that termination of the Korea trade pact was still an option, though they didn't offer a timetable.

"They reaffirmed that they're considering withdrawing from the South Korean trade agreement," Washington Democratic Rep. Adam Smith said after attending a meeting led by Secretary of State Rex Tillerson, Defense Secretary Jim Mattis and others.

The mixed signals sent by the White House on the Korean trade pact follow a series of similar moves over the past few months, as the administration has sought to define Mr. Trump's promise for a new "America First" trade policy.

In April, Mr. Trump threatened to pull out of the North American Free Trade Agree-

ment, then set that aside in favor of renegotiating the pact with Canada and Mexico—though he has revived the prospect in recent weeks.

Growing Gap

The U.S. trade deficit in goods with South Korea has soared since a free-trade pact between the two nations took effect in 2012.



ment, then set that aside in favor of renegotiating the pact with Canada and Mexico—though he has revived the prospect in recent weeks.

Mr. Trump and aides in April also prominently

launched a study of imposing broad limits on imports of steel and aluminum in the name of national security, promising action by June. No decisions have been made, and the timetable is now unclear.

During the 2016 campaign, Mr. Trump regularly vowed action to curb the trade deficit with China, through across-the-board tariffs or retaliation against Beijing's currency policies, but he dropped those vows after taking office.

Mr. Trump's defenders say such moves are designed to give him more negotiating leverage, in pressuring trading partners to make concessions.

But some critics say the apparent zigzagging risks undermining American credibility in trade talks and the rare political support Mr. Trump won from organized labor with his promises to rip up free-trade pacts that he branded "unfair" and "bad deals" for U.S. workers and industry.

"From the perspective of working people, it's a bit of a whiplash effect," said Celeste

Drake, the AFL-CIO's trade adviser. "This makes it harder for folks to understand what he's doing, or trust what he's doing."

A White House spokesman didn't respond to requests to comment.

Mr. Trump has been a harsh critic of the South Korea trade pact, blaming it for the doubling of the bilateral trade deficit, to \$27.6 billion last year, since the agreement took effect in 2012. Trump trade advisers have grown frustrated with the South Korean government in recent weeks, after an Aug. 22 meeting to discuss amendments to the pact ended in an impasse.

But business groups and free-trade lawmakers in Mr. Trump's Republican Party loudly protested the notion of abrogating the treaty. And they argued that such discussion was particularly ill-timed, coming as the White House is seeking solidarity among Asian allies to challenge North Korea's escalating nuclear program.

WORLD WATCH

SPAIN

Madrid Sets Cases Against Catalonia

Prosecutors said they are readying criminal cases against officials in Catalonia who are pushing ahead with an independence vote that the Madrid gov-

ernment has branded as illegal.

The announcement raises the stakes in the conflict between the central government in Madrid and the regional Catalan government in Barcelona, which has set a referendum on secession from Spain for Oct. 1.

State prosecutor José Manuel Maza said his office would pursue

the criminal cases against lawmakers in Catalonia's regional legislature, which is controlled by pro-independence parties, who approved a bill on Wednesday to hold the referendum. Mr. Maza said he would also go after regional officials who have begun to organize the vote.

—Jeannette Neumann



Spain's Prime Minister Mariano Rajoy led a cabinet meeting on Thursday, a day after Catalonia's regional parliament voted to hold an Oct. 1 independence referendum in defiance of a court ruling.

AFGHANISTAN

U.S. Apologizes for 'Offensive' Leaflets

The U.S. military in Afghanistan apologized for dropping leaflets in the country it said mistakenly contained an image insulting to Muslims.

Maj. Gen. James Linder, commander of the Special Operations Joint Task Force in Afghanistan, didn't describe the derogatory image, saying only that it was "highly offensive to both Muslims and the religion of Islam."

Images of the leaflet, air-dropped by U.S. forces in Parwan province Tuesday, circulated on social media. It shows a lion, symbolizing the U.S.-led coalition in Afghanistan, chasing a dog whose flank is emblazoned with the Taliban flag and Islamic religious text known as the Shahaada, a declaration of the oneness of God and the acceptance of Muhammad as his prophet. The portrayal of Islamic scripture on a dog is seen as offensive.

—Habib Khan Totakhil and Craig Nelson

Senate Questions Duterte's Son



Philippine President Rodrigo Duterte's son told a Senate inquiry he had no links to a seized shipment of \$125 million worth of narcotics from China, dismissing as "baseless" the allegations of his involvement in the drugs trade.

Opponents of the president, who have instigated a deadly crackdown on a trade he says is destroying the country, say they believe his son Paolo may have

helped ease the entry of the drug shipment at the port in Manila. On Tuesday, Mr. Duterte said he told Paolo to attend the Senate probe if he had nothing to hide, but advised him not to answer questions. Paolo Duterte (right) is vice mayor of Davao.

The president has said he would resign if members of his family were involved in corruption.

—Reuters



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The Face of Real News

Gerald Seib's illustrious career covering politics has taken him around the world and put him face-to-face with some of the biggest players on the global stage—but it has also put him in situations of real danger. In 1987, he was kidnapped and imprisoned for four days on suspicion of espionage by Iranian officials while covering the Iran-Iraq War.

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Why the U.S. Economy Shrugs Off Politics



Just how much political risk can the U.S. economy tolerate? Quite a bit, it seems.

The federal government could shut down in a few weeks for lack of a budget. It could default on its obligations if the debt ceiling isn't raised. Trade treaties with Mexico, Canada and Korea may be torn up. North Korea has tested an apparent H-bomb and threatened to use it. And overseeing these challenges is an unpredictable and often divisive president with associates embroiled in an investigation over ties to Russia.

Yet economic growth has remained largely unperturbed and, judging by the latest gross domestic product numbers, may have even accelerated ahead of two major hurricanes. Stock prices remain near record highs.

The reason for the dichotomy is that the impact of political risk depends on the risk. Government shutdowns, protectionism, scandals, even conventional wars have happened before and are thus knowable and sometimes quantifiable to businesses, consumers and investors.

Federal default or nuclear

war fall in the category of unprecedented and unthinkable. Faced with such risks, the usual reaction is to assume they won't happen. Yet that assumption becomes a risk in itself: It alleviates the pressure to prepare for either and multiplies the damage if they do occur.

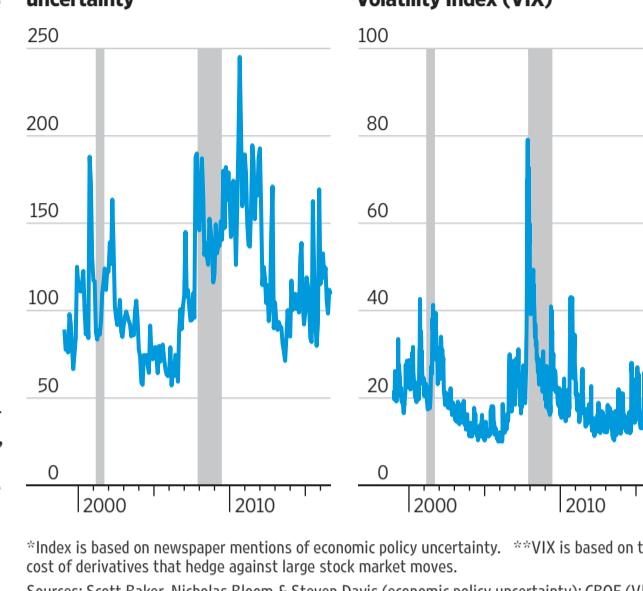
Because political risk has been a constant, it has lost some of its shock value. Investors have in effect built that risk into their assumptions; their demand for safety is one reason government bond yields around the world are so low.

Since 2009, hedge funds as a group have positioned themselves for another meltdown like the subprime bust, says Jason Thomas, head of economic research at Carlyle Group, a private-equity manager. But "the same psychological factors that make 'next subprime' investment strategies seem more appealing," he says, have also led businesses to favor cash retention or share buybacks over capital expenditure, and policy makers to regulate more. That depresses growth but also makes the economy less vulnerable to sudden shifts in sentiment.

As a result, hedge-fund

Political Anxiety, Financial Calm

Uncertainty about economic policy has been elevated for the past decade even as financial anxiety plumbs new lows.



*Index is based on newspaper mentions of economic policy uncertainty. **VIX is based on the cost of derivatives that hedge against large stock market moves.

Sources: Scott Baker, Nicholas Bloom & Steven Davis (economic policy uncertainty); CBOE (VIX)

THE WALL STREET JOURNAL

performance has suffered from strategies designed to profit from a meltdown that has yet to happen. With bearish psychology already so prevalent, actual sell-offs have been brief and the VIX, the market's so-called fear gauge, has been subdued.

Those who watch politics and policy for a living—a sizable contingent on Wall Street and in Washington—tend to overestimate how many ordinary people do the same, and thus how much their behavior will change because of politics.

In market economies, the natural rhythm of the business cycle easily drowns out politics. Big policy actions such as rising trade barriers or reduced immigration do take their toll, as the latest British data suggest, but slowly, not in a spasm of panic selling and recession.

What would overwhelm these coping mechanisms? Something previously unfathomable, like nuclear war.

No atomic weapons have been used since the U.S. dropped them on Hiroshima and Nagasaki. The public assumes global leaders won't let it happen again. As Capital Economics notes in a recent report, the market barely sold off during the Cuban missile crisis in 1962, the closest the world has come to nuclear war since 1945.

A nuclear attack on a U.S. ally, city or electrical grid via electromagnetic pulse is so alien to a business's frame of reference that it can't be planned for.

But North Korea may be a less rational actor than the Soviet Union was in 1962. Mr. Trump's willingness to go to war is also being underestimated, says Marc Sumerlin, a former economic aide to President George W. Bush who runs Evenflow Macro.

To say there is no military solution is to say Americans must accept living within missile range of a country whose leader may be unstable, he says: "That's not as easy a decision for someone who's taken an oath to defend the country as it is for someone sitting in a think tank."

As with nuclear war, the assumption the U.S. won't default is based on the fact that it hasn't done so since 1814, at least deliberately. It delayed payment on some Treasury bills in 1979 because of a technical glitch. Its refusal to repay some bonds in gold in 1933 also is considered by some a type of default.

The Fed and Treasury in 2011 drew up contingency plans if the debt ceiling wasn't raised to prioritize debt payments over other obligations such as Social Security benefits. Yet the deepening dysfunction of U.S. lawmaking means default by accident is a recurring threat.

Political risk is part of a new normal. It takes its toll slowly and at the margin as decisions to hire or invest are deferred, rethought or resized. But until the unthinkable happens, don't expect it to tank the economy.

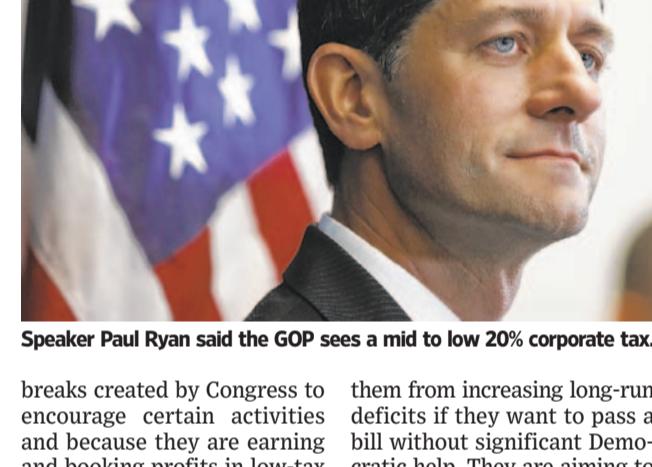
RYAN

Continued from Page One
nue over a decade from a provision called border adjustment, which would have taxed imports and exempted exports from U.S. taxation.

Republicans backed off that idea in July under pressure from retailers and divisions among GOP senators, leaving a gaping hole in the plan to drive down the corporate tax rate.

Getting the corporate rate down is difficult because there are relatively few tax breaks that Republicans agree they want to repeal to offset the fiscal cost of lowering the tax rate from 35%. Each point reduces revenue by about \$100 billion over a decade.

The U.S. corporate tax rate of 35% is the highest among major developed countries and companies say it distorts economic decisions and discourages investments in the U.S. Many companies don't pay that full rate because of tax



JACQUELYN MARTIN/ASSOCIATED PRESS

Speaker Paul Ryan said the GOP sees a mid to low 20% corporate tax.

breaks created by Congress to encourage certain activities and because they are earning and booking profits in low-tax foreign countries.

Mr. Trump restated his 15% goal on Wednesday in a tax speech in North Dakota.

"Ideally, we would like to bring our business tax rate down to around 15%," he said. "That's a tremendous drop."

Republicans are constrained by budget rules that prevent

them from increasing long-run deficits if they want to pass a bill without significant Democratic help. They are aiming to use the procedure known as reconciliation, which can allow for tax cuts in the near term but not after the end of the budget scoring window, typically 10 years.

Mr. Ryan stuck to the goal of finishing a major tax bill by the end of the year, and Treasury Secretary Steven

Trump's Deal With Democrats Called a 'Bipartisan Moment'

House Speaker Paul Ryan said that President Donald Trump struck a deal with congressional Democrats on Wednesday combining aid for Hurricane Harvey victims with a short-term extension of government funding and its borrowing limit to create a "bipartisan moment" in the midst of the natural disasters.

"He wanted to make sure we had a bipartisan moment in response to these hurricanes," the Wisconsin Republican said in an interview with the New York Times streamed live on Thursday.

The deal struck Wednesday combines \$15.25 billion in emergency relief for Harvey victims with an extension of government funding and a suspension of the debt limit until Dec. 15.

Earlier on Wednesday, Mr. Ryan had called Democrats' proposal for a three-month debt ceiling increase "ridiculous" and "un-

workable."

Mr. Ryan said Thursday that he believed that longer extensions of the debt limit were better "for credit markets' sake" to provide more certainty.

Mr. Ryan said he understood Mr. Trump's rationale for deciding to accept Democrats' offer in a meeting with congressional leadership at the White House on Wednesday.

"He wanted to have a bipartisan response and not a food fight on the timing of the debt limit," Mr. Ryan said.

—Kristina Peterson

lifetime earnings, compared with 47% who don't, according to the poll of 1,200 people taken Aug. 5-9. That two-point margin narrowed from 13 points when the same question was asked four years earlier.

The shift was almost entirely due to growing skepticism among Americans without four-year degrees—those who never enrolled in college, who took only some classes or who earned a two-year degree.

Four years ago, that group used to split almost evenly on the question of whether college was worth the cost. Now, skeptics outnumber believers by a double-digit margin.

Conversely, opinion among college graduates is almost identical to that of four years ago, with 63% saying college is worth the cost versus 31% who say it isn't.

Big shifts occurred within several groups. While women

Mnuchin said on Fox Business Network that the target was "still very viable."

It is going to be a challenge. So far, Republicans haven't released a bill or scheduled any committed votes. They also haven't agreed on a budget that they need to unlock the reconciliation procedures.

Congress will also face competing fiscal deadlines later this year. The short-term agreement that Mr. Trump

reached with Democrats on government spending and the debt ceiling means that lawmakers may have to spend much of December dealing with those issues again.

In a Wednesday phone call with Rep. Mark Meadows (R., N.C.), Mr. Trump said he was motivated to cut a debt-ceiling deal with Democrats because he wanted to clear the agenda to focus on passing tax legislation, Mr. Meadows said.

"He told me that," Mr. Meadows said at a Bloomberg News event on Thursday. "That's why he struck the deal—he said we've got to get tax reform done."

White House officials made similar statements on Wednesday, and didn't respond to a request to comment on Mr. Meadows's remarks.

—Siobhan Hughes and Kate Davidson contributed to this article.

Doubts Grow Over College Degrees

By JOSH MITCHELL AND DOUGLAS BELKIN

Americans are losing faith in the value of a college degree, with majorities of young adults, men and rural residents saying college isn't worth the cost, a new Wall Street Journal/NBC News survey shows.

The findings reflect an increase in public skepticism of higher education from just four years ago and highlight a growing divide in opinion falling along gender, educational, regional and partisan lines. They also carry political implications for universities, already under public pressure to rein in their costs and adjust curricula after decades of sharp tuition increases.

Overall, a slim plurality of Americans, 49%, believes earning a four-year degree will lead to a good job and higher

lifetime earnings, compared with 47% who don't, according to the poll of 1,200 people taken Aug. 5-9. That two-point margin narrowed from 13 points when the same question was asked four years earlier.

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Big shifts occurred within several groups. While women

by a large margin still have faith in a four-year degree, opinion among men swung significantly. Four years ago, men by a 12-point margin saw college as worth the cost.

Now, they say it is not worth it, by a 10-point margin.

Likewise, among Americans 18 to 34 years old, skeptics outnumber believers 57% to 39%, almost a mirror image

from four years earlier.

Today, Democrats, urban residents and Americans who consider themselves middle- and upper-class generally believe college is worth it; Republicans, rural residents and people who identify themselves as poor or working-class Americans don't.

Research shows that college graduates, on average,

fare far better economically than those without a degree. For example, the unemployment rate is 2.7% among college graduates, compared with 5.1% among high school graduates who never attended college, and Labor Department research shows that bachelor's degree recipients earn higher salaries than those who never went to college.

Moscow has denied meddling in the U.S. election, and President Donald Trump has denied his campaign colluded with Russia.

Facebook has been under fire since the 2016 campaign for what critics described as its lax attitude toward fabricated news reports that claimed, for example, that Pope Francis had endorsed Mr. Trump.

Facebook Identifies Political Ads Linked to Russia

By SHANE HARRIS AND DEEPA SEETHARAMAN

WASHINGTON—Facebook Inc. said it has identified about 500 "inauthentic" accounts responsible for \$100,000 in advertising spending that it believes have ties to Russia, following a review of ad buying on the site in response to intelligence community concerns about Russian activity

during the 2016 U.S. election.

The findings mark the first time that Facebook has acknowledged that Russian actors may have used its platform during the presidential campaign. The conclusion is a shift from July, when a Facebook spokesman said the company had no evidence that Russian entities bought ads targeted at Americans on the platform during the election season.

The social-media giant said Wednesday that the ads it identified didn't typically reference any particular political candidate.

Rather, the company's review found that the ads focused on "amplifying divisive social and political messages across the ideological spectrum—touching on topics from LGBT matters to race issues to immigration to gun rights."

Facebook officials provided their findings to House and Senate investigators looking into Russian interference in the presidential election, according to people familiar with the matter.

For months, congressional investigators have been probing potential links between Russian actors and the Trump presidential campaign's efforts to direct messages and ads to

key voters.

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IN DEPTH

HARVEY

Continued from Page One
million people, has an economy roughly the size of Sweden's and is home to more Fortune 500 companies than any U.S. metropolis except New York.

Harvey's record-setting floods, which have damaged or destroyed more than 300,000 homes in southeast Texas, disrupted lives here on a scale seldom before seen in the U.S., affecting executives and laborers alike. The scale of the problem is testing CEOs, who see themselves as caretakers for their workers in and out of the office and as civic and community leaders in times of crisis.

Managers said they are focused primarily on giving staff the time and help they need to take care of their homes and families and cope with deep personal loss.

For now, the interests of employers and employees are aligned—both want to get their lives in order and get back to work. In the long run, their interests may diverge, if costs become intolerable. Companies will face pressure to get back to full strength to meet business targets to satisfy customers and shareholders, economists and analysts said. Missteps could harm corporate images.

It is a dilemma more bosses may soon face as a second major storm, Hurricane Irma, threatens to slam into the Southeastern U.S. coastline this weekend.

The assistance companies are committing to flooded employees could be one of their biggest costs as they scramble to get back to work. Many businesses estimated that plants and refineries will be back to 100% in weeks but that it will be months before employees are.

An informal poll by the Greater Houston Partnership, the regional chamber of commerce, found that the typical company had 10% to 11% of employees with homes substantially affected by flooding.

"That's a very high level of impact that's hard to really make the office function as you'd like," said Bob Harvey, the partnership's chief executive. Companies in some heavily flooded areas, such as oil and gas producer ConocoPhillips, were opting to keep main offices closed until next week.

Productivity could drop 10% in the Gulf Coast region for at least the next two months, which would cause a \$3 billion reduction in economic output, said Ray Perryman, a Texas economist and forecaster based in Waco.

Covestro, a maker of raw materials for adhesives, polyurethanes and other chemicals spun off from the pharmaceutical giant Bayer AG in 2015, estimated 15% of its more than 1,000 Houston-area staff were hit by flooding.

Company managers assigned flooded employees a



Chemicals maker Covestro AG is helping Jill and Javan Williamson, an employee, recover from Harvey. Covestro employee Dennis Hullum, below, is helping repair the Willamsons' home in Baytown, Texas, after the storm flooded the neighborhood.

score to determine how much assistance to provide: Level 1 meant minor home damage and an estimated recovery time of less than a month; Level 2 indicated recovery could take up to three months and that some temporary housing was required; and Level 3 signified total losses or major home damage and as much as six months of recovery and shelter were needed. Of the roughly 150 employees who sustained damage, more than 60 were either Level 2 or 3.

"All the stuff we're doing in the first couple of weeks, those are, in a way, the easier things," Mr. MacCleary said. "It's the longer term that's tougher."

Three miles from Covestro's Baytown plant, a team of company employees worked Wednesday to finish stripping the inside of co-worker Javan Williamson's three-bedroom home down to its studs—it had been flooded to 5 feet.

Water covered the SUV in the garage and set the back-yard deck afloat like a raft, saving the two dogs that had been left behind when Mr. Williamson—expecting only a few

'What we got was a lot of good will and a lot of cohesion and loyalty.'

inches of flooding—moved his pregnant wife and two small daughters to a friend's house for what he thought would be the night. A co-worker, Brett Ward, later waded with him through waist-high water to rescue the dogs.

On Wednesday, the family's ruined belongings—nearly all of them—were piled high on the sidewalk around the house: a couch, a mirror, various toys.



Mr. Williamson's wife, Jill, said the couple's wedding photos were a total loss, but some snapshots of the children would dry.

Covestro also lent the Willamsons a car and is arranging a furnished apartment for the family for three months.

"I never thought a company I work for would be so willing to put out these types of resources," Mr. Williamson said. "Allowing me to be off work and not worrying about my job is absolutely critical."

Companies now tending to their employees are likely in for a long haul.

Paul Kusserow, CEO of Amedisys Inc., a home health-care company based in Baton Rouge, La., said it has taken until now for the company to recover fully from catastrophic floods last year that left a quarter of its 400 employees with flooded homes and properties.

Mr. Kusserow estimated the company has spent "well into the millions" of dollars in housing, cash, counseling and other aid for displaced employees, plus countless hours helping them negotiate with insurers, purchasing supplies

and finding quality contractors to rebuild workers' homes.

"Even if it's not a question of economics, you as an employer get so much in return," he said. "What we got was a lot of good will and a lot of cohesion and loyalty."

He said he believes the effort is one reason the company's turnover rate has fallen to about 18% from the low-30% range before the floods.

Amedisys never hit a point where it considered pulling back and didn't feel pressure from investors to rein in spending, he said. "Our board wrote checks, and I expected them to write checks," Mr. Kusserow said.

He said he has gotten calls from companies in Houston and Florida asking for advice in building their own employee-recovery plans. "It ain't that tough. You just got to give," he said.

As Harvey inundated Occidental Petroleum Corp.'s Houston-area facilities with several feet of water, CEO Vicki Hollub tracked the whereabouts of the roughly 3,000 company employees in the storm's path using a company app and spreadsheet—and called and texted some herself, along with other company leaders. Ms. Hollub knows many of the workers personally because she came up through the ranks of the company.

"I would see names missing," said Ms. Hollub, adding, "We were trying to make sure we hadn't missed anybody."

All staff were eventually accounted for.

The company estimates more than 400 employees had to evacuate their homes, and about half of those suffered damage.

"If employees are stressed about their personal situation, they can't really do a good job, and we wouldn't expect them to," Ms. Hollub said.

BP PLC, which has 5,000 employees in Houston, shut down its corporate campus after its main office tower flooded. BP temporarily moved part of its wind business unit to Barber County, Kan., and many oil and gas employees are working remotely from home. It has a plan over the coming weeks to get about 60% of its Houston crew into shared workspace in its build-

ings that didn't flood.

As he waded through waist-deep water around BP's corporate campus last week, John Mingé, president of BP America, said he realized it isn't just desks and cubicles that were swamped, but the company's expansive day-care center, too. About 300 children are cared for from early in the morning until the end of the workday.

"This is going to create stress, and we'll have to work through it," he said, referring to working parents who counted on campus child care.

At Exxon Mobil, which has about 23,000 employees in Texas and Louisiana, senior executives held a conference call each day with about 50 people keeping tabs on the status of Exxon business units and personnel, said Steve Hart, vice president of global logistics and leader of Exxon's relief effort.

Mr. Hart and his team also guided operational priorities such as the refinery shutdowns and startups. He said he realized only later that some people on the calls coordinating the recovery were trying to manage their own flooded homes.

Some had moved in with co-workers and quietly kept doing their jobs. "They look at this as their role," Mr. Hart said. "They know that this is what they need to do."

Reno Castillo, an Exxon instrument specialist, was among a large crew of critical employees that stayed at the Baytown refining and chemical complex and helped safely shut it down during the storm.

He and others were stuck at the plant for days after floodwaters cut off access. He eventually got home—traveling at one point on a friend's bass boat—where his house was also flooded with 2 feet of water. Exxon hired a crew to rip out drywall and clean up—one of more than 100 contractors the company has mobilized to help employees.

In less than a week, his home was ready to start renovations, and by Tuesday he was able to get back to work on the turbines in the Baytown plant.

"They were trying to get my life back in order as quickly as possible," he said.

Once people get back to work, "their attention is going to be divided," said Curt Ross, a managing director in the Houston office of recruiting and consulting firm Russell Reynolds Associates. "These people are going to be talking to insurance companies and adjusters and contractors for months." He estimated it could be six months before workers return to full productivity.

"Given that people will need time off...absenteeism is likely to be a drain on productivity," said Mr. Perryman, the economist. "Perhaps an even greater concern will be 'presenteeism,' where workers are physically present but preoccupied with family and property concerns."

—Bradley Olson contributed to this article.

NEWS

Continued from Page One
Francis Bacon. The copy editor was Lawrence Breed, known as Ember, a 77-year-old renowned Silicon Valley computer programmer. "I always wanted to be a pressman and I never got around to it," he said.

Black Rock City, the alien-like village in the barren Nevada desert that draws about 70,000 festivalgoers each August, is a fully functioning temporary town with post offices, hospitals, a library, a gas station and a department of public works. One thing it lacks, however, is reliable connectivity.

The tech entrepreneurs who flock to Burning Man have fueled the digital revolution that is sapping the dead-tree newspaper industry. But here, they have restored the same conditions that drove the heyday of the printed press.

Burning Man doesn't have just one newspaper, but two—and they're engaged in an old-fashioned rivalry.

Adrian Roberts, editor of the alternative BRC Weekly, said, "Two newspapers are distributed [at Burning Man]. Only one is worth reading." Ron Garmon, a Los Angeles music critic dubbed Rockstar who is a reporter for the near-daily hard-news publication, the Beacon, fired back that BRC Weekly "is like a gossip column written by a 70-year-old blue-haired lady." For the record,



Beacon President Alexandra Davies and editor Mitch Martin lay out the next day's paper in a trailer.

both journalists have pink hair.

Burning Man co-founder Michael Mikel, a 73-year-old technology futurist known here as Danger Ranger, started the first Burning Man newspaper in 1992 and believes print journalism still has a long future in Black Rock City. "There's something about being in camp and getting that piece of paper," he said. "A naked person rides up to camp, hands you a newspaper out of their bike basket, and I think that is so cool."

Black Rock Beacon reporters work on 17-year-old Mac PowerBook G3 laptops that can withstand the extreme conditions. Without reliable phone service, reporters have to find their subjects in person, often leaving messages with dazed campmates or tap-

ing notes to RV doors.

Editors struggle, too, with distractions like massive art installations, trampolines and open bars on every street. "You send a reporter out on a story, and they see a shiny object and you never see them again," said Beacon Editor Mitch Martin, 59, a former International Herald Tribune editor who has been reporting at Burning Man since 2000.

The Beacon, he says, "is the last newspaper job I'm going to be able to get."

BRC Weekly shortcuts the technical hurdles of producing a newspaper in the desert by putting it together before the event. BRC Weekly printed 25,000 copies of its single edition. This year's cover shouted "The Six Types of People Who

Will Ruin Burning Man Just By Being Here."

This year, the officials who run Burning Man gave away the Beacon's prime downtown location—to BRC Weekly.

Burning Man draws tech eminences who have included serial entrepreneur Elon Musk and Google co-founders Larry Page and Sergey Brin, as well as a crowd of so-called Burners, many of whom shed their clothes and engage in intense revelry.

The Beacon publishes a spectrum of stories, from practical items, such as the sunrise schedule and arrest reports, to lighter fare, like a survey of whether attendees preferred bacon or pie. It also does serious journalism, such as reporting on a man who ran

into the event's ceremonial fire this year, just hours after it happened. Sticking with Burning Man's ban on commerce—except sales of ice and coffee—the papers are free and lack advertising. Donations, including from the staff, fund the paper.

Mr. Martin dispatched a reliable reporter—Gayle "Curious" Early—to find out why much of the mail sent to Burning Man last year was returned. Ms. Early, a 52-year-old freelance journalist from La Mesa, Calif., spent the day reporting in boots, a dusty cowboy hat, polka-dot hot pants and a sheer top.

Black Rock City is laid out like a clock, with its own ad hoc post offices at 3:00, 6:00 and 9:00. At the 3:00 post office—designed like a giant mailbox with a DJ on the roof—Burning Man attendees who volunteer there told Ms. Early an influx of packages overwhelmed the actual U.S. post office nearby. After gathering some scuttlebutt about the other faux post offices, she hopped on the white fury seat of her bike to set out for the 6:00 post office.

There, her story hit a snag. An assistant on duty while the bosses were away said, "I'm not saying a word." Ms. Early then faced a dilemma: Head back to her tent to make deadline or bike across the desert city to hear from the 9:00 office. She kept pedaling.

However, at her final stop, she found only a 21-year-old Russian jewelry saleswoman

from New York attending her first Burning Man. The saleswoman didn't have any information, but did offer plenty of free postcards.

Ms. Early returned to the Beacon just before deadline, and Mr. Martin agreed to hold the story until Saturday. He and another editor huddled in a cramped trailer to lay out the paper on newer computers that they stored in oversize Ziploc bags to protect them from the elements. They communicated via whispers while the trailer's owners napped.

In past years, Mr. Martin and other staffers drove three hours by car to deliver a thumb drive with the next day's paper to a Reno, Nev., printing plant. This year, they secured an internet connection at another camp, a sign of technology's increasing creep into the remote event. (The Beacon's digital presence is limited to a website with PDFs of previous years' editions.)

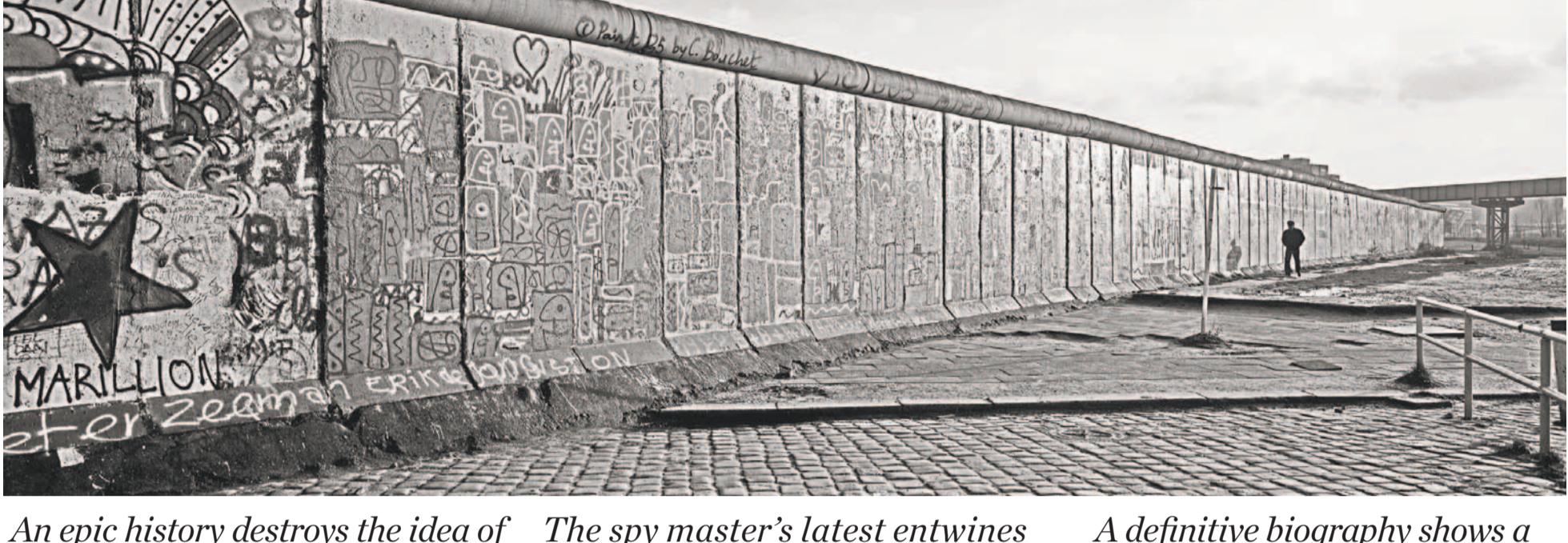
The Beacon printed 17,000 copies across five editions last week. Editors picked up each edition in a storage locker in a nearly deserted mining town nearby.

Adult paperboys and papergirls then made the rounds via bicycle. Ms. Early's husband, Dr. Charlie Hamori, was one of them, and he gathered gifts from readers along the way. One day's haul included two necklaces, a snow cone, an Old Fashioned cocktail and a piece of Hungarian cake. "This is the best paper route ever," he said.

BOOKS

'From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent.' —Winston Churchill

A World That Came In From the Cold



JOSEF KOUDELKA/MAGNUM PHOTOS

An epic history destroys the idea of a single global ideological battle

BY PAUL KENNEDY

HOW DO YOU MEASURE the shape of that historically most important happening, the Cold War? That's not a trick question, and the matter is much more complicated than you might first suppose.

Was it simply a zero-sum struggle between the two greatest of the world powers that had emerged victorious from World War II—America and Russia—leading to an international rivalry scarier than all previous ones because of the existence of nuclear weapons? Was it a tussle that waxed and waned from, say, the Yalta Conference of 1945 until the collapse of the U.S.S.R. in 1991—and then it was all over? Or was it even more than that, perhaps an in-

tense segment of the giant ideological struggle that has been waged between Western liberalism and its ideological foes since the coming of those twin drivers of modernity, the Enlightenment and the Industrial Revolution?

Was the Cold War essentially a European "thing," founded in the chaos of the post-world-war wreckages, and ended when Moscow could no longer control its European satellites? Or was it more and more a global event, one that knew no continental boundaries?

In sum, when a scholar writes about it, what should he put in, and what, if anything, can be left out? An explosion of newly opened state archives everywhere, plus thousands and thousands of specialist studies and revealing autobiographies published in the past quarter-century makes even keeping up with all the new facts a difficult task. Pity the scholar, then, who has the temerity to attempt a grand synthetic study within the confines of a single volume, even a very hefty volume like Odd Arne Westad's "The Cold War: A World History."

Mr. Westad, a professor of history and of U.S.-Asia relations at Harvard University, is the author of several books on modern international history, including his best-selling study of China's foreign policy, "Restless Empire." His epic account—there are 630 pages of text, all admirably fluent—is basically chronological and therefore easy for a reader to follow.

But there are also many parallel narratives as his analysis of international politics since World War II grows more and more global. Thus, a chapter on the Cold War and Latin America is neatly sandwiched between a chapter on Vietnam and another on Brezhnev's crumbling domestic scene. The chapter about the Cold War and India is followed by one on Middle East convulsions. There are truly fine stories in each; the pages on the crushing of the Hungarian Uprising of 1956, for example, though few in number (there are only about five), are quite gripping.

"When the main building of the hated security services was finally occupied," the author writes, "the revolutionaries showed no mercy: 'Six young officers came out, one very good-looking. Their

When, really, did this giant contest between Moscow and Washington end—or did it truly end at all? Communism may have receded, but the regional flashpoints remain the same.

shoulder boards were torn off. They wore no hats. They had a quick argument. 'We're not so bad as you think we are. Give us a chance,' they were saying.... Suddenly one began to fold; they were going down the way you'd cut corn. Very gracefully. They folded up smoothly, in slow motion. And when they were on the ground the rebels were still loading lead into them.'

One reason Mr. Westad's narrative is so strong is its use of fresh archival sources from across the globe. The author continues the multilingual, multiarchival research for which he is known. The publishers have, alas, chosen not to include an alphabetical list of archival sources (which doesn't help a professional scholar wanting to follow in the author's footsteps), but I kept circling references to items in depositories like the following: "Records of the German Foreign Office," "Churchill College Archives," "Foreign Policy Archive of the Russian Federation," "Eisenhower Library," "National Archives of India, New Delhi," "John F. Kennedy Library Archives," "National Archives of Egypt, Cairo" . . . and on. The author traveled the world to write this "world history."

This is important because all these citations bring something new, or at least confirm in a much better way what scholars suspected about policy makers and policy. Thus, a reference by Mr. Westad to an Indian archives source brings us to a March 1969 document from India's ministry of foreign affairs, showing Prime Minister Indira Gandhi's deep suspicion of both superpowers and her determination to pick India's own best course between them. When readers get to see the maneuvers and ambitions of the Indians—and along with them the Vietnamese, Egyptians, Brazilians, Saudis, Poles (let alone de Gaulle or the Communist Chinese)—they may realize how contrived the term "bi-polar" really was when used to describe the world of 50 years ago. It suggests that international politics consisted of lots and lots of atomlike nation-states rotating around two fixed poles of Washington and Moscow. In Mr. Westad's nuanced account, nothing

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The spy master's latest entwines today's world with a lost one

BY HENRY HEMMING

A FORMER MI6 OFFICER told me that, back in his day, the job of persuading someone to become a British spy was occasionally made easier by two imaginary men. One was James Bond, the other George Smiley. The enduring appeal of Bond, he went on, encouraged potential recruits to think that working for MI6 would be glamorous and fun. Smiley's character, on the other hand, gave the MI6 officer himself a certain mystique, suggesting a rich hinterland. So the current generation of British spooks may be pleased to know that after a long absence George Smiley, John le Carré's best-known literary creation, is back.

"A Legacy of Spies" is Mr. le Carré's 24th novel in a career spanning six decades. As he once wrote, regretfully, there is no longer in the publishing world such a thing as a "small" le Carré book," nor has there been since

the break-out success of his third novel, published in 1963, "The Spy Who Came In From the Cold." That book changed his life. It turned him into a brand-name author, effectively ended his MI6 career and, at a stroke, transformed our expectations of the spy novel. It is "The Spy" to which Mr. le Carré now daringly returns.

Our narrator is Peter Guillam, Smiley's former protégé and bagman, who is seeing out his dotage on an idyllic farmstead in Brittany when a letter summons him on a matter "of some urgency" to the headquarters of his former employer, "the Circus." In London, Guillam is installed in Dolphin Square (the same apartment block used as a base by the man Mr. le Carré reported to early in his own intelligence career) and begins to be grilled about his role in "Operation Windfall."

This was an elaborate scheme—dreamed up 50 years earlier by Smiley and his boss, Control—in which a British agent and his former lover, sent to East Germany, were to bring down a senior figure in the Stasi. Unknown to the agents, Windfall was designed to protect its apparent target, a British double agent.

A letter summons a retired agent back to 'the Circus,' and what starts as an inquiry into the events of le Carré's most famous novel becomes 'a night-time journey of the soul.'

Except the plan went wrong, and the two Britons involved were shot as they crossed the Berlin Wall.

This is of course the plot of "The Spy," in which Alec Leamas and Liz Gold unwittingly frame Stasi officer Josef Fiedler. Half a century later, as explained by a young Circus lawyer, the delightfully named Bunny, all bluster and false bonhomie, they are all "faced with the ludicrous Shakespearean premise whereby the ghosts of two victims of a fiendish Circus plot rise up to accuse us in the form of their offspring." The children of Leamas and Gold want to take legal action against the Circus and all those who sailed in the not-so-good ship Windfall, including Peter Guillam.

There follows "a night-time journey of the soul" as Guillam begins to pick through old Windfall files. The action cuts deftly between the investigation (although never stated, the year is roughly 2010) and Windfall itself, which takes us back to the old Circus in its rickety prime. The historical thread is made up of documents such as agent reports, handler reports, transcripts of conversations, personal letters and initialed minutes of emergency meetings, a device that works superbly.

These texts feel fastidiously authentic, down to the inclusion of prosaic details, such as an aside on the parlous state of an embassy safe room's air-conditioning unit. "Anyone using the place just stews and suffocates," one junior diplomat writes in the middle of a nerve-racking account of an agent exfiltration.

In the present day, Guillam begins to be shadowed around London by a potential litigant, and he decides to track down Smiley. Guillam's interrogation by Circus lawyers becomes more hostile as they look to work out if he has slept with a vulnerable British agent. We then discover that Guillam, Smiley and Control concealed Windfall's most controversial detail—the twist at the end of "The Spy"—namely, that the operation was designed to protect a murderous British spy. Much of the rest of the book is taken up with Guillam's attempts to keep this detail from the lawyers.

Superficially at least, this is a tale of one generation passing judgment on another but without understanding the context. "The historic blame game," as one character puts it. "Today's blameless generation versus your guilty one." This element of the book is undermined slightly by the blunt characterization of the young Circus staff. "I'm a lawyer. Right?" one of them declares improbably. "A pretty f—ing good one." The new guard is ignorant, disrespectful, brash, overly familiar and full of hubris, so it comes as little surprise when the old-timers start to run rings around them.

Yet this does not distract from the novel's agile examination of its meatier questions: How much collateral damage can be justified by the need to protect a source? What are the implications of our

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A definitive biography shows a Soviet leader changing his mind

BY MAX BOOT

FEW FIGURES in the post-1945 world have had as much success in transforming the world as Mikhail Gorbachev—or been as frustrated with the consequences.

He took over as the leader of the Soviet Union in 1985, inheriting the anachronistic title of general secretary of the Central Committee of the Communist Party along with the creaky infrastructure of a totalitarian state. Private property did not exist. Dissent was outlawed. The Cold War was raging. Eastern Europe was ruled by Soviet satraps. Soviet troops were fighting in Afghanistan.

By the time he left office, at the end of 1991, the Berlin Wall had fallen, the Cold War was over, the Communist Party was no longer in control and the Soviet Union had ceased to exist. Russia, its largest republic, was embarked on an experiment in free-market democracy. By then Mr. Gorbachev had won the Nobel Peace Prize and the adulation of the world. But he was widely reviled at home for leading his country to chaos. Although he fended off a hard-line coup in 1991, he was forced to cede power to his hated rival, Boris Yeltsin, and then watch as Yeltsin's successor, Vladimir Putin, destroyed the vestiges of Russian democracy.

What makes this odyssey all the more stunning is that it had not been forced on Mr. Gorbachev. True, the U.S.S.R. was rundown and impoverished when he took over. It was losing a high-tech arms race, struggling to feed its own people and facing greater pressure from a more assertive America led by Ronald Reagan. But as the examples of North Korea and Cuba demonstrate, even decrepit dictatorships can survive for decades. Continuing repression was a real option but one that Mr. Gorbachev never seriously entertained, because by the time he took power he was no longer a Communist true believer but, rather, a European-style social democrat.

How did a closet liberal rise to supreme power in a state created by Lenin and Stalin? William Taubman, an emeritus professor at Amherst and the author of a Pulitzer Prize-winning biography of Khrushchev, is superbly qualified to answer that question. With "Gorbachev: His Life and Times," he delivers a meticulously researched, clear-eyed volume that will undoubtedly stand for years as the definitive account of the Soviet Union's last ruler. His biography is not a thing of literary beauty, but it is reliable and judicious, admiring but never hagiographical.

Mr. Gorbachev was born in 1931 in the village of Privolnoe in Russia's North Caucasus region. His childhood was hardly placid. As Mr. Taubman notes: "Stalin's Great Terror of the 1930s swept up both of Gorbachev's grandfathers: his

Like many other revolutionaries, the man who introduced *glasnost* lost control of the changes he begat. Gorbachev's attempts to reform the Communist system destroyed it.

mother's father arrested in 1934, his other grandfather in 1937. Then on June 22, 1941, the Nazis invaded the USSR, occupying Gorbachev's village for four and a half months in 1942. Famine struck again in 1944 and 1946. And following the war, when the Soviet people hoped for a better life at long last, Stalin cracked down again, forcing them to sacrifice once more for the glorious future that Communism promised but never delivered."

The horrors of Stalinism and World War II left a profound mark on young Mikhail, fostering a lifelong aversion to political repression and military conflict. Yet somehow he emerged from his seemingly horrific upbringing as a happy, optimistic, self-confident fellow. He was lucky that his grandfathers survived the Gulag and that his father survived his military service during the war, even if a false report, in the summer of 1944, announced that he had been killed in action.

Mr. Gorbachev was smart and diligent, and he was blessed with a good education denied to his peasant parents. He became a star pupil at his local schools and then later at the Soviet Union's premier college, Moscow State University. His path was smoothed by his coming from the perfect Bolshevik background. One of his grandfathers chaired a collective farm, and Mikhail himself became a leader in the Komsomol, the Communist youth organization, and won the Red Labor Banner in 1949 "for helping his combine-driver father break harvesting records."

At Moscow State, which he entered in 1950, Mr. Gorbachev became close friends with Zdenek Mlynar, a Czech student who would go on to become the chief ideologist of the Prague Spring in 1968. The two men influenced each other as they lost faith in Stalinism and adopted a more humane creed that later became known as "socialism with a human face."

Mr. Gorbachev was a serious undergraduate with little time

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BOOKS

'Sometimes, the world don't give you what you need, no matter how hard you look. Sometimes, it withholds.' —Jesmyn Ward

FICTION CHRONICLE: SAM SACKS

Communing With Spirits



WHILE DISCUSSING the supernatural elements of her novel "Beloved" in a 1992 interview, Toni Morrison remarked,

"No matter what anybody says we all know that there are ghosts." But do we? If by ghosts we mean the Gothic variety of table-tipping poltergeists, then no, probably not. But if we broaden the definition to refer to specters from the past that haunt the living, then surely we're all believers. These are the ghosts that roam through Ms. Morrison's novels—historical memories granted form.

They are familiar spirits in today's fiction as well. In Hari Kunzru's recent "White Tears," the vengeful ghost of a 1920s bluesman inhabits a white 21st-century audiophile. And in Jesmyn Ward's "Sing, Unburied, Sing" (Scribner, 289 pages, \$26), modern-day Mississippi is visited by the restless phantoms of men victimized by unanswered racial injustice.

Like Ms. Ward's 2012 National Book Award winner, "Salvage the Bones," the novel begins in the fictional coastal town of Bois Sauvage, where Jojo, age 13, and his infant sister, Kayla, live with their devoted grandparents. Jojo's father, a white man named Michael, is in prison in the north of the state for dealing meth, and his mother, Leonie, shows up erratically to spray insults that "gathered and lodged like grit in a skinned knee." But when the novel opens, Michael has been issued parole and Leonie arrives with a bartender friend to fetch the kids and pick him up.

The road trip to and from the prison, tenuously likened to the journey in "The Odyssey," serves to bolster Leonie's credentials as the world's worst mother, as she neglects to feed her children or give Kayla proper medicine for a stomach virus, and at one point she swallows an entire baggie of crystal meth so that a state trooper doesn't see it. It's difficult to reconcile the meanness of her behavior with the writerly sophistication of her interior monologue (peaking at Jojo she notices "the mow of his lips, the low eyebrows"), and readers aren't alone in being nonplussed. Leonie is accompanied by the ghost of her brother Given, who was murdered by a cousin of Michael's and who seems to sit in silent judgment of her



GETTY IMAGES

marriage and the drug habit she nurtures to achieve forgetfulness.

Jojo has visions, too. It happens that over half a century earlier his grandfather was locked up in the same prison as Michael. There he befriended a teenager named Richie, one of countless innocent black men hounded to death in the work camps. The story splices a flashback to the episode into Richie's purgatorial appeals to Jojo for some understanding of his demise. The forgotten dead, Ms. Ward writes, are doomed to stay behind and wander, "wanting peace the way a thirsty man seeks water."

Haunted by these spirits, the living also seem lost and unmoored, "crying loose" in an age of perpetuated iniquity. Though provocative on their own, these vagrant personal dramas don't hook together into a coherent pattern. Yet one relationship feels powerfully developed. Jojo has looked after Kayla since her birth and their connection is bone deep, beyond language. He alone knows where he's needed and where he belongs.

Like George Saunders's recent best seller "Lincoln in the Bardo," Italian writer Antonio Tabucchi's posthumous novel "For Isabel" (Archipelago, 140 pages, \$16) derives its ideas about the dead from

the tenets of Eastern spirituality. The narrator is the Polish-Portuguese poet Tadeus Slowacki and the story traces his search for a childhood love, a student radical who disappeared after being arrested in Lisbon during

A trio of novels in which ghosts—or 'memories granted form'—haunt and guide the living.

the dictatorship of António de Oliveira Salazar. His investigation takes him from Portugal to Macau to the Swiss Alps as he elicits the testimonies of a chain of enigmatic characters who came into contact with Isabel, including a prison guard, the priest of a leper colony and an opium-addicted poet.

The story's procedural structure rather pleasingly echoes an episode of "Law and Order." But to Tadeus the encounters represent the concentric circles on a mandala, a symbol of wholeness in Indian philosophy. By following these rings toward the obscured figure at the center, he hopes "to give some meaning to [Isabel's] life, and to my rest."

What does he mean by his rest? In Tabucchi's 1991 novel "Requiem," Tadeus is introduced as a name on a tombstone, and there are eerie glimmers throughout "For Isabel" that he is carrying out his search in a plane of the afterlife peopled by the remorseful wraiths of both those who opposed and were complicit with the Salazar regime. But whether its setting is real or supernatural, this tantalizing, quicksilver novel, subtly translated by Elizabeth Harris, illuminates a soul in transit, yearning to complete the story that will release him from his suffering.

Contrary to what you might guess from its title, Brendan Mathews's "The World of Tomorrow" (Little, Brown, 552 pages, \$28) takes place against the backdrop of the 1939 New York World's Fair. It views its teeming cast of characters as though from the observation deck of one of the city skyscrapers that seem to "burst from the pages of a comic book." Included in the panorama are an immigrant grant photographer, a Harlem jazz musician, a bigwig Bronx politico, the marriageable heiress to a robber baron and an IRA terrorist hiding overseas and scheming one last strike against the British crown.

The entertaining if at times exhaustingly madcap tale centers on the Dempsey brothers. Francis and Michael have fled Ireland with a bundle of the IRA's funds after surviving an accidental explosion in one of the organization's safe houses. Disguised as Scottish nobility and staying in style at the Plaza Hotel, Francis tracks down their brother Martin, who's been in the metropolis for a decade building his reputation as a musician. But before long Francis is collared by an IRA tough and blackmailed into taking part in a crazy plot to assassinate the King of England when he attends the World's Fair.

A story this outsized would be incomplete if it only featured the living. Michael was badly wounded by the explosion in Ireland and in his shell-shocked state he is visited by the ghost of the mystic poet William Butler Yeats, who leads him on a quest through Manhattan for a fortune teller who will reveal the directives of the "spiritus mundi," "the universal memory that binds us all." Reveling in bold twists and fantastic coincidences, Mr. Mathews's big, expressive debut inhabits a world that's neither of the past nor the future but wholly of the imagination.

The New Le Carré

Continued from page A7
new obsession with historical crime?
Mr. le Carré even touches on Brexit, including an eloquent and heartfelt defense of a European identity.

"If I had a mission," explains one retired member of the Circus, "if I was ever aware of one beyond our business with the enemy, it was to Europe. If I was heartless, I was heartless for Europe. If I had an unattainable ideal, it was of leading Europe out of her darkness towards a new age of reason. I have it still."

We see two moral codes pitted against each other, present-day le Carré versus his younger self.

"A Legacy of Spies" offers, finally, the fascinating spectacle of a talented novelist casting a critical eye over his early masterpiece, marking it for style and moral substance. In "The Spy" and "Tinker Tailor Soldier Spy" (1974), Smiley frequently wrestles with the idea that the death of an innocent person could be seen as a necessary cost. There is a nod to this in "A Legacy of Spies" when Smiley is required to come up with an especially unalluring cover name and chooses "Ethics." Yet in late-period le Carré novels, particularly "A Delicate Truth" (2013), collateral damage is depicted as reprehensible, and unequivocally so. In this new book we see the two moral codes pitted against each other, present-day le Carré vs. his younger self, certainty against doubt, a struggle that continues right to the end.

Mr. le Carré once wrote that the early success of "The Spy" meant that his future "experimentations would have to take place in public," and he has never been content to sit in the same stylistic groove. Although there are moments when this book does not quite work, and though some readers will simply prefer "The Spy" or "Tinker Tailor," "A Legacy of Spies" deserves to be seen as a very different literary enterprise.

As well as being an inspired feat of plotting, it is the boldest and most inventive Smiley novel to date. It is also a finely wrought examination of one man's struggle to come to terms with his past.

Mr. Hemming is the author of "Agent M: The Lives and Spies of MI5's Maxwell Knight."

A Most Improbable Machine

The Chinese Typewriter

By Thomas S. Mullaney

MIT, 481 pages, \$34.95

BY PETER NEVILLE-HADLEY

'THE CHINESE TYPEWRITER: A History" sounds a highly implausible title for a book, perhaps invented as a comic example of extravagant dullness. The Western imagination has long considered the Chinese typewriter a fantastic, ridiculous or simply impossible device, probably as room-filling and keyboard-laden as a church organ, and it's the implausibility of the machine that leads to suspicion of the title. But in his perfectly serious study, Thomas S. Mullaney, a professor of Chinese history at Stanford, chronicles the invention of various entirely practical Chinese typewriters and narrates the lives of their long-forgotten inventors.

He allows himself to expound on the nature of written Chinese, the sound of typewriters (*gada gada gada* in Chinese), the consequences for typewriting of Japanese occupation of China, the encoding of Chinese for telegraph use, the feminization of the clerical workforce and much more.

This is all far from dull, but comedy survives in some of his self-consciously florid phrasemaking: "We will climb into the manholes, crawl spaces, and airshafts of Chinese," he promises, "exploring all of the complex and fascinating meaninglessness that makes meaning tick."

Mr. Mullaney has certainly left no architectural feature unexplored in his search for references. Actor Tom Selleck, author Bill Bryson and rapper MC Hammer all appear as promoters of the idea of a monstrous,

room-size machine—Mr. Selleck for his role in long-forgotten 1979 TV movie "The Chinese Typewriter."

Mr. Mullaney might also have sought out Wong Kar-wai's Palme d'Or-nominated "In the Mood for Love" (2000). In several scenes, actor Tony Leung, as journalist Chow Mo-wan, is seen seated at a real-world Chinese typewriter.

But then Western audiences might not have recognized the machine on the screen. One of Mr. Mullaney's key points is that a device for rapidly printing business correspondence did

Reimagining a Western technology for Chinese characters led inventors in all sorts of directions.

not have to have a keyboard or a carriage. But by the 1920s nearly all machines were of the single-keyboard-plus-shift-key variety, the Western imagination faltered and the evolution of the typewriter came to a halt.

It proved adaptable to foreign languages, even if extra "dead keys" had to be created so that an accent might be overtyped or if the carriage had to travel in the opposite direction, as for Arabic. But Arabic had to be adapted, with alternative forms of some letters abandoned so as to fit the standard number of keys. Chinese seemed immune to such adaptation, and its characters would perhaps have to be abandoned altogether.

Modernizers in early 20th-century China also felt that the unwieldy nature of its written language held the country back. Communist Party co-founder Chen Duxiu, writer Lu Xun and even Mao Zedong demanded ei-

ther a newly designed Chinese phonetic system or a wholesale adoption of Roman letters.

Mr. Mullaney quotes Lu Xun: "If Chinese characters are not exterminated, there can be no doubt that China will perish." But announcements of the death of the characters proved premature, and Mr. Mullaney claims that Chinese script is now "among the

thus many Chinese typewriters came to employ a standard set of around 2,500 common characters, grouped according to the frequency of their use. An arm with a pointer was moved over a table of characters to make a selection, and the press of a lever caused the corresponding type to be lifted and struck onto the paper. The result was a speed of per-



MIT PRESS

STRIKE HARD A Chinese propaganda poster from 1956.

fastest and most successful within our era of electronic writing." The 140 characters allowed by services like Twitter or its Chinese counterpart, Weibo, are enough for merely a slogan when using Roman letters, while 140 Chinese characters can make a meaning-filled mini-essay.

Fundamental to Chinese *amour propre* is the belief that the language is too difficult for foreigners, who will never master its complete set of characters. But no more than a handful of Chinese do that either. Missionaries working in China demonstrated that even the Confucian texts at the heart of Chinese education employed fewer than 3,000 different characters.

haps 20 characters a minute by those who had memorized the layout.

Typing speed eventually increased when typists were allowed to arrange their own type trays, putting frequently paired characters close together and in easier reach. The missionary inventors of early versions grouped the characters for Jesus (*ye* and *su*) together among the most commonly used characters. By the 1950s, Mr. Mullaney writes, the secretarial equivalents of model workers reached speeds of as much as 3,337 characters per hour (some 55 characters a minute) by grouping them together in radiating patterns with their common compounds,

such as those for "revolution" and "American imperialist."

Mr. Mullaney sees this as a fore-runner of the predictive techniques that make entering Chinese characters so easy in the digital age. As soon as the spelling of a character is begun using a Roman keyboard, digital devices suggest appropriate characters as well as the ones likely to follow.

Twice Nobel-nominated novelist Lin Yutang, who in the first half of the 20th century was America's favorite elucidator of the Chinese condition, did finally invent a machine that resembled the Western ideal of a typewriter. Characters were stored in whole or in parts on a set of intricately arranged drums and bars and assembled with combinations of keystrokes.

What Lin had developed was inputting rather than typing. "Mechanical Chinese typewriting became the doorway into new domains of information technology more properly called word processing and early computing," claims Mr. Mullaney.

So, far from being dull, the story of the Chinese typewriter turns out to be part of the early history of computing. Any dullness in the book arises from writing that is sometimes both as repetitive as typing and as leaden as type itself. Often an idea that's fresh and interesting but quite simple is labored over until it takes up a page and a half.

Mr. Mullaney closes with an extended advertisement for a second volume, to be the first history of Chinese computing. It may seem premature to say so before this further volume appears, but with a little editing a single book might have sufficed to "make meaning tick."

Mr. Neville-Hadley is a Vancouver-based writer.

BOOKS

'When the winds of change blow, some build walls and others build windmills.' —Chinese proverb

The Eastern Time Bomb

Asia's Reckoning

By Richard McGregor

Viking, 396 pages, \$28

BY ROBERT D. KAPLAN

OVER THE SPAN of the decades since World War II, the U.S. Navy has made Asia rich but not altogether stable. It was only the security guarantee provided by the U.S. Navy that allowed Asian countries not to fear one another and thus to concentrate on building their economies instead of their militaries.

The result has been the Asian economic miracle. Of course, Asians themselves have ascribed their success to "Asian values"—the emphasis on order and hierarchy embodied in the Confucian ethos. But "the region's peaceful postwar coexistence, far from being somehow organic to local political cultures," notes Richard McGregor in "Asia's Reckoning," "had been underwritten by the U.S. military."

Now the situation is changing. The rise of the Chinese navy and the arms race that it has set off across Asia have made the region's stability tenuous. "A single shot fired in anger" in the East China Sea (where China's claims face off against Japan's), or in some other zone of dispute, could send financial markets tumbling, Mr. McGregor notes, and affect "trade routes, manufacturing centers, and retail outlets on every continent."

A former Financial Times bureau chief in Beijing and Washington, Mr. McGregor has written a shrewd and knowing book about the relationship between China, Japan and America over the past half-century. Among much else, he shows how the world's top three economies are now imprisoned by increasingly unstable dynamics, and not only in the military realm.

Though Mr. McGregor has pored over archives to put together a hard-to-surpass narrative history of high diplomacy in Asia, the strength of his book is its old-fashioned journalism, in which empathy and explanation outweigh mere exposé.

Indeed, "Asia's Reckoning" has the aura of a "tour-ender," the kind of conspectus that foreign correspondents of a generation ago and further back would put together after they had finished a multiyear stint in some far-flung place. Here are insightful, detail-rich profiles of everyone from Zhou Enlai and Henry Kissinger to Kakuei Tanaka (Japan's prime minister in the early 1970s) and Jiang Zemin (China's leader from 1989 to 2002).

The centerpiece of "Asia's Reckoning," though, is the trilateral relationship, in which the U.S. "has its arsenal trained on China," a country that is, in turn, an existential menace to Japan, which, for its part, is arguably America's most important ally in the world.

"China is the key to Asia," Mr.



OLD WOUNDS Visitors at the Anti-Japanese War Museum of the Chinese People in Beijing.

McGregor writes, while "Japan is the key to China" and "the United States [is] the key to Japan." If a conflict is triggered at any point in this circuitry, the post-World War II system in Asia and elsewhere could disintegrate.

While culturally intertwined and geographically close, Mr. McGregor observes, China and Japan remain psychically remote, and Japan's affinity with Taiwan, China's nemesis, goes back to the late 19th century.

Nobody, he emphasizes, should underestimate Asia's ethnic animosities. China's current leader, Xi Jinping, in a meeting with President Barack Obama, denounced Japan in such strong terms that Mr. Obama had to remind him that Japan was an American ally. The old State Department hand Christopher Hill, with experience negotiating in both the Balkans and East Asia, once said after contentious discussions between the Japanese and South Koreans: "Give me the Bosnian Serbs any day!"

Economic development under China's overtly authoritarian system and Japan's officially democratic system (but one with covert authoritarian aspects) has done nothing to quell national hatreds arising from Japan's World War II crimes against humanity. In China, from popular culture up to the highest leaders, it is believed that Japan should serve a life sentence of humiliation for its wartime conduct.

In Japan, statements of remorse have been undermined by periodic visits of Japanese leaders to Tokyo's Yasukuni shrine, where the souls of the 14 Class A war criminals responsible for the vast barbarity against Chinese civilians in the 1930s and '40s are venerated along with 2.5 million others who died in Japan's wars.

Then there has been the tendency among Tokyo officials to play down the issue of the "comfort women" pressed

into sexual slavery by the Imperial Japanese Army in the territories it occupied. At the same time, though, China's behavior on these matters has been cynical in the extreme.

The Chinese pick apart Japanese statements of regret in order to appease right-wing elements inside China, undercut Japan diplomatically and mask the fact that Mao Zedong, though fiercely anti-Japanese, exploited the Japanese invasion to advance the Communist takeover in Beijing in 1949.

If a conflict is triggered at any point in East Asia, the entire postwar system could disintegrate.

Ethnic discord and the unresolved demons of the past have been slowly undermining the effects of democracy and middle-class prosperity across East Asia, even as the region becomes more geopolitically important and, as such, more troubling to the West.

In the 1980s, Mr. McGregor reminds us, "Japan, not China, was the emerging economic superpower" and thus instilled more fear in Washington than China did. America's economic battles with Japan back then were a "dress rehearsal" for America's strategic rivalry with China. In 1990, at the peak of Japan's economic bubble and just before the Soviet Union disintegrated, twice as many Americans saw Japan's economy as a greater threat to their interests than the Soviet military.

Since then, Japan has declined and China has risen. But the larger picture remains the same: American anxiety over Asian competition, a feeling that stems in part from the

threat posed by a value system that is based more on order and hierarchy than on mass democracy.

Mr. Obama's "pivot" to Asia was less an original strategic concept than something that would have happened decades ago, following the collapse of the Berlin Wall, had only Saddam Hussein's invasion of Kuwait, 9/11, and the Afghanistan and Iraq wars not intervened. In short, America had long wanted to pivot to the Pacific; it was the Middle East that didn't allow it.

Meanwhile, the Trump administration's withdrawal from the free-trade agreement known as the Trans-Pacific Partnership has weakened America's prestige in the region. The administration's action may constitute the greatest self-inflicted American blunder in Asia since the Vietnam War.

Asians are all about *trade* and *business* and thus are the ultimate realists. By leading them up to the altar of free trade and then abandoning them, the U.S. has shown itself to be unreliable—not longer a pillar of security.

Perhaps, as Mr. McGregor says, the principal calculation preventing China from going to war against Japan in the East China Sea or elsewhere is the fear that China might lose—a prospect so disastrous for China that it could result in regime change in Beijing and the end of the Chinese Communist Party. Clearly democracy and prosperity in the region have been insufficient to quell its tensions. Thus the U.S. military, principally the Navy, remains the most important factor in keeping the peace. And the U.S. Navy, as we know from recent mishaps at sea, is being stretched to the limit.

Mr. Kaplan is the author of "Asia's Cauldron." He is a senior fellow at the Center for a New American Security and a senior adviser at Eurasia Group.

A World History of the Cold War

Continued from page A7
seems further than the truth.

It is a commonplace in today's fractured world order to lament that "things were simpler during the Cold War," and to suggest that the U.S. in particular has lost the affection and support of so many countries and their publics across Europe, Asia, the Middle East, Africa and so on. Mr. Westad's more complicated narrative points again and again to how foreign governments were always selfish and calculating players, rarely if ever letting their ideological and cultural feelings for Washington or Moscow affect their own policy objectives. After all, both the U.S.S.R. and the U.S. could have chosen to pull back from Vietnam, Afghanistan, Central America or the Congo, while the Afghans and Congolese could not. The stakes were different, priorities were far higher and commitments greater.

Isn't there a lesson for us today? If the Cold War "ended" in November 1989 when the Berlin Wall fell, or in December 1991 when, amazingly, the then-leaders of Russia, Ukraine and Belarus hastily dissolved the Soviet Union, it ended only in the sense that it was a gigantic global football match that had been waged between two national teams. This shift definitely affected, say, the mutual workings of America and Russian military planners, their defense budgets and their allocations of troops abroad.

But the geopolitical changes may have meant much less in so many other parts of the globe that were deeply preoccupied by their own affairs—affairs that would go on, re-

gardless of what happened in Moscow or Washington. China would still rise, India would still stumble toward Great Power status, Arabs and Israelis would still fight, Afghan warlords would still resist foreign intruders, African states would still crumble, Belarus and Kazakhstan would still be in Moscow's spheres of influence, Latin American countries would still conduct their love-hate minuet toward the U.S.

The "end" of the Cold War neither caused any of these problems nor prevented them from occurring. Viewed like this, the period between 1945 and 1991 appears in retrospect more and more like some sort of chessboard configuration of particular "bi-polar rigidity" that itself was only reflective of a set of richly fractured regional and global events that had their own beginnings, convulsions and directions.

When, really, did this giant global contest between Moscow and Washington end—or did it end at all? In the months around 1988 and 1989, some of Mikhail Gorbachev's advisers used to tease their American counterparts by saying "We are going to do a terrible thing to you. We are going to deprive you of an enemy."

Would that we had all been so lucky. Would that a defeated Russia could have been integrated into the Western order in the way that post-Napoleonic France was after the Con-

least, as the polls show it) their nationalist strongman, Vladimir Putin.

Mr. Westad ends his book, elegantly, thoughtfully and briefly, in a mere 12-page afterward, "The World the Cold War Made," just after a chapter on the collapse of the Berlin Wall, East Germany and the Warsaw Pact.

But his conclusion is, perhaps, too brief, and this reviewer is surely not alone in thinking that much of the Cold War, not just in military and economic rivalries but also in ideological differences, has endured. On the same morning the publisher's proofs of "The Cold War: A World History" ar-



PARTNERS Ronald Reagan and Mikhail Gorbachev in 1987.

rived in my mailbox, I found myself perusing an article in this newspaper detailing Moscow's current efforts to make mischief in Syria, Libya, Egypt, the Persian Gulf, Venezuela, Turkey, the Baltic states and elsewhere. This systematic effort to undermine an American-based order and its many

global institutions and partnerships would seem very familiar to an experienced diplomat of the 1960s or 1980s.

"How Big Was the Cold War?" is easy to answer: It was huge, as this book demonstrates, not only because of the perilous stakes but also because of the size of the two main actors.

"How Deep Was the Cold War?" is also easy to answer, and Mr. Westad does that so very well, showing how it reached into so many places in

the world that were a long way from the Berlin Wall.

But "How Long Was the Cold War?" may be a question we are still not able to answer. Almost 30 years after the international political landscape crumbled, around the walls of Berlin, the dust still hasn't settled and the topography of the next world order remains out of sight.

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Mikhail Gorbachev

Continued from page A7

for frivolity or dating, but he was smitten by a comely and intelligent fellow student named Raisa Titarenko. His future wife (they married in 1953) thought of herself as an intellectual and went on to do graduate work in sociology. Their romance would be as contented and fulfilling as that of Nancy and Ronald Reagan, even though the insecure Nancy and the know-it-all Raisa could not stand each other.

After graduation, Raisa gave up hopes of an academic career to follow Mikhail back to his home region of Stavropol, where he rose rapidly within the ranks of the Communist Party. Mr. Gorbachev was smarter and harder-working, soberer and more honest than the other apparatchiks, and by 1970 he was party boss of the region. Ten years later, he became a full member of the Politburo, the senior decision-making body within the Soviet Union. Leonid Brezhnev was on his last legs; he died in 1982. His sickly successors, Yuri Andropov and Konstantin Chernenko, also died in short order. Younger and more energetic, Mr. Gorbachev was the natural next-in-line.

Two sickly predecessors died in short order, making young Gorbachev the natural next-in-line.

And so in 1985 he took absolute power and launched his twin initiatives of *perestroika* (restructuring) and *glasnost* (openness). The latter succeeded better than the former. Mr. Gorbachev could not make the Communist system more efficient, and he hesitated to introduce radical free-market reforms that would be opposed by hard-liners. But he had no hesitation about introducing free speech, releasing political prisoners and eventually holding free elections.

At the same time, Mr. Gorbachev pulled out of Afghanistan and cultivated Western leaders such as Margaret Thatcher and Ronald Reagan in a successful attempt to end the Cold War. His most crucial decision occurred in 1989, when he refused to use force to preserve the Communist regimes in Eastern Europe. His forbearance made it possible for Germany to be reunited and its neighbors to join the European Union and NATO.

Like many other revolutionaries, Mr. Gorbachev lost control of the changes he begat. His attempts to reform the Communist system destroyed it, and he ultimately proved better at back-room maneuvering within the Politburo than at winning support from the masses. (Running against Yeltsin, he received 0.5% of the vote in the 1996 presidential election.) But, Mr. Taubman argues, that does not make Mr. Gorbachev a failure: "By introducing free elections and creating parliamentary institutions, he laid the groundwork for democracy. It is more the fault of the raw material he worked with than of his own real shortcomings and mistakes that Russian democracy will take much longer to build than he thought."

That is a generous judgment—maybe overly generous, given that Russia has returned to autocracy under the former KGB agent Vladimir Putin. Perhaps Russia's dire straits, with an imploding economy overseen by a corrupt oligarchy, could have been avoided if Mr. Gorbachev had engineered a smoother transition from dictatorship to democracy, from communism to capitalism. But the dissolution of every great empire has been a messy, bloody business. By the standards of the Romans, Mongols, Manchus, Ottomans and Habsburgs, or even the more liberal French and British empires (whose ends caused bloodletting from India to Algeria), Mr. Gorbachev didn't do so badly. Mr. Taubman is persuasive in calling him "a tragic hero who deserves our understanding and admiration," even if it is a judgment that few of his countrymen share.

Mr. Boot is a senior fellow at the Council on Foreign Relations and author of "The Road Not Taken: Edward Lansdale and the American Tragedy in Vietnam," to be published by Liveright next year.

OPINION

REVIEW & OUTLOOK

Trump's Malaysia Swamp

A visit to the White House is a diplomatic plum that world leaders covet. So why is President Trump bestowing this honor on Malaysian Prime Minister Najib Razak, who jailed an opposition leader and is a suspect in a corruption scandal that spans the globe?

Mr. Najib will visit the White House next week for a presidential photo-op that could help him win the next general election and imperil Malaysia's democracy. Yet it isn't clear that Mr. Trump and U.S. Secretary of State Rex Tillerson are getting anything in return for associating with a leader their own Justice Department is investigating. This could set them up for a repeat of the way Mr. Najib humiliated Barack Obama.

Mr. Najib oversaw the creation of 1MDB, a state-owned fund that was supposed to attract foreign investment. The U.S. Justice Department alleges that the Prime Minister and his associates looted the fund of \$4.5 billion. The DOJ has filed civil lawsuits to freeze more than \$1.6 billion of assets allegedly stolen from the fund. Five other nations are also investigating, and Singapore has convicted five financiers of money laundering and fraud. Mr. Najib hasn't been charged and denies wrongdoing, and Malaysia's Attorney General cleared him.

Under Mr. Najib, Malaysian authorities also conducted a six-year prosecution against opposition leader and former Deputy Prime Minister Anwar Ibrahim on dubious charges of sodomy, for which he was sentenced to five years in prison. That legal farce helped Mr. Najib's party win a narrow victory in the 2013 election.

So how should the U.S. engage a troubled Malaysia? Mr. Obama cozied up to Mr. Najib

and chose to ignore the prosecution of Mr. Anwar when he made the first visit by a U.S. President in 60 years to Kuala Lumpur in April 2014. Eight months later, he invited Mr. Najib for a showy round of golf in Hawaii.

But that precedent isn't consistent with Mr. Trump's promise to "drain the swamp" of Washington politics. Two months after that golf round Mr. Anwar was jailed again. And shortly after Mr. Obama made nice with Mr. Najib, Frank White Jr., who served as co-chair of President Obama's re-election committee before becoming a lobbyist for Malaysia, sold a stake in a 1MDB-linked solar technology firm back to the fund for \$69 million.

The benefits of commuting with Mr. Najib aren't obvious. Perhaps Mr. Tillerson thinks Malaysia will help tighten the financial screws on North Korea, which has long used the country as a business hub.

But Mr. Najib isn't likely to stop his strategic drift toward China. Keeping 1MDB afloat will require cash infusions, and China, eager to help fellow authoritarian, can deploy its One Belt, One Road slush fund. Mr. Najib can then buy off the opposition and consolidate power.

If Malaysia slides into dictatorship, it will almost surely fall into Beijing's orbit. The U.S. relationship depends on Malaysia remaining a viable democracy. That's why helping Mr. Najib at this critical moment is a mistake.

Mr. Trump will be told that it's too late to cancel the meeting, but the U.S. can find a diplomatic excuse in Hurricane Harvey and Irma or congressional battles. Any embarrassment is better than giving a scandal-tainted leader a White House photo-op.

The Pelosi-Schumer-Trump Congress

The American people may think they elected a Republican government last November, but it's increasingly hard to tell. The latest evidence came Wednesday when President Trump accepted a Democratic offer to raise the federal debt ceiling for a mere three months in return for \$8 billion for Hurricane Harvey relief.

"We had a very good meeting with [Democratic leaders] Nancy Pelosi and Chuck Schumer. We agreed to a three-month extension on debt ceiling," Mr. Trump said Wednesday aboard Air Force One on his way to a rally in North Dakota.

"So we have an extension, which will go out to December 15. That will include the debt ceiling, that will include the CRs [to fund the government] and it will include Harvey—the amount of money to be determined, but it will include—because everyone is in favor obviously of taking care of that situation," he added. "So we all very much agree."

Ah, dogs and cats living together.

What really happened is that Mr. Trump overruled his Treasury Secretary and GOP leaders who wanted a debt-ceiling increase to run past the 2018 election. Mr. Trump instead gave Democrats exactly what they want, which is to set up an even steeper fiscal cliff on debt and spending in December when Republicans hope to be focusing on tax reform.

Republicans will now have to take at least two difficult votes to raise the debt ceiling, while Democratic leverage will increase when the day of reckoning comes. The chances of a government shutdown in December have now risen sharply, or at least they have if Mr. Trump wants to pass something with more than a few Republican votes.

Mr. Trump may not like GOP leaders Paul Ryan and Mitch McConnell, but is he trying to

elect Speaker Pelosi? As Nebraska Sen. Ben Sasse put it in a press release: "The Pelosi-Schumer-Trump deal is bad."

Part of the problem is that Congressional Republicans once again helped put themselves in this box. Congress can't let the U.S. default on its debt, so the majority party has to raise the debt ceiling

whether it likes it or not. The smart GOP play was to attach a long-term debt increase to some other must-pass legislation and get it over with. One and done.

In familiar self-defeating fashion, the usual House suspects refused, insisting that the debt ceiling get a stand-alone vote. House Freedom Caucus Chairman Mark Meadows and Republican Study Committee leader Mark Walker also claim to be miffed that the debt-limit increase won't include spending cuts.

Yet most of these same Members won't vote to raise the borrowing limit no matter what they're offered. They find the actual work of governance beneath their dignity. Their mutiny means that Mr. Ryan lacked a GOP majority to raise the debt ceiling, which meant he had to go hat in hand to Mrs. Pelosi for Democratic votes. She and Mr. Schumer came up with their three-month gambit, which Mr. Ryan immediately labeled "ridiculous" and "unworkable," only to be sandbagged by Mr. Trump.

This may all sound like inside baseball, but it's politically relevant because it illustrates the Republican inability to govern. The Senate killed health-care reform. The House can't pass a budget resolution that is essential for tax reform. Mr. Trump is sore that Republican leaders failed on health care, so he now undermines their fiscal strategy and all but hands the gavels to Democrats. Readers might take note and hold off on spending that tax cut.

Senate Democrats fired off a letter in July to HHS Secretary Tom Price condemning the "short-sighted" cut that "puts at risk the health and well-being of women and our most vulnerable youth." Remember this program has existed for a mere seven years. HHS's Office of Adolescent Health—there is such a thing—allowed grantees another year to wrap up projects.

The letter notes that the rate of teen pregnancy has dropped precipitously in recent decades, and the birth rate among 15- to 19-year-olds dipped to around 22 per 1,000 women in 2015, down from roughly 40 in 2007. Academics can debate the reasons for this good news, but everyone can agree no credit is owed to these HHS programs, which reach fewer than 1% of American teenagers. Zeroing out the program two years before the grants expire saves about \$200 million.

The Senate hasn't confirmed the assistant health secretary who would oversee such Title X grants, and President Trump's nominee is Texas pediatrician Brett Giroir. Sen. Patty Murray (D., Wa.) asked Mr. Giroir about the teen-pregnancy funding in his confirmation hearings. She later said she's "unconvinced" he would fight the Trump Administration's "ideological attacks on women," as if no one of good faith can disagree about the benefit of federal subsidies to teach 11- and 12-year-olds about sex when local sex-ed courses can already do the same.

Mr. Giroir deserves a prompt confirmation, and HHS deserves credit for allocating this public money to more productive uses.

Washington doesn't need to spend \$200 million on a failed sex-ed program.

The U.S. has virtually no economic or financial leverage over Pakistan. There are only 23 U.S. companies that are full members of the U.S.-Pakistan Business Council, which is virtually dormant.

I have served in Washington the past six years as an honorary invest-

The Republicans' Immigration Morass



WONDER LAND
By Daniel Henninger

After the Mayflower landed at Plymouth Rock in 1620, ships of people kept coming from Europe. As a result of this uncontrolled influx, the region's native tribes voted unanimously to pass the Immigration Control Act of 1632. As we know, it didn't work.

Fast-forward 354 years and the tribal council known as the U.S. Congress passed the Immigration Reform and Control Act of 1986. That one didn't work either.

There must be a lesson in here somewhere for President Trump, who tweeted a demand that Congress legislate a solution for the immigrant children called Dreamers. Don't bet on Congress getting the job done.

Immigration control has become modern America's version of Prohibition, which should have proved that some tides of human behavior are so strong that no legislation can shut them down. This is a truth normally associated with conservatives, except on immigration.

A conservative minority, citing the death of the culture and rule of law, has turned immigration into a political and legislative morass. An incomplete list of Congress's recent efforts to regulate illegal immigration includes the 1996 Illegal Immigration Reform and Immigration Responsibility Act, the 2002 Enhanced Security and Visa Reform Act, the 2002 Homeland Security Act, the 2004 Intelligence Reform and Prevention Act and the 2005 Real ID Act.

Until the late 19th century, the U.S. had virtually no controls on immigration. Still, the human animals resented incursions into their turf. Ethnic gangs slugged it out on city streets. You would be fired today if you say or write the slurs used then for Italians, Jews, Chinese, Poles, Hungarians, Slovaks, Irish, blacks or Germans. But somehow America boomed as immigrants flowed in from all over the world.

During World War II, with so many men away fighting the war, the nation's agriculture industry needed workers to get produce from the fields to market. Congress enacted the Bracero Program, which created temporary work permits, mainly for Mexicans—in effect, a guest-worker program. President Lyndon Johnson ended the program in 1965, which is the last time the U.S. had a system that allowed market demand to decide how many foreigners the economy needed.

Immigration—legal or illegal—is propelled everywhere almost entirely by economic forces as strong and inexorable as the currents of the sea. In America in the 1980s, two things happened simultaneously to create the current obsession with immigrants:

The Latin American debt crisis hammered the region's economies, most notably Mexico's; and Ronald Reagan's supply-side economics—tax cuts and deregulation—created a boom in the U.S., which extended through the Clinton presidency.

Two decades of U.S. economic vitality pulled workers out of floundering Latin American economies and into jobs here in agriculture, construction, fisheries, textiles, restaurants and hotels.

This great migration peaked and began to fall around 2005 as Mexico's economy stabilized. In other words, the only thing that will ever reduce immigration flows is jobs-producing economic policies in Latin and South America, which should be a self-interested U.S. policy priority, but isn't. Mr. Trump's threat to terminate the North

This issue has turned into a deadweight loss by the day.

American Free Trade Agreement would re-create the regional economic imbalances of the 1980s and guarantee a second great migration of illegal immigrants that no wall will stop.

The 800,000 so-called Dreamers are essentially bystanders to Congress's refusal since 1986 to allow 11 million stranded illegal immigrants to leave the U.S. when their jobs are over and come back if their help is needed.

Attorney General Jeff Sessions, announcing Tuesday that the Deferred Action for Childhood Arrivals program was being rescinded, said it had "denied jobs to hundreds of thousands of Americans."

I'm open to proof that American workers are willing to pack fish in Massachusetts, clean bathrooms at a Motel 6 in Georgia or tar roofs during the summer in Texas—at any wage. But I don't believe it. I don't believe Mr. Sessions and his allies would support a guest-worker program, such as the state-run visa program proposed by Wisconsin's Sen. Ron Johnson, to normalize the in-and-out flow of foreign workers and create an immigration law with any hope of compliance. They just want them out.

A Wall Street Journal/NBC News poll this week had 64% of respondents agreeing that "immigration strengthens the U.S." Even a plurality of rural voters agreed. Immigration is becoming a deadweight loss by the day for the Republican Party and conservative politics.

Most likely, the House's anti-immigrant members will make Republican-led DACA reform impossible. What an astonishing irony it will be to see people seeking a life in the private sector driven into the ranks of the public-sector Democrats.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

The Afghanistan Problem Begins in Pakistan

Your balanced editorial "Trump's Afghan Commitment" (Aug. 23) rightly points out that Donald Trump's most significant shift is the challenge to Pakistan. As many observers have stated, Pakistan is unlikely to modify its Afghan policy under threats, especially since it now has strong support from the second-most powerful country in the world—China.

For Pakistan, the boundary with Afghanistan, known as the Durand Line, is an almost existential issue. It was negotiated ("imposed," according to the Afghans) by the British in 1893 and was inherited by Pakistan in 1947. That line has never been recognized by Afghanistan, which claims the whole of Pakistan's Khyber Pakhtunkhwa province because its population is Pashtun, the largest ethnic group in Afghanistan.

Afghanistan was the only country to oppose Pakistan's United Nations membership in 1947. Even the Taliban, a Pakistani creation dependent on Pakistan for military and other vital support, has refused to recognize the line.

According to Ahmed Rashid in his book "Descent Into Chaos," Afghanistan's president at the time, Mohammed Najibullah, offered to recognize the Durand Line during the U.N.-led negotiations in the late 1980s, but Pakistan refused the offer. One possible reason for that is Pakistan would prefer to leave the border undefined so it can't be accused of violating an international border.

A lasting solution to the Afghan crisis won't be possible unless the boundary issue is settled to the satisfaction of both sides.

CHINMAYA GHAREKHAN

Scarsdale, N.Y.

Mr. Gharekhani is a former ambassador of India to the U.N.

ment counselor for the Pakistan Board of Investment, but in that time there has been no U.S. investment in Pakistan and not a single Pakistani or U.S. trade event, program or delegation either way, to or from Pakistan.

China is now the overwhelming economic lifeline for Pakistan. And frankly, few if any U.S. firms have or will choose to engage in the Pakistani market, preferring instead the five-times-larger Indian market.

CHARLES KESTENBAUM

Senior foreign service officer (Ret.)

Vienna, Va.

Mr. Trump might learn something from another leader who was mired in "the graveyard of empires." At a Nov. 13, 1986 Politburo meeting, Mikhail Gorbachev said it is time to go: "We have been fighting in Afghanistan for already six years. If the approach is not changed, we will continue to fight for another 20-30 years.... What are we going to fight endlessly as a testimony that our troops are not able to deal with the situation? We need to finish this process as soon as possible." Moscow got out of its hole and never looked back.

Americans should leave it to the neighboring countries—China, Iran, Pakistan and Russia—which have a stake in cauterizing the malignant Islamic State and other terrorist cancers that would emerge in a collapsed Afghanistan and threaten their security. They should fashion a regional containment policy as the U.S., offshore, allocates air power and special forces to knock out terrorist cells as they emerge. Anything more risks the U.S. staying in the hole we've been in for 16 years. It is time to stop digging.

BENNETT RAMBERG

Los Angeles

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OPINION

U.S. Democrats Have the Green Party Blues

By George Melloan

The political commentariat has unleashed a torrent of words since the 2016 election analyzing what befell the Democrats. Donald Trump won because of his TV fame; he tweeted his way into the White House; the Russians did it; etc.

Why not spend a few more words on the current demeanor of the Democratic Party? It was losing badly in elections at all levels as early as 2010, well before Mr. Trump came along. Despite its deeply flawed candidate, Hillary of the indiscreet emails, it won the popular vote for the presidency and therefore still has to be taken seriously.

The party's environmental extremism puts it at odds with working people whose aspiration is prosperity.

Its members and backers, particularly at influential media organizations like the New York Times, the Washington Post and MSNBC, have been heaping abuse on the new president, suggesting Mr. Trump's victory was illegitimate. When they hurl the words "fascist" and "plutocrat" wildly, their anger begins to sound pathological.

We know that the Democrats have been, since the New Deal, the party of government. Some of the outrage at Mr. Trump comes from federal bureaucrats who fear for their jobs. That's understandable enough—sim-

ple economic determinism, as the Marxists might say.

But recent history reveals something else that may help explain the Democratic Party's problems. Whereas it became the party of labor in the late 1930s and then snatched the civil-rights banner out of Republican hands in the 1960s, of late it has veered in a direction that doesn't particularly suit the interests of either working people or people of color with ambitions to climb the economic ladder.

It has become, in essence, America's Green Party, eclipsing the tiny party that bears that name.

Underlying the Green philosophy is a distrust of economic growth. That's what distinguishes Greens from garden-variety environmentalists who simply want a safe and clean environment, as everyone does.

Although the Greens operate under the flag of environmentalism, they have greater ambitions. They are a modern manifestation of a back-to-nature movement, feeding on the guilt and anxiety that accompany scientific advance.

Greens adopted the Democratic Party precisely because it is the party of government. They see government power as the way to suppress the animal spirits of private enterprise that produce innovation and new wealth.

Under Green influence, Democratic lawmakers, when they controlled Congress, designated large tracts of the American West as new "wilderness areas." They fostered the Endangered Species Act, which has been an effective barrier to industrial or agricultural development in more than a few states, often on

Why Corporate-Tax Reform Is a Bipartisan Cause in America

By Laura Tyson

Corporate-tax reform is one of the few issues that attract bipartisan support in Washington. Lawmakers from both sides agree that the current system is deeply flawed. Because the U.S. hasn't updated its tax code in 31 years, Congress has a once-in-a-generation opportunity to level the playing field for American businesses and workers.

When U.S. multinationals sell products abroad, it spurs production, employment and income at home. Facing the highest corporate-tax rate in the developed world—38.9% on average, including state taxes—and a system of taxation that follows them wherever they go, U.S. companies are at a disadvantage in global markets. This discourages investment, innovation and job creation back home.

In 2013, U.S.-based multinationals directly employed 23 million Americans and supported another 53 million American jobs through their domestic supply chains and employees' spending. To serve global markets, U.S. multinationals locate significant shares of their world-wide economic

activities in the U.S.—more than two-thirds of their value added, their capital expenditures, and their research and development, and just less than two-thirds of their employment in 2014.

U.S. multinationals face increasing global competition from businesses in developed and emerging-market economies. Between 2000 and 2016, the number of U.S.-headquartered companies in the Forbes 500 declined more than 25%. The outdated U.S. corporate-tax system was partly to blame.

The U.S. corporate-tax rate was among the lowest among developed countries after the 1986 tax reform. It is now the highest. A recent study confirms that even after accounting for deductions, credits and other tax-reducing provisions, U.S. multinationals face among the highest effective tax rates in the world.

Many U.S. companies opt out of the corporate-tax system by organizing as partnerships and "pass through" businesses. In 2013, corporations accounted for only 44% of business income in the U.S. compared with about 80% in 1980.

The world-wide American corporate-tax system subjects U.S. compa-



DREW ANGERER/GETTY IMAGES

Protesting a planned Scott Pruitt speech at New York's Harvard Club, June 20.

specious claims of endangerment. They vastly expanded the amount of private property officially designated as "wetlands," thus restricting its use. Other examples abound.

And of course the Democrats, with Al Gore as their Joan of Arc, took up arms against fossil fuels with the fantastic claim that burning them endangers the planet. If that isn't a call for a return to the dark ages—literally—what is?

Without oil, coal and gas to run the power plants that supply electricity for lights, household appliances and factories, the economy would shut down. In Australia, Green attacks on coal have in fact caused blackouts.

To demonstrate how Green the Democrats have become, one need go no further than President Obama's statement last year that climate change (the new code word for

global warming) is the nation's No. 1 problem. He also claimed 97% of scientists agree that "climate change is real, man-made and dangerous." But actual scientists don't agree 97% on much of anything.

The modern Green movement got traction from the 1968 founding of the Club of Rome at that city's Academia dei Lincei. Describing itself as a global think tank concerned with the "future of humanity," it produced a global best seller called "The Limits to Growth," predicting, inaccurately, that at the then-current rate of development mankind would soon exhaust the Earth's natural resources.

Maurice Strong, a self-described socialist and former oil tycoon, imported the Club of Rome's philosophy into the United Nations, launching the U.N.'s propagation of the global warming theory.

The Democrats still claim to be the party of labor, but their attack on the energy sources that keep the economy running can hardly be described as pro-worker. Government employee unions still adhere to the Democrats, but the leaders of industrial unions, who now represent only a single-digit percentage of the workforce, are belatedly beginning to have second thoughts.

Working people, fed up with the diktats of the Greens who infest their farms and factories, were a major factor in the election of Mr. Trump. The Greens, concentrated in coastal blue states, were shocked that anyone would question their motives.

But to many Americans it looked like the Greens were disdainful of the aspirations of working people to live the good life—and there may have been some truth to that. When Mrs. Clinton described them as "deplorables," that was the last straw.

If the Democrats want to make a comeback, they should think about purging their ranks of these zealots. Greens want to deprive the economy of its basic energy sources, and they have little regard for the consequences, mainly because they don't think they will be among the victims.

It might take some doing, but ditching the Greens is, if you'll excuse the expression, Democrats' best path out of the wilderness.

Mr. Melloan is a former deputy editor of the Journal editorial page and author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America" (Encounter, 2017).

ties' foreign earnings to the U.S. corporate tax, with the amount owed offset by credits for taxes paid in foreign jurisdictions. In contrast, 29 of the 35 countries in the Organization for Economic Cooperation and Development have adopted territorial systems, which largely exempt

The number of Forbes 500 companies that have their headquarters in the U.S. has fallen 25% since 2000.

the foreign business earnings of their multinationals from home-country taxation.

This puts U.S. multinationals at a competitive disadvantage when doing business abroad. They face the high U.S. corporate rate on their earnings in foreign markets while their global competitors face the much lower local rates. This difference translates into a sizable cost advantage for foreign multinationals, allowing them to charge lower prices and capture market share from U.S. companies.

Current law allows U.S. multinationals to defer U.S. tax payments on foreign earnings until they are repatriated. Most American companies take advantage of this option for at least some of their foreign earnings.

As foreign earnings have grown and foreign corporate-tax rates have plummeted, the deferral option has become more attractive. An estimated \$2.6 trillion of U.S. companies' foreign earnings is now trapped abroad. This is money that might otherwise be used to finance investment, job creation and domestic growth.

Tax considerations also influence corporate decisions about how acquisitions are financed and where merged or acquired entities are headquartered. The combination of a high corporate-tax rate and an outdated world-wide system has caused some U.S. companies to move their headquarters overseas or pursue an acquisition by a foreign competitor. It has also reduced U.S. companies' competitiveness in cross-border acquisitions.

In such acquisitions, a U.S. purchaser of a foreign company owes U.S. tax on the resulting foreign income stream. That's tax that wouldn't be owed by a foreign pur-

chaser headquartered in a country with a territorial tax system.

According to an analysis of Thomson Reuters data, foreign acquisitions of U.S. companies were more than three times greater in deal value than U.S. acquisitions of foreign companies in 2015. That suggests the U.S. is no longer the country of choice for global companies' headquarters and activities.

The competitive dynamics of the global economy were different in 1986, when the U.S. last reformed its tax code. It's time for comprehensive reform that reduces the corporate rate, broadens the tax base, simplifies the system and adopts a modern territorial approach with safeguards to protect the U.S. tax base. Lawmakers on both sides should work together to craft reforms that will benefit America's workers, companies and economy.

Ms. Tyson is a distinguished professor of the Graduate School at the University of California and serves as an economic adviser to the Alliance for Competitive Taxation. She headed the Council of Economic Advisers and the National Economic Council during the Clinton administration.

The Climate-Change Distraction

By Bjorn Lomborg

Climate change has been blamed for a dizzying array of absurd woes, from the dwindling number of customers at Bulgarian brothels to the death of the Loch Ness monster. Most of us can see through these silly headlines, but it's far harder to parse the more serious claims when they're repeated in good faith by well-meaning campaigners.

Consider the recent assertion by Unicef's Bangladesh head of mission that climate change leads to an increase in child marriages. Between 2011 and 2020 globally, more than 140 million girls under the age of 18 will become brides, leading to curtailed education and reduced lifetime earnings, more domestic violence, more deaths from complications due to pregnancy and increased mortality for the young brides' children. By

all accounts, child marriage must be taken seriously.

In Bangladesh, nearly 75% of women between the ages of 20 and 49 reported that they were married before they turned 18, giving the country the second-highest rate of child marriage in the world. As the Unicef head tells it, climate change has been a major cause, as warmer weather has worsened the flooding, pushing people to the cities, leading to more child marriages.

This entire string of logic is wrong. The frequency of extreme floods in Bangladesh has increased, it's true, but studies show their magnitude and duration have in fact decreased. And Bangladesh is far better at adapting today than it was a generation ago. In 1974, a flood killed 29,000 people and cost 7.5% of the country's gross domestic product. A slightly larger flood in

2004 killed 761 people and cost 3.3% of GDP.

Nor is Unicef right to claim a connection between flooding and urbanization. A study published in the Journal of Biosocial Science found that living in cities doesn't increase the likelihood of child marriages in Bangladesh. Rather, it was "significantly higher among rural women."

According to another study, published in the Chinese Journal of Population Resources and Environment, the average age of marriage in cities is 16.15 years, compared to 15.08 years in rural areas.

This isn't surprising. Across the world, there's a convergence between low urbanization rates and higher child-marriage rates. In Africa, the three worst countries for child marriage—Chad, Mali and Niger—also have the lowest levels of urbanization.

Given the weak links between warming, flooding, urbanization and the contrary link between urbanization and child marriage, climate policies would be the least effective in addressing the problem. Copenhagen Consensus research shows that we need to focus instead on nutrition and education, political opportuni-

ties for girls and women, and improving women's rights to inherit and start a business.

A program in southern Bangladesh run by Save the Children, for example, has demonstrated the significant effects of even a modest financial incen-

It's confusing, causally incorrect and diverts resources from real solutions to real problems.

tive: The program regularly gave cooking oil to parents of unmarried girls between the ages of 15 and 17, conditional upon confirmation that the girls remained unmarried. The program found that these girls were up to 30% less likely to marry before the age of 16 and up to 22% more likely to remain in school. Each dollar spent on such conditional transfer programs does about \$4 of social good.

It's these kinds of efforts that make it more likely girls will continue in school and engage in productive jobs, reducing child marriage. Talking about climate is

Notable & Quotable: 'A Socialist Impulse'

New York magazine interviewing Mayor Bill de Blasio, Sept. 4:

In 2013, you ran on reducing income inequality. Where has it been hardest to make progress? Wages, housing, schools?

What's been hardest is the way our legal system is structured to favor private property. I think people all over this city, of every background, would like to have the city government be able to determine

which building goes where, how high it will be, who gets to live in it, what the rent will be. I think there's a socialistic impulse, which I hear every day, in every kind of community, that they would like things to be planned in accordance to their needs. And I would, too. Unfortunately, what stands in the way of that is hundreds of years of history that have elevated property rights and wealth to the point that that's the reality that calls the tune on a lot of development.

None of this means that we should ignore climate change. But to respond properly we need to stick to the facts and maintain a sense of perspective, avoiding tenuous connections and ineffective solutions that ultimately divert resources away from fixing the real problems.

Mr. Lomborg is the president of the Copenhagen Consensus Center and the author of "The Skeptical Environmentalist" and "Cool It."

LIFE & ARTS

ART REVIEW

Immortality and the Cosmos

BY PETER PLAGENS

THIS IS A horizontal city whose cultural institutions—probably more per capita than in any other major metropolis—enjoy lots of floor space. That is especially true of the Haus der Kulturen der Welt (the “House of the World’s Cultures”), whose building was a gift from the U.S. Opened in 1957 and designed by Hugh Stubbins—an Alabama-born architect who taught at Harvard and would go on to design the slant-roofed Citicorp Center in New York—the edifice is known by locals as “the pregnant oyster.” To this writer, however, it looks more like a late-’50s sci-fi spaceship that’s landed next to the vast Tiergarten park.

The now retro-futuristic HKW is the perfect venue for the grandiosely packaged and staged, but somehow poignantly slight, “Art Without Death: Russian Cosmism.” It’s not really an art exhibition as such—with just one big dark-gray room sparsely installed with 55 mostly small paintings and drawings, two of those “black box” video chambers, and a large star-shaped platform in the lobby, on which rest allegedly relevant books in both German and English. (The show also offers an ancillary timeline punctuated by little TV screens showing the likes of Lenin’s funeral and Yuri Gagarin going into orbit.) Rather, “Art Without Death” is an explication-by-artifact of the influence of the philosophy of Nicolai Fedorov (1829-1903) on idealistic early modern Russian artists.

As the press release succinctly puts it, Fedorov’s “Russian Cosmism was a movement that called for material immortality and resurrection, as well as travel to outer space. It developed out of the spirituality of nineteenth-century Russia and a strong fascination with science and technology.” The hitch in Fedorov’s philosophy is that he was an atheist—or at least he had a big falling-out over religion with onetime admirer Leo



Still from Anton Vidokle’s ‘Immortality for All,’ above, and Ivan Kliun’s ‘Red Light. Spherical Composition’ (1923), below

Tolstoy. Fedorov’s brand of immortality would be accomplished without God or a spiritual afterlife. Think “put a human being on Mars by 2030” squared, plus the necessity of colonizing other planets, since the billions of corporeal humans brought back to life would make the New York subway at rush hour seem like midnight in the Sahara Desert.

Fedorov realized the magnitude (to put it mildly) of Cosmism’s central task, and called upon everybody in every profession and enterprise to make material immortality humanity’s “common project.” After all, he reasoned, we struggle to overcome hunger and disease, so why don’t we all get together to struggle equally if not more so to overcome the ultimate bummer, death

itself? Such pie-in-the-sky (or borscht-in-the-cosmos) appealed to the likes of Aleksandr Rodchenko (whose “Construction on White [Robots],” 1920, is one of the better works in the paintings gallery), Maria Ender (the fully

abstract “Transcription of Sound,” 1921), and Gustav Klucis (whose logo design from 1922 reflects Cosmism’s onward-and-upward imperative).

Alas, Cosmism predictably fell afoul of Stalin, who had no dictatorial use for anything beyond the here and now, especially artists’ dreams of eternity. Many of its adherents were imprisoned or executed. A 2014-17 film trilogy, “Immortality for All” by Anton Vidokle (on constant cycle in those video rooms) looks around, in sunlit melancholy, from Siberia to Kazakhstan and back to Moscow for traces of Cosmism’s influence.

The camera pans over a cemetery, a man swims with his dog, while quotes from Fedorov are heard in a deadpan voiceover. The books in Arseny Zhilyayev’s 2017 installa-

tion, “Intergalactic Mobile Fedorov Museum-Library, Berlin,” strain for connections to the movement, which the exhibition as a whole tries to maintain on art-historical life-support.

“Art Without Death” is the sixth in HKW’s 15-part series of events gathered under the rubric “100 Years of Now,” which started in 2015 and continues into next year. The whole project, the institution says, is “an analysis of the present time by linking back to historical utopias.” The series seems to those of us who’ve seen Wim Wenders’s high-minded 1987 film, “Wings of Desire” (angels who look like average guys come down to Earth to give advice), both typical of a German bent to philosophize somewhat opaquely about everything, and a continuing desire, particularly in Berlin itself, to come to terms with the consequences of the fall of the Wall.

Given the archaeological nature of the exhibition’s digging around in the ruins of Cosmism, it would have been better if the works of art from the time had been more than one room’s worth, and had been more carefully considered and less conveniently gotten: All the work in the conventional gallery comes from a single collection, that of the Moscow-born Greek diplomat George Costakis, which is now housed in the Greek State Museum of Contemporary Art.

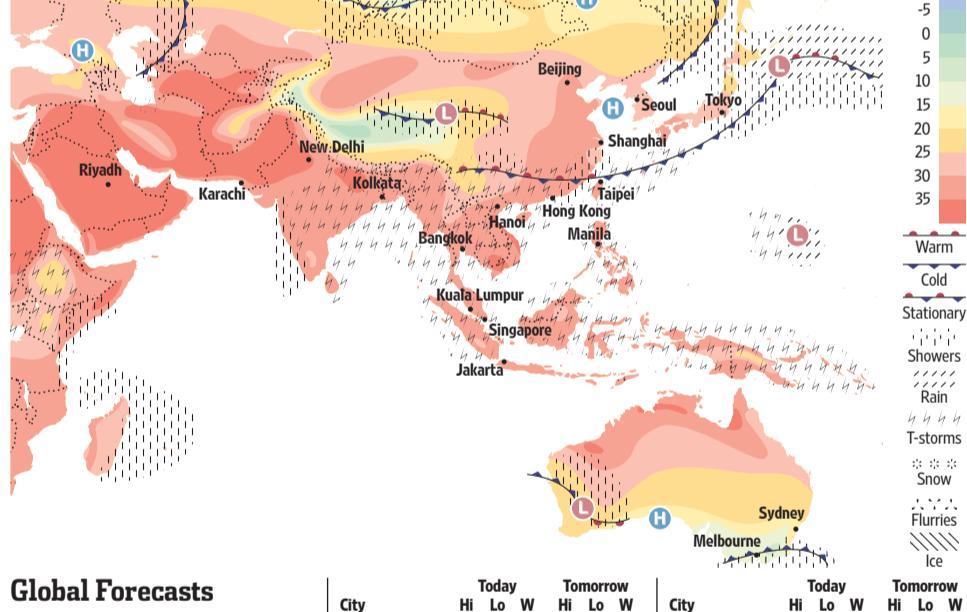
As it is, there’s an oddly forlorn feeling to an exhibition about something so wildly optimistic at its inception. In the surprisingly empty HKW (especially for an opening weekend) it was clear that nobody at all was ever materially resurrected. It also seemed like the entire population of Berlin was someplace else, too.

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

Art Without Death: Russian Cosmism

Haus der Kulturen der Welt, through Oct. 3

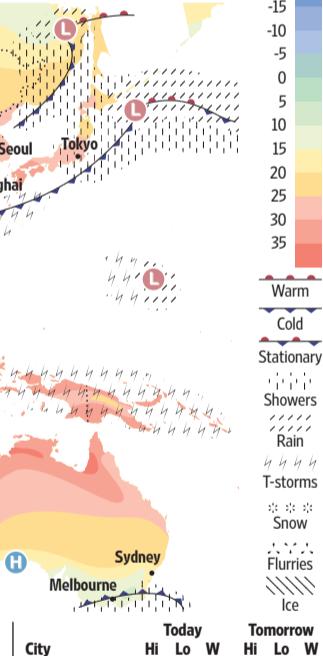
Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	17	12	r	18	11	t
Anchorage	15	8	s	14	9	sh
Athens	30	23	s	30	23	pc
Atlanta	26	16	s	26	16	s
Bahrain	42	23	s	45	25	s
Baltimore	23	11	s	21	10	s
Bangkok	34	27	t	34	27	pc
Beijing	32	20	pc	31	21	c
Berlin	18	14	c	21	12	sh
Bogota	19	10	r	18	8	c
Boise	32	18	pc	31	15	t
Boston	23	13	pc	21	12	pc
Brussels	16	12	r	17	9	t
Buenos Aires	20	14	c	21	16	r
Cairo	34	23	s	34	23	s
Calgary	27	11	pc	28	8	pc
Caracas	32	24	pc	32	26	pc
Charlotte	26	13	s	25	13	s
Chicago	19	11	pc	20	11	s
Dallas	30	18	s	30	18	s
Denver	31	14	pc	32	16	s
Detroit	19	8	c	19	9	s
Dubai	41	32	s	40	31	s
Dublin	16	9	sh	16	10	sh
Edinburgh	15	8	t	17	8	sh
Frankfurt	20	14	c	17	10	r



The WSJ Daily Crossword | Edited by Mike Shenk



A HIGHER POWER | By Marie Kelly

The answer to this week's contest crossword is a school subject.	23 Some people write on it	39 Dutch town noted for its pottery
Across	25 Make a lot costlier	40 Like proverbial milk
1 Puzzled	26 Source of low pitches	41 Nikkei unit
8 Some shooters	27 Hit sharply	42 Some raiders
14 Budgeting consideration	29 Cabinetmaker's material	45 Coop residents
16 Misbehaving	30 Scrap	46 Moor
17 Guardian Angels topper	31 Uninterestingly written	48 Gillian's role on "The X-Files"
18 Not flashy	33 Vet	50 Throw in
19 Joint ownership word	34 Ideal	51 Make the wrong call, in a way
20 "The Birds of America" creator	37 Crossword components	53 Unruly bunch
22 Funny fellow	38 Stage direction	54 Frank
	56 Not paid hourly	

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Sept. 10. A solver selected at random will win a WSJ mug. Last week's winner: Sue Burgdorf, St. Charles, MO. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

- 58 Free from worry
59 Take-home pay
60 Proof, perhaps
61 There's interest in their line of work
Down
1 Big dos
2 Commuters' annoyances
3 Sixth in line of succession to the British throne
34 Pakistani city near the end of the Khyber Pass
35 Speed up
36 Comet, e.g.
37 Person with a watch
39 Exactly right
41 Triumphant cry
43 Accident result
44 Nocturnal noisemaker
46 Took on
47 Cause of some bad decisions
49 Fathomless feature
51 Monument Valley sight
52 Spot for a flamingo, maybe
55 Highlander's "huh-uh"
57 Young fellow

Puzzle Contest	
HOPED	BUSKIS MBA
ATSEA	IMPEI ORC
STARR	BAREFRUIT
LIEU	APTESTS
TAMES	SOPR VETO
ROI	ADJUST IRAN
INS	NOOB OPS
PETIT	SIC AESOP
PAL	TEAR LIKE
MESH	ICICLE DRE
EXPO	MANESTREAK
THINKER	ORAL
HATE	WAVES EVICT
OLE	ADENT EENIE
DES	NERDY SNEAD

Previous Puzzle's Solution

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THE WALL STREET JOURNAL.

Friday - Sunday, September 8 - 10, 2017 | B1

Yen vs. Dollar 108.3830 ▼ 0.77%

Hang Seng 27522.92 ▼ 0.33%

Gold 1346.80 ▲ 0.97%

WTI crude 49.17 ▲ 0.02%

10-Year JGB yield 0.015%

10-Year Treasury yield 2.049%

Lilly to Cut 8% of Its Workforce

Drugmaker to boost investment in R&D, close some facilities, including Shanghai site

BY PETER LOFTUS

Eli Lilly & Co. plans to cut its global workforce by about 8% and close several facilities, a step it said it needs to make to lower costs and raise investment in new drugs as the company faces patent expirations that will erode sales of older products.

The Indianapolis-based company, which makes the di-

abetes treatment Humalog and erectile-dysfunction pill Cialis, said Thursday it plans to eliminate about 3,500 positions, with about 2,000 of the cuts in the U.S. The jobs will be spread across various areas including manufacturing and research.

Lilly said it expects to achieve most of the U.S. reductions through voluntary early-retirement packages offered to eligible employees. Other job cuts will come from site closures and layoffs, it said.

Lilly has about 41,241 workers globally, including more than 18,500 in the U.S.

Lilly expects the moves to generate savings of about \$500 million a year. Last year, Lilly earned \$2.7 billion in net income on \$21.2 billion in revenue. About half the projected savings will go toward supporting new product launches and clinical development of new uses for its drugs, Lilly said.

"We would like to free up resources from fixed to variable costs to make sure we can invest behind R&D projects," Lilly Chief Executive David Ricks said in an interview.

Big drug companies have been cutting their workforces periodically for more than a

decade, as they encounter generic competition to their top-selling medicines and troubles developing new drugs. In 2013, Merck & Co. announced a plan to cut its workforce, then at 81,000, by 20% over two years. In 2013, Lilly laid off about 1,000 sales representatives.

The job cuts come despite a general improvement in Lilly's financial fortunes over the past few years. Earlier this decade, Lilly's sales and earnings were hurt by a wave of patent losses that exposed drugs such as the antidepressant Cymbalta to generic competition. But revenue and earnings

have risen since 2014, aided by strong sales of several newer products such as diabetes drug Trulicity and cancer treatment Cyramza. Lilly's share price has roughly doubled since 2012, closing Wednesday at \$80.51.

Still, Lilly continues to face patent expirations. In May, the U.S. patent expired for the attention-deficit, hyperactivity disorder drug Straterra, clearing the way for inexpensive generic copies.

The U.S. patent for Cialis is due to expire in November, putting the drug's \$1.5 billion in annual U.S. sales at risk of

Please see LILLY page B2

Pension Funds Dial Up The Risk

BY DONATO PAOLO MANCINI AND JON SINDREU

LONDON—As the developed world's population ages rapidly, company pension money is being pushed into riskier assets.

Pension plans are pinned in a corner: Ultralow interest-rate policies at central banks have left them grappling with huge deficits, just as the swelling ranks of retirees are adding to outflows of money. They are hard-pressed to squeeze more out of their investments.

So even as central banks start rolling back monetary stimulus, pension plans' demand for risky, income-generating assets such as corporate bonds, private credit and real estate is likely to keep growing, investors say.

"There's a trend towards less liquid structures," said David Rae, head of client strategy at Russell Investments, which provides management services to pension plans. "The focus now is on guaranteeing returns."

Demographics are a global problem. The world's six largest pension systems—the U.S., the U.K., Japan, Netherlands, Canada and Australia—will have a joint shortfall of \$224 trillion by 2050, the World Economic Forum said in May. By that year, there will be only four workers for each pensioner, compared with eight now, according to the WEF.

The Hoover Institution estimates that public-pension systems in U.S. states and cities have a funding hole of \$3.8 trillion. Such deficits have already driven Detroit and Puerto Rico to bankruptcy.

But the danger looms larger in Europe, which has the world's biggest pensioner population. And it is especially acute in Britain, where there are more corporate pension plans offering fixed payouts to their clients—known as defined-benefit plans.

According to consultancy Mercer, 55% of U.K. defined-benefit funds are cash-flow negative and, of those that aren't, nearly 85% are likely to be over the next decade.

Such plans have obligations that stretch far into the future, but their assets are often shorter-dated. So after interest rates went to record lows, the value of what they owed rose at a much faster pace than the value of what they owned. Many tried to plug the hole by making their assets as long-dated as their liabilities, and created unprecedented demand for government debt maturing 50, 80 or 100 years in the future.

Now that central banks are expected to tighten policy, deficits have stopped growing. Yet, many pension funds remain severely underfunded.

Corporations have ramped up contributions to compensate. Last year, Royal Bank of Scotland Group PLC made the largest one-off pension payment ever by a British company by pouring £4.2 billion (\$5.47 billion) into its main pension plan, consultancy LCP

Please see PLANS page B2



JASON REED/REUTERS

A Boeing employee works on a wing at the company's Renton, Wash., plant. Boeing and Airbus are building more parts in-house.

Plane Makers Supply Themselves

BY ROBERT WALL AND DOUG CAMERON

The world's largest plane makers are testing a seemingly simple formula to smooth production, cut costs and fatten profits: Make more of the parts that go into their jets themselves.

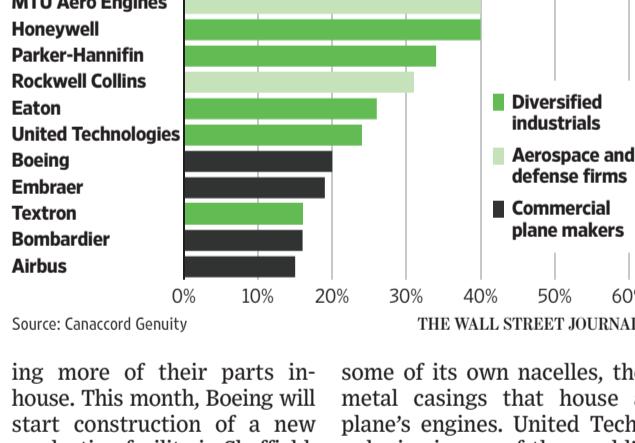
After United Technologies Corp.'s proposed \$23 billion deal to buy Rockwell Collins Inc., that push is taking on more urgency. The deal is the latest in a round of consolidation among the world's biggest suppliers of aviation parts—something Boeing Co. and European rival Airbus SE have monitored warily.

Earlier this week, Boeing said it might cancel some of its parts contracts if the latest deal further undermines competition in the aerospace supply chain. Airbus had previously expressed its skepticism over the transaction.

Worried about getting squeezed by the consolidation, Boeing and Airbus have moved to protect themselves by build-

Parts Are Parts

Plane makers make less revenue than parts suppliers on services like maintenance and repair. Percentage of revenue from services:



Source: Canaccord Genuity

and the company's head of commercial planes.

Boeing decided two years ago to make some of its own nacelles after years of buying them. In July, the company also said it plans to develop and build some aircraft electronics, a market dominated by companies such as Rockwell Collins and Honeywell International Inc.

The wings for a revamped version of Boeing's new 777 jetliner also will be built at a new plant near Seattle rather than sourced from a supplier. Boeing bought the wings for its previous big project, the 787 Dreamliner.

"The opportunity ahead of us, in terms of transforming how we design and build, how we manufacture, is even greater than some of the product innovation that we're going to bring to the table," said Boeing Chief Executive Dennis Muilenburg.

Boeing and Airbus are slated to deliver new planes worth more than \$100 billion this

Please see PARTS page B2

Report on Opioid Crisis Faults Drugmaker

BY JOSEPH WALKER

A representative of Insys Therapeutics Inc. misled a health insurer into approving payment for a prescription of the company's addictive fentanyl painkiller, and 14 months later the woman who received the prescription was dead at age 32 from complications related to the drug, according to a report by a U.S. Senate committee investigating the opioid crisis.

The report released Wednesday is the first to stem from an investigation into the soaring rate of opioid deaths in the U.S., one being led by Sen. Claire McCaskill, the top-ranking Democrat on the Senate Homeland Security and

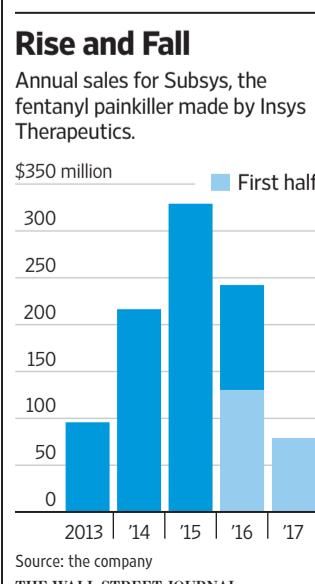
Governmental Affairs Committee. The investigators said they have been reviewing "thousands of pages" of documents to learn how companies marketed the drugs and what steps they have taken to prevent opioids from being diverted onto the black market.

Wednesday's report provides new details on the operation of the Insys Reimbursement Center, or IRC, which was tasked with helping patients and doctors secure prior authorization from insurers for prescriptions of Subsys, an inhaled form of fentanyl.

The Senate investigation comes as Insys is facing multiple state, federal and civil lawsuits over allegations it defrauded insurers and paid

kickbacks to doctors. Federal prosecutors have alleged that IRC staff, under the direction of Insys executives and managers, frequently misrepresented their identities and patient diagnoses to defraud insurers who paid for Subsys, which can cost tens of thousands of dollars a month. Insys is seeking to reach a legal settlement with the U.S. attorney's office in Boston to resolve allegations related to the company's sales and marketing practices and the IRC, the company has said. The Boston prosecutors are investigating both civil and criminal allegations against the company, according to people familiar with the matter.

Please see INSYS page B2



Source: the company
THE WALL STREET JOURNAL

INSIDE



AIRLINE STOCKS TUMBLE AMID CONCERN

MARKETS, B8

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LILLY

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erosion from generics.

Mr. Ricks, who took over as Lilly CEO Jan. 1, said he still expects Lilly's sales to grow despite the patent losses, but the expirations contributed to his decision to cut costs.

Also, he said Lilly's operating expenses as a percentage of revenue—about 55% in 2016—have been higher than the drug industry's average, and the cost cuts will make the company more competitive with rivals. Lilly expects operating expenses to fall below 50% of revenue next year.

"Our job is to do the right thing for our company," Mr. Ricks said. Noting that many of the cuts would be through voluntary-retirement packages, he added: "We're not throwing people out on the street."

The job cuts come at a delicate time in the pharmaceutical industry's relationship with U.S. President Donald Trump, who has criticized

drug companies for charging high prices and manufacturing drugs outside the U.S. He has urged the industry to move more manufacturing jobs back to the U.S., and has said he would take steps to bring down prices.

Mr. Ricks was among several CEOs who met with Mr. Trump at the White House in January, when he told Mr. Trump that Lilly still makes many of its products in Indiana and the U.S. "In fact, we're hiring manufacturing jobs as I speak," he said at the time.

Lilly said it plans to close a research-and-development site in Bridgewater, N.J., and to move production of certain animal drugs from a plant in Larchwood, Iowa, to another plant in Fort Dodge, Iowa. Also, Lilly plans to close an R&D site in Shanghai.

Lilly expects to book charges of about \$1.2 billion, or 80 cents a share, in the third and fourth quarters of 2017 to cover the costs of the job cuts, including the early-retirement packages and severance pay.

over the past five years.

"We are trying to invest into a balance of income and capital gains, whereas before it was mostly capital gains we focused on," said Chris Rule, the LPP's chief investment officer.

Indeed, apart from simple stock and sovereign-bond picking, pension managers now need to understand the risk of not getting paid in a range of new, complex markets.

"I think if you have a manager who's capable of picking the right credits, you are probably in a reasonably good spot," said Donal Kinsella, investment director at Janus Henderson.

Yet, managers of private-debt funds said pension plans often don't understand the complexity of structures in these markets. Investing in illiquid assets like real estate means they are less able to sell on short notice if needed.

"What was a long-term investing institution now becomes a short-term investor madly scrambling around to find enough cash to just pay their beneficiaries," said Adam Lane, a consultant at Mercer.

PLANS

Continued from page B1

In a survey earlier this year, BlackRock—the world's largest asset manager—found that, among global pension funds planning allocations for this year, 52% wanted more private credit, 24% more real estate and 23% more high-yield bonds. Most said they would cut exposure to stocks and government debt.

Focus on returns is often part of a new investment strategy called "cashflow-driven investment," which aims to align inflows with outflows regardless of whether the fund is in deficit.

An example is the U.K.'s Local Pension Partnership, which manages more than £10 billion of local government workers' pensions in London and Lancashire County. Its funds' outflows now outpace inflows, as retirees grow in number compared with workers enrolled. Their answer has been to double the share of investments in infrastructure, real estate and corporate debt.

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Focus on returns is

BUSINESS NEWS



Harvesting avocados in Mexico earlier this year. U.S. consumption of the highly nutritious fruit has quadrupled since 2000.

Avocado Prices Hit Records

Crimped production in California and Mexico behind rise; higher costs hit restaurants

BY BENJAMIN PARKIN

Meager avocado harvests have caused a shortage of the fatty fruit, pushing prices to record highs.

Avocado farming is a volatile business. Output from avocado trees alternates from year to year, with a high-yield season one year typically followed by a leaner one the next. Packers and distributors usually offset a bad harvest in California, the largest U.S. growing state, with fruit from elsewhere in the Americas.

This summer a smaller crop in California coincided with a tough season in Mexico after a lack of rain delayed the main harvest there. As a result, wholesale prices have soared 75% since mid-July to around \$80 for a case of 48 Hass avo-

cados, according to the American Restaurant Association Inc. Average retail prices for avocados rose 35% in the first half of this year to \$1.21 per avocado, according to the Hass Avocado Board, pushed higher by strong demand.

"There's just not enough supply out there," said David Maloni, president of the American Restaurant Association.

That is threatening the bottom line at restaurants like Chipotle Mexican Grill Inc. The burrito maker spends 10% of its food costs on avocados, Credit Suisse estimates, meaning the price surge could hurt Chipotle's earnings for the remainder of the year.

Chipotle declined to comment in detail ahead of its next earnings report in October. The company said it believed the impact of rising avocado prices would be temporary.

Vice President Mike Pence said on an August trip to Latin America that the U.S. would allow imports of Hass avocados, the most common variety,

Bruised Fruit

Tough harvests have prompted a run-up in avocado prices.

\$100 per case of 48 hass avocados.



Source: American Restaurant Association, U.S. Department of Agriculture
THE WALL STREET JOURNAL

from Colombia to widen its supplier base. Scientists are also working to make crop cycles more uniform by developing strains of the fruit that grow more consistently.

"The market is growing faster than the supply," said Mary Lu Arpaia, a biologist breeding new avocado varieties at the University of Califor-

nia at Riverside.

U.S. consumption of avocados has quadrupled since 2000, the Hass Avocado Board said. Demand is also increasing in Europe and Asia.

Glowing publicity of the fruit's high nutrient and beneficial fat content has driven its popularity, analysts say. High-end restaurants and food trucks increasingly use the fruit, said Erik Thoresen of restaurant consultancy Technomic, helping make it a staple in more than just guacamole.

Whole Foods Market Inc. slashed prices for its avocados and many other products last month as Amazon.com Inc. assumed ownership of the natural-food grocer. Not many other retailers or restaurants can afford to follow suit with wholesale prices so high.

"We're paying a lot more for the product," said Rob Bertels, vice president of marketing at Mission Produce Inc. in Oxnard, Calif., a large avocado distributor. "We're hoping production will ramp up."

Nestlé and Unilever Buy Niche Brands

BY SAABIRA CHAUDHURI

LONDON—Two of the world's biggest packaged-food giants, Nestlé SA and Unilever PLC, disclosed separate, small deals to buy the sort of homegrown, natural brands that have been eating the industry's lunch.

Switzerland-based Nestlé said Thursday it agreed to buy Sweet Earth Foods, the California maker of plant-based meat substitutes such as "Benevolent Bacon" and "Harmless Ham." Anglo-Dutch rival Unilever said it was purchasing Pukka Herbs Ltd., a British-based organic herbal tea maker.

Though both deals are small and terms weren't disclosed, they represent the latest in a series of steps Nestlé, Unilever and other big companies in the sector are making to catch up with fast-changing consumer tastes.

The global packaged-food industry is facing fierce competition from a burgeoning number of small, but high-growth food and beverage brands. These brands have struck a chord with consumers looking for locally produced or more healthy, natural choices.

Amid this shift, sales from traditional players have flagged, spurring consolidation, cost-cutting and restructuring.

Unilever fended off an unsolicited takeover by Kraft Heinz Co. earlier this year. Activist investor Dan Loeb's Third Point hedge fund in June disclosed a major stake in Nestlé, calling for changes in strategy to improve shareholder returns. In response, the two consumer-goods firms have focused on cost-cutting and promises to boost dividends, while going on the hunt for nimbler food and beverage brands with the potential to accelerate growth.

Nestlé's deal to buy Sweet Earth comes less than three months after it bought a stake in subscription-meals company Freshly, which sells healthy, prepared meals to consumers across the U.S.

Moss Landing, Calif.-based Sweet Earth bills itself as a natural, ethical, environmen-

tally conscious company that substitutes plant proteins for animal ones in meals such as curries, stir fries, breakfast wraps, burgers and pasta.

Founded in 2011, Sweet Earth is available in more than 10,000 stores in the U.S. It is stocked at independent natural grocers, as well as bigger chains such as Amazon.com Inc.'s Whole Foods, Target Corp., Kroger Co. and Wal-Mart Stores Inc.

"We're experiencing a consumer shift toward plant-based proteins," said Paul Grimwood, chief executive of Nestlé's U.S. arm. Plant-based food, as a sector, is growing at double-digit percentages rates, Nestlé said.

Nestle didn't disclose the brand's current sales, but said it expects the sector to reach \$5.3 billion in sales by 2020.

Big packaged-food companies look to compete with firms selling natural items.

Nestlé's annual sales last year came in at about \$94 billion.

Unilever, meanwhile, said Thursday it bought Pukka, which generated £30 million (\$39 million) in sales in its last fiscal year. Despite the small revenue base, Pukka grew about 30% a year over the past three years, Unilever said. Unilever posted sales of \$63 billion last year.

Unilever—the world's biggest tea maker with brands such as Lipton, PG Tips and Brooke Bond—has been working to shift its portfolio toward higher-growth tea types like green and herbal tea and away from black tea, sales of which are slowing. The latter segment makes up about 80% of its tea sales by value.

The company in 2013 bought premium Australian tea business T2. It has since opened T2-branded stores world-wide. Last year, it launched matcha teas—a type of green tea—under its mass-market Lipton tea brand.

Nissan CEO Seeks More Sustainable Targets

BY SEAN MCCLAIN

YOKOHAMA, Japan—Four months into his job, Nissan Motor Co.'s new chief executive wants the company to slow down, concerned that its rush to expand sales is pushing it off track.

For the past five years Nissan chased an ambitious goal set by then-Chief Executive Carlos Ghosn of achieving both an 8% share of global car sales and an 8% profit margin. It fell short on both.

The plan stretched Nissan too far, Mr. Ghosn's handpicked replacement, Hiroto Saikawa, said in an interview Thursday, calling for more sustainable targets. "We are going to have steady and solid growth—this is the message," he said.

The revised Nissan strategy is the latest example of global auto makers casting a wary eye on incentives, especially in the U.S. where shrinking sales have raised competition.

Nissan's global market share fell to 6.1% in the year ended March 31 from 6.4% six years earlier when the Ghosn plan was announced. The company did manage to capture a larger portion of the U.S. market, but that growth came at

the expense of margins, as Nissan piled on financial incentives to move cars off the lot. The company's operating margin was 6.3% in the year ended March 31, barely up from 6.1% in the year ended March 2011 despite a rapid rise in global auto demand over those years.

Since taking over in June, Mr. Saikawa has been working on a new midterm plan. One pillar is cutting back on discounts, which he said were feeding the impression that Nissan vehicles were worth less than the competition.

"If we say you should get 1% more market share, people easily get into pushing incentives," he said. "We should be very cautious not to push too much for the short term."

Nissan offered an average of \$4,442 in incentives on its vehicles in the U.S. in August, slightly lower than its U.S.-based rivals but almost double that of Toyota Motor Corp. and Honda Motor Co., according to analysis by Jefferies, an investment bank.

Mr. Saikawa, a 40-year veteran of Nissan, served as enforcer for the big changes Mr. Ghosn brought after taking the reins in 2001, according to

employees and people who know him. Mr. Saikawa oversaw procurement when Mr. Ghosn was driving suppliers to give Nissan a better deal.

Mr. Saikawa hopes to burnish Nissan's image, and ultimately its margins, by pushing out a series of electric vehicles. The new Leaf electric car, introduced Wednesday, includes self-driving and self-parking technology. Nissan also hinted Thursday that a battery-powered crossover sport-utility vehicle was coming.

"This could be a test for us

to focus on enhancing the brand," said Mr. Saikawa. If it works, he said, "we increase the penetration of the market or we get pricing power," but "if we do things wrong, then it's going to throw us off the line."

Nissan's new Leaf has expanded range on a single charge of 150 miles, and the company said it would introduce a version in the next 12 months with more than 225 miles of range by U.S. standards, or about 300 miles by some other markets' standards.

Mr. Saikawa aims to make

Nissan less reliant on Mr. Ghosn, a legend in the auto industry for rescuing Nissan from the brink of bankruptcy more than 15 years ago and deepening its alliance with Renault, which owns about 43% of Nissan.

Renault and Nissan engineers haven't always seen eye to eye on engine technology. At Nissan's shareholder meeting in June, a Nissan employee who also was a shareholder expressed mistrust toward the French partner, saying: "It feels like we are a wholly owned subsidiary of Renault."

Mr. Saikawa said the answer was for Nissan employees to be more assertive rather than waiting for "homework" from Mr. Ghosn, who remains head of the alliance.

"We should be the main driver of alliance growth and integration," Mr. Saikawa said.

He said that because he is Japanese, he believes he can more easily crack the whip on employees who drag their feet on working with Renault. "I can be a little more demanding to a Japanese guy," he said.

Speaking of Nissan's global employees, he said: "Sometimes they are very territorial. I need to kill this territorial mind-set."

Air Carrier Weighs U.S. Rebuilding

BY ROBERT WALL

LONDON—Emirates Airline may fully restore capacity on flights to the U.S. in the coming months, with demand recovering after Washington sought to limit immigration from some Middle East countries and imposed a ban on use of electronics on inbound flights.

Emirates Airline President Tim Clark Thursday said demand during the summer was stronger than expected, suggesting many of the reductions in U.S.-bound flights could be reversed. Residual capacity is running above 90% of seats sold, he said.

The travel ban, first issued in January, barred individuals from several Muslim-majority countries from entering the U.S. It caused chaos at airports as airlines were forced to prevent ticketed passengers from boarding flights to adjust to new U.S. immigration rules. Courts set aside the measures, but demand for flights still was impacted.

Emirates Airline, the world's largest carrier by international traffic, saw demand on U.S.-bound flights fall sharply. The Dubai-based carrier cut flight frequencies on many U.S. routes.

The laptop ban, put in place in March by the U.S., which was concerned that terrorists might try to use electronic devices to smuggle a bomb on planes, was lifted in July.

"I hope in the next six to nine months we'll restore the capacity at the very least," Mr. Clark said.

The immigration and laptop issues added to the headwind from low oil prices that have weighed on state-owned Middle East airlines that also includes Qatar Airways and Abu Dhabi's Etihad Airways.

Emirates reported an 82% drop in net profit to \$340 million for the fiscal year to end-March compared with the previous 12 months.

BY WILLIAM BOSTON

WOLFSBURG, Germany—Volkswagen AG is actively working on deals for its non-core assets as well as acquisitions, but discussions of a possible merger with Fiat Chrysler Automotive NV are "speculation," Chief Executive Matthias Müller said in an interview.

Speaking to The Wall Street Journal at the car maker's headquarters late Wednesday, Mr. Müller said the company is open to talks and a new team is working to sell a businesses no longer considered critical. These noncore assets account for as much as 20% of the

company's current annual revenue, he added.

Mr. Müller declined to comment directly on talks the company is believed to be holding with Fiat Chrysler about developing light utility vehicles. He did say the company is now routinely engaged in such exploratory talks with many manufacturers, but it isn't likely that Volkswagen is going to get involved soon in a merger of mass-volume car makers, as Fiat Chrysler's Chief Executive Sergio Marchionne has been preaching for the past two years.

"We're a big company and don't have any interest in getting any more bloated. There

has been a lot of speculation about FCA, which we've noted, but it is just speculation and nothing more," Mr. Müller said.

"If we say we're speaking to Fiat, then we're also speaking to five or six other companies in order to see how we can optimize our business," he said. "The difference with the past is that Volkswagen is now willing to get involved in such exploratory talks," he added.

Over the summer, a potential sale of Volkswagen motorcycle brand Ducati sparked interest among a number of suitors, including Harley-Davidson Inc. Talks for the brand stalled after labor representa-

tives opposed the sale, raising speculation that the car maker's entire divestment strategy would be put on hold.

Mr. Müller said he didn't believe that labor representatives were blocking the Ducati discussions, but, as Volkswagen's unique governance structure involves both the state and IG Metall trade union in decisions, the talks were a larger strategic debate that takes time.

"The list [of asset disposals] has not been put away on the shelf. But we're not going to let anyone tell us which decision to make," Mr. Müller said.

Some investors and ana-

TECHNOLOGY

WSJ.com/Tech

Production Glitches Spark Jitters

Some are concerned that iPhone summer manufacturing woes could hurt holiday sales

Apple Inc.'s new iPhone, which is expected to be unveiled Tuesday, was plagued by production glitches early in the manufacturing process this summer, according to people familiar with the situation, which could result in extended supply shortfalls and shipping delays when customers start ordering the device later this month.

New iPhones typically are in

By Yoko Kubota in Tokyo, Tripp Mickle in San Francisco and Takashi Mochizuki in Tokyo

short supply when first released. But if shortfalls of the new phone extend beyond the initial sales period, which is expected to begin September 22, they could weaken analysts' and investors' projections for sales in the crucial holiday period.

The production glitches led to a setback of about a month in the manufacturing timetable. Foxconn Technology Group, the Apple contractor that assembles iPhones, has been ramping up production at its manufacturing complex in Zhengzhou, China. The company is paying bonuses to employees who can help bring new hires on board at its Zhengzhou plant, which Foxconn said in June employs about 250,000 people.

Apple and Foxconn declined to comment.

There are big expectations for the new iPhone, informally dubbed the iPhone 8 or iPhone X by industry watchers. Investors, betting the new phone will rejuvenate Apple's sales after a recent slump, have



An Apple employee used her iPhone at an Apple store in Manhattan. A new iPhone is expected to go on sale starting Sept. 22.

pushed Apple's share price to record highs in recent months.

The new device is expected to have a base price near \$1,000—a significant premium over existing models—in part because of more expensive components.

Analysts' forecasts for initial

shipments vary widely, with some projecting as many as five million units shipped in the last week or so of September.

Adding to the complexity of estimating demand for the new phone, Apple also expected is to release updates to its iPhone 7 and iPhone 7 Plus. It said last month that it expects total revenue of \$49 billion to \$52 billion for the quarter ending Sept. 30, figures that exceeded some analysts' estimates.

The production delays earlier this summer stemmed from Apple's decision to build new phones using organic light-emitting diode (OLED) screens similar to those used by rival Samsung Electronics Co.

At the same time, Apple, as previously reported, decided to ditch the physical home button at the bottom of the home screen that contains fingerprint sensors for unlocking the device. Apple tried to embed the Touch ID function, or fingerprint scanner, in the new display, which proved difficult, the people familiar with the process said.

As deadlines approached, Apple eventually abandoned the fingerprint scanner, the people said, and users will unlock the phone using either an old-fashioned password or what is expected to be a new facial-recognition feature.

Even so, precious time was lost and production was put back by about a month, according to people familiar with the situation.

Apple and its suppliers also ran into trouble manufacturing the OLED displays. The display modules are being produced in Vietnam by an affiliate of Samsung Electronics. Unlike the OLED display module in Samsung's own smartphones, in which the display and touch panel are integrated, iPhone's display module has the touch panel outside of the display, said a person familiar with the

technology.

The iPhone manufacturing process requires more steps and more layers of adhesive and protective film than are involved in Samsung's manufacturing process, the person familiar with the process said, creating a greater risk of manufacturing error.

A spokesman at Samsung Display, which operates the Vietnam affiliate, declined to comment.

Apple often has faced supply shortfalls with new iPhones released since 2008. The last time Apple changed the iPhone's appearance was in 2014.

—Yang Jie in Beijing and Eun-Young Jeong in Seoul contributed to this article.

Legislation Advances For Self-Driving Vehicles

BY JOHN D. MCKINNON

WASHINGTON — The House on Wednesday passed legislation aimed at removing regulatory barriers to development of self-driving cars, a victory for autonomous-vehicle companies that say a proliferation of state rules has created a confusing patchwork for the industry.

The measure, approved by voice vote, faces tougher going in the Senate, where members are concerned about possible job losses in the trucking industry, and about consumer safety standards.

The House legislation would effectively void state and local safety regulations concerning autonomous vehicles that have begun to crop up in the absence of formal federal safety rules. The bill instead would require companies to submit safety-assessment certifications for their autonomous vehicles to U.S. regulators.

The bill also would provide autonomous vehi-

U.S. officials have sought to balance safety concerns with rapid development.

cles with exemptions from existing U.S. safety regulations that govern all motor vehicles. The exemptions eventually could cover up to 100,000 vehicles per manufacturer. The exemptions are intended to prevent delays in technological advancements that could improve vehicle safety, sponsors say.

Rep. Bob Latta, a subcommittee chairman who led negotiations over the House bill, said the measure would ensure that "innovation can flourish without the heavy hand of government."

Despite Wednesday's overwhelming vote, the Senate is likely to pursue its own path on the issue, reflecting the difficult policy choices that are sometimes raised by self-driving vehicles.

Senators who have been assembling their own version of the legislation have yet to introduce a bill, and they continue to weigh a couple of big issues. Those include how to deal with self-driving trucks, which is an issue that the House bill largely avoids. Senators also appear likely to soften the central provision in the House bill that effectively voids state and local safety regulations governing self-driving cars.

Underscoring some of the political concerns, the Senate Commerce Committee announced a hearing for next week to examine issues related to self-driving trucks.

The question of how to use federal policy to encourage self-driving trucks is a particularly dicey one, given the prospects for eventual job losses and economic dislocation. Committee Chairman John Thune said the issue of self-driving trucks "has emerged as a pivotal issue in Congress's attempt to help usher in a new era of transportation."

Federal officials under both the Obama and Trump administrations have sought to balance safety concerns with rapid technological development by self-driving vehicle manufacturers. So far, the federal government has issued only guidelines for the nascent industry.

But the absence of formal federal safety rules for self-driving vehicles has led a number of states and local governments to begin adopting their own. That has led to concerns among tech and auto firms about a patchwork of conflicting rules.

U.S. tech and auto companies have been pushing for legislation from Congress as a way to avoid a regulatory thicket, and help them win their race with global rivals to develop self-driving vehicles.

YUAN

Continued from page B1
sending him voice messages because it feels more intimate.

The divergent attitudes toward voice messaging reveal another fault line in China's complex digital divide that encompasses rural versus urban, young versus old, rich versus poor and well educated versus less educated. Those different socioeconomic backgrounds congregate and clash on WeChat, in effect trying to hash out new social norms.

Some users and industry observers have urged WeChat to disable the feature or give users more say in who can send them voice messages.

Tencent didn't respond directly when asked about voice-messaging complaints other than to say that WeChat has a vast number of users and the company aims to provide services to cater to their diverse

needs.

Voice commands and video are seen as critical to bringing the mobile internet to the world's next billion users, many of them poorer and less educated. On average, 16% of WeChat messages sent in 2016 were via voice, compared with about 1% for WhatsApp users

Some users and industry observers have urged WeChat to disable the feature.

in 2014, according to internet statistics firm Statista.

While China's younger, better-educated users in big cities have shaped online products and services for the past two decades, internet companies are now paying attention to those outside that demographic.

Though people age 39 and

below make up 72% of China's 751 million internet users, only cohorts 40 and over registered any growth in users in the first half of 2017, according to the government's China Internet Network Information Center. Some 27% of Chinese online live in rural areas, 12% have a college or higher degree and 92% earn monthly salaries of 8,000 yuan (\$1,200) or lower, according to the report.

Those online demographics are helping to drive the popularity of mobile apps such as Kwai, the social-networking video app that captures what life is like outside China's biggest cities, and news-aggregating app Jinri Toutiao, whose algorithm led it to a similar user base.

WeChat's 2016 user report shows that while people over 55 made up only 1% of the platform's user base, one out of five messages they sent were voice, compared with one in 10 for users under 21.

Tencent has been courting

seniors. The company produces a video package showing seniors how to use WeChat. For an annual event last December, WeChat produced a video showing how the app is changing seniors' lifestyle, including the convenience of voice messaging and making video calls.

Like it or not, people are going to need to learn to live with voice messages—and the time it takes to deal with them.

While users take nine seconds on average to read 100 characters, they need 22 seconds to listen to the same 100 characters, excluding pauses, says Liu Xingliang, head of research at Beijing-based analytics firm Data Center of the China Internet.

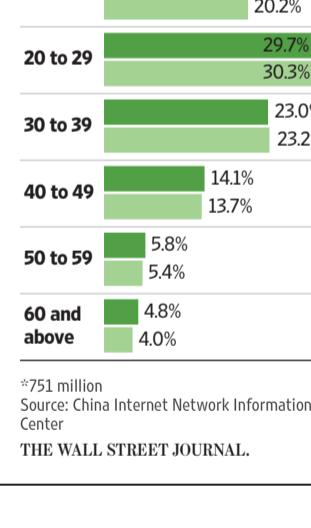
"Only when you listen to WeChat voice messages will you find out how long a minute is," Mr. Liu says.

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

Senior Moment

With China's online population already huge, new growth is coming from Chinese 40 and older.

Breakdown of total online population by age group



*751 million
Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

Marvel, 'Star Wars' to Stream on Disney Plan

BY BEN FRITZ

Walt Disney Co. intends to offer its Marvel and Star Wars properties through the subscription video service it is planning to launch in 2019, rather than renewing a deal with Netflix Inc., according to Chief Executive Robert Iger.

Disney announced last month it would launch its own on-demand service in late 2019, on which it would offer animated and live-action family films that currently stream on Netflix after they run in theaters and are sold on DVD and in digital stores such as Apple Inc.'s iTunes.

However, Mr. Iger said at the time Disney wasn't certain if the company would include Marvel and Star Wars movies on its own service or it would continue to license them to Netflix.

In deciding to retain the rights to two of its biggest franchises, including superhero movies like "Avengers" and the "Star Wars" sequels and spinoffs, Disney is giving up tens of millions of dollars per movie it currently receives from Netflix.

However, it will bolster the amount of premium content available on its own digital service and thus, Mr. Iger is

betting, its appeal to consumers.

"We're going to launch big and we're going to launch hot," Mr. Iger said of the digital service, speaking at a media-business conference on Thursday.

For Netflix, Disney's decision will add to the pressure for it to create appealing original content of its own in order to replace some of the high-profile franchise films it will lose starting in 2019.

A Netflix spokesman declined to comment.

In addition to all of the movies Disney produces for theaters, typically around 10 a year, the company will produce four or five lower-budget movies exclusively for its new digital service, Mr. Iger said at the investor conference organized by Bank of America Corp.

It will also make four or five original series and three or four "television movies" of the type that currently run on its Disney Channel, Mr. Iger added.

The service will launch in the U.S. in late 2019 as movies that previously would have been on Netflix become available, Mr. Iger said, though it could launch earlier in other countries.

BUSINESS WATCH

SANOFI

Drugmaker Halts Two Zika Vaccines

Drugmaker Sanofi SA has ended its development of two Zika virus vaccines, citing a decline in new infections and limits on U.S. government funding, a move that illustrates the challenges in sustaining research in emerging infectious diseases after major outbreaks subside.

A division of the U.S. Department of Health and Human Services, the Biomedical Advanced Research and Development Authority, or Barda, informed the French company's Sanofi Pasteur vaccine unit in August that the agency had

reviewed the Zika projects it was funding and "decided to focus on a more limited set of goals and deliverables," Sanofi said in a statement posted on its website last week. As a result, the company said it is discontinuing its development of the Zika vaccine it had been testing in partnership with the U.S. Army since last year.

The Walter Reed Army Institute of Research originally developed that vaccine and Sanofi had been helping to study whether it was safe and effective in people, with a \$43 million Barda grant.

Jon Heinrichs, associate vice president and Zika project leader at Sanofi, said in an interview that Sanofi's development of the Army vaccine was

going to take several years longer than expected because of the need to evaluate new vaccine doses manufactured by the company, and because of the decline in infection rates.

Sanofi had been part of a big push by drug companies and government and private researchers to find new vaccines and medicines after the mosquito-borne virus spread rapidly in Brazil and elsewhere in the Americas in 2015 and 2016. The virus was linked to causing defects in many babies and fetuses of women infected by the virus.

—Peter Loftus

JAGUAR LAND ROVER

Firm Joins Hybrid, Electric Vehicle Push

Jaguar Land Rover, the British luxury car maker, said new models of its Jaguar luxury line and high-end Land Rover SUVs will be powered by either hybrid or electric engines after 2020.

The move by JLR, a subsidiary of India's Tata Motors Ltd., follows a similar commitment earlier this year by Sweden's Volvo Cars, owned by China's Geely Automobile Holdings Ltd. Volvo said in July that it would put only hybrids or fully electric engines in all of its new models from 2019.

—Tapan Panchal



The Zika virus can be transmitted through mosquito bites. Aedes aegypti mosquitoes in a lab in Brazil.

PAULO WHITAKER/REUTERS

FINANCE & MARKETS

Activist Details His Fixes for P&G

Nelson Peltz's Trian contends consumer-goods company can't change with times

BY SHARON TERLEP
AND DAVID BENOIT

Activist investor Nelson Peltz on Wednesday laid out a detailed case for why Procter & Gamble Co. should give him a board seat, painting a picture of a company impenetrable to outsiders and incapable of navigating the changing consumer landscape.

In a 94-page presentation, Mr. Peltz's **Trian Fund Management** LP criticized the company as having lost its position as a consumer-goods leader and settled for "mediocrity," urging a restructuring of its businesses, the hiring of outsiders and branching out into smaller, local brands to attract coveted millennial shoppers.

The blueprint is the latest salvo in Mr. Peltz's attempt to win a board seat at the maker of Tide and Pampers, the largest company to ever face a proxy fight. It is Trian's response to the company's months-long argument that Mr. Peltz brings no new ideas to the table and therefore hasn't earned a seat.

Both sides are courting investors who are set to decide at the company's Oct. 10 shareholder meeting whether to add Mr. Peltz to the board. P&G executives say the company al-



The activist said P&G's 'insular culture' is to blame for its lack of a meaningful new brand in years.

ready is bringing in outsiders, simplifying its governing structure and cutting costs to free up cash to create and market new products.

"The problem is that they have lost and are continuing to lose market share," Mr. Peltz said in an interview last week. "Once you've had a consumer and he's left you, it's very hard to bring that consumer back."

P&G has said Mr. Peltz's ideas are either ill-informed or retreats of work that is already under way. "We're already doing something and he's jumping on and saying, 'Do more of it,'" P&G Chief Executive David Taylor said in an interview last week.

Trian, which owns a \$3.5 billion stake, says P&G should organize itself into just three business units, down from 10, by combining businesses such as beauty, grooming and health care. The units would operate autonomously and have total control over sales, marketing, manufacturing and other major functions. P&G downsized to 10 business units from 16 as part of a restructuring effort carried out before Mr. Taylor took over in late 2015. The company has no plans to further reduce that number.

In a statement Thursday, P&G said it had evaluated such a setup and determined it

would result in additional costs and complexity and lower profitability. Mr. Peltz's "playbook appears to be code for another restructuring and a precursor to a breakup of the Company—his 'cookie-cutter' plan," P&G said.

The company's structure is one of the thorniest points of debate between the two sides. While Trian criticizes P&G's "matrix" structure, P&G executives say a major restructuring in the past year has created autonomous units with control over all parts of their business. They say functions still controlled by regional and corporate chiefs, such as negotiating with retailers like Wal-Mart

Stores Inc. and Target Corp., are best handled at higher levels.

In its presentation, Trian called for P&G to set a goal of having about 25 of the company's top 100 executives with significant outside experience. Trian argues that only three of P&G's top 33 executives appear to have worked outside the company.

That "insular culture," Trian argues, is one of the reasons the company has doubled down on its biggest brands just as consumers shifted to smaller, local products. "P&G has not created a meaningful new brand since Swiffer, almost 20 years ago," according to the Trian presentation.

"To be successful at P&G it appears you have to be very savvy politically at operating in the matrix," Mr. Peltz said. "It seems to be more important than generating sales and profit."

Mr. Taylor has acknowledged that P&G has made mistakes that have resulted in slow growth and slipping market share, such as missing some big trends in China and not taking online razor startups seriously enough, a reference to its Gillette unit. The streamlined P&G, he said, isn't making the same mistakes and is able to more quickly respond to changing trends and nimble rivals.

"Do we get it right all the time? No," he said. "But what we do is we listen to the consumer and get it right the next time."

Square Seeks to Establish Bank

BY PETER RUGEAR

Square Inc. is looking to get into the banking business.

The San Francisco-based finance firm led by Jack Dorsey plans to submit an application Thursday to form a wholly owned bank based in Utah, the company said. The unit, to be called Square Financial Services Inc. would offer loans and deposit accounts to small businesses and be capitalized with \$56 million.

Square would be the third financial-technology company pursuing a banking license in recent months. In doing so, it follows in the footsteps of online lender Social Finance Inc. and mobile-banking startup Varo Money Inc. Square's application comes as federal regulators are giving their blessing to the most new banks since the financial crisis.

Square had been offering small-business loans and cash advances through its lending arm, Square Capital, since 2014 through a deal it had with Celtic Bank, another Utah-based lender. To date, the company says it has extended more than \$1.8 billion in credit to more than 141,000 firms.

"As we scale, it's becoming increasingly important that we have direct relationships with regulators," said Jacqueline Reses, who leads Square Capital and will be the chairman of the bank. The acting chief executive of Square's bank will be Lewis Goodwin, who recently joined Square from Green Dot Corp. where he helped lead the banking subsidiary of the prepaid debit-card company.

Square's consumer-facing initiatives, including its digital money-transfer service, Square Cash, and its recently launched installment-loan business, would remain separate from the bank.

Square is applying for a charter to form an industrial loan company, an entity that enjoys many of the same privileges as traditional banks and can be part of a corporation that does things other than banking. Sixteen other industrial banks are licensed to operate in Utah, including one owned by car maker BMW AG.

Ms. Reses said Square chose to apply for an industrial-loan company charter as opposed to a traditional banking license because aspects of its business, such as selling hardware payment terminals and offering food delivery through its Caviar subsidiary, are non-financial. Bank holding companies are prohibited from engaging in such activities.

SEC Chief: No Law Needed on Inside Trading

BY DAVE MICHAELS

a patchwork of case law that lets federal courts interpret the law differently. Still, that hasn't hurt the U.S. government's ability to punish wrongdoers, Mr. Clayton said.

"I think we do a pretty good job in this space as I compare it to other jurisdictions," Mr. Clayton told the NYU audience Tuesday evening. "Some places that have a code-based insider-trading regime, my sense is [that] it doesn't work any better and in fact it's probably not as effective as our regime."

Profiting from inside information isn't inherently illegal. Courts generally require that the government show that traders who have received such information knew their tipper violated a duty to keep the details confidential. The case law also requires that the tipper receive a personal benefit in exchange for sharing the information.

Mr. Clayton's comments show Congress may be unlikely to face pressure to advance legislation that could re-



Jay Clayton says, 'I think we do a pretty good job' of enforcement.

solve some of the confusion around insider-trading law and reduce courts' influence on such cases.

Lawmakers including Sen. Jack Reed (D, R.I.) and Sen. Bob Menendez (D, N.J.) have sponsored bills that would define insider trading, but such legislation has never passed both houses of Congress and been submitted to the president, said Donald Langevoort, a law professor at Georgetown University.

In the most recent decision,

a three-judge panel of the Second U.S. Circuit Court of Appeals in Manhattan rejected arguments by former SAC Capital Advisors LLP portfolio manager Mathew Martoma

that he didn't break the law when he traded on inside information provided by two doctors about the trial of an Alzheimer's drug.

The trades netted \$275 million in profits and avoided losses.

Mr. Martoma's lawyers argued his actions didn't qualify

as insider trading because he didn't have a close personal relationship with the doctors and the tipsters didn't get a tangible reward for sharing the information. The Second Circuit's decision found the government clearly showed at trial that one of the doctors benefited.

In their 2-1 decision on the Martoma case, the Second Circuit judges parted ways with a 2014 ruling by another three-judge panel of the same circuit. Known as U.S. v. Newman, the earlier ruling said that prosecutors must prove the tipster and trader had a close personal relationship and that the tipster got a tangible reward for sharing the information.

The judges in the Martoma case found that it is sufficient to show that an insider passed material nonpublic information to someone whom the insider expected would trade on it. According to the judges, the two parties don't need to have a "meaningfully close personal relationship," as the Newman case opined.

FINANCE WATCH

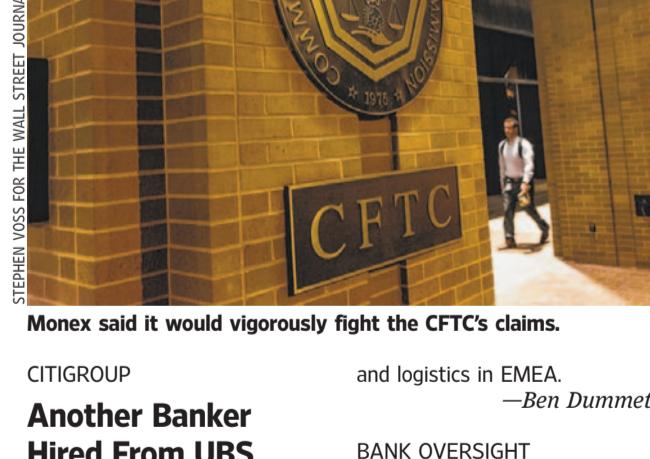
PRECIOUS METALS

CFTC Alleges Fraud at Monex

The Commodity Futures Trading Commission charged Monex with defrauding more than 3,000 customers of \$290 million in one of the largest precious-metals fraud cases ever.

In a civil enforcement action, the CFTC accused Monex of making false claims to investors, many of them elderly, in television commercials and other promotional materials.

The CFTC also charged Monex executives Louis Carabini and Michael Carabini with



Monex said it would vigorously fight the CFTC's claims.

CITIGROUP

Another Banker Hired From UBS

Citigroup Inc. tapped a UBS Group AG investment banker to head its chemicals coverage for Europe, the Middle East and Africa, the second time this week the bank announced a hire from its Swiss rival.

Sean Weissenberger succeeds Martin Bastian as head of Citigroup's chemicals investment banking operations in Europe, the Middle East and Africa, according to a memo.

Earlier this week, Citigroup hired Jean-Baptiste Petard as global co-head of its new services group within its investment-banking coverage of the industrials sector. Mr. Petard previously oversaw UBS's investment banking operations for business services, transportation

and logistics in EMEA. —*Ben Dummett*

BANK OVERSIGHT

Trump Nominees Clear a Hurdle

The Senate Banking Committee advanced two Trump administration banking-oversight nominees: Randal Quarles to be Federal Reserve vice chairman for banking supervision and Joseph Otting to be Comptroller of the Currency.

If approved by the Senate, Mr. Otting would succeed Acting Comptroller Keith Noreika. Mr. Quarles would take one of the three open positions on the Federal Reserve board of governors. Another slot will open by mid-October, with Vice Chairman Stanley Fischer's announcement Wednesday he intends to step down early. —*Gabriel T. Rubin*

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FUND NAME GF AT LB DATE CR NAV YTD %RETURN—

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: www.cam.com.sg CAM-GTF Limited OT MUS 08/31 USD 31.07/6.35 2.9 -3.7 7.1

NAV —%RETURN—

OT HKG 09/06 AUD 154.51 34.9 22.8 18.8

AS EQ HKG 09/06 USD 19.39 34.2 22.6 18.5

AS EQ HKG 09/06 AUD 15.08 33.0 22.4 18.7

AS EQ HKG 09/06 CAD 15.57 34.5 22.3 18.6

AS EQ HKG 09/06 HKD 13.25 34.5 23.0 NS

AS EQ HKG 09/06 NZD 16.01 32.8 22.0 18.7

AS EQ HKG 09/06 CNH 12.48 19.8 16.6 NS

AS EQ HKG 09/06 GBP 13.32 38.6 27.7 NS

AS EQ HKG 09/06 HKD 10.73 11.5 6.7 NS

AS EQ HKG 09/06 USD 10.80 10.5 5.7 NS

VP Multi-Asset Fund C USD OT HKG 09/06 USD 20.45 22.1 18.3 21.4

FUND NAME GF AT LB DATE CR NAV —%RETURN—

VP Class-Q Units AS EQ HKG 09/06 USD 154.51 34.9 22.8 18.8

VP Class-I Units AS EQ HKG 09/06 USD 19.39 34.2 22.6 18.5

VP Class-C Units AUD H AS EQ HKG 09/06 AUD 15.08 33.0 22.4 18.7

VP Class-C Units CAD H AS EQ HKG 09/06 CAD 15.57 34.5 22.3 18.6

VP Class-C Units HKD H AS EQ HKG 09/06 HKD 13.25 34.5 23.0 NS

VP Class-C Units NZD H AS EQ HKG 09/06 NZD 16.01 32.8 22.0 18.7

VP Class-C Units RMB H AS EQ HKG 09/06 CNH 12.48 19.8 16.6 NS

VP Class-C Units GBP H AS EQ HKG 09/06 GBP 13.32 38.6 27.7 NS

VP Multi-Asset Fund C USD AS EQ HKG 09/06 HKD 10.73 11.5 6.7 NS

VP Multi-Asset Fund C USD OT HKG 09/06 USD 10.80 10.5 5.7 NS

VP Taiwan Fund AS EQ CYM 09/06 USD 20.45 22.1 18.3 21.4

ANDREW HARRER/BLOOMBERG NEWS

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MARKETS DIGEST

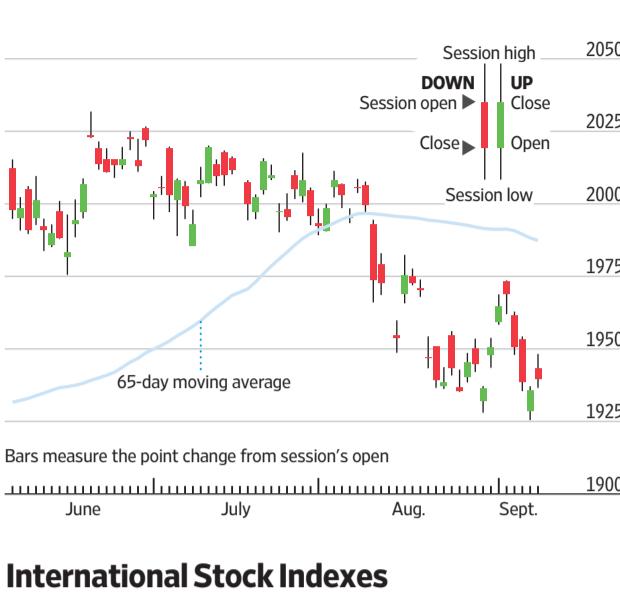
Nikkei 225 Index

19396.52 ▲ 38.55, or 0.20%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

▲ 1.48%
20230.41 16251.54
38915.87 12/29/89



Bars measure the point change from session's open

STOXX 600 Index

374.95 ▲ 1.00, or 0.27%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

▲ 3.74%
396.45 328.80
414.06 4/15/15

Session high
Session open
Close
Session low
Open

20500
20250
20000
19750
19500
19250

65-day moving average

395
390
385
380
375
370
365

June July Aug. Sept.

S&P 500 Index

2463.02 ▼ 2.52, or 0.10%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

▲ 23.86 24.71
P/E estimate * 18.85 18.57
Dividend yield 2.00 2.11

All-time high: 2480.91, 08/07/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 12 p.m. New York time

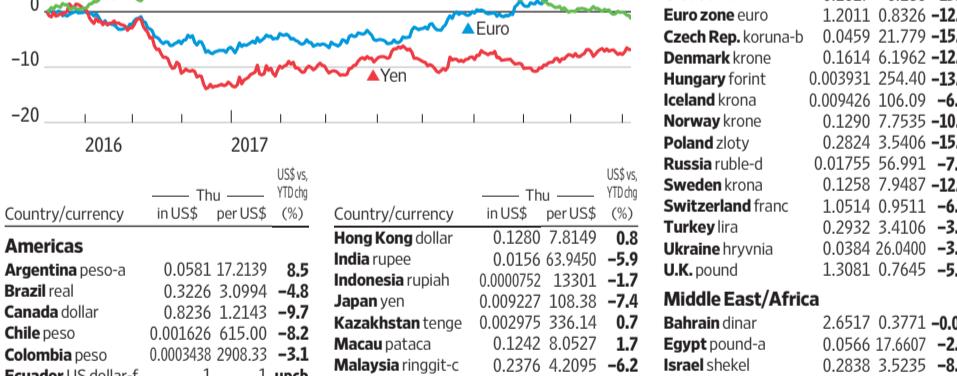
Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2851.56	9.39	▲ 0.33	2386.93	2881.15	12.8		
	MSCI EAFE	1949.45	14.90	▲ 0.77	1614.17	1955.39	13.6		
	MSCI EM USD	1090.87	7.69	▲ 0.71	838.96	1091.36	37.4		
Americas	DJ Americas	594.51	-0.48	-0.08	503.44	599.20	10.0		
Brazil	Sao Paulo Bovespa	73412.41	...	Closed	56459.11	73607.91	21.9		
Canada	S&P/TSX Comp	15045.80	-14.03	-0.09	14319.11	15943.09	-1.6		
Mexico	IPC All-Share	50451.73	-63.87	-0.13	43998.98	51772.37	10.5		
Chile	Santiago IPSA	3880.46	21.04	▲ 0.55	3120.87	3945.90	20.4		
U.S.	DJIA	21770.02	-37.62	-0.17	17883.56	22179.11	10.2		
	Nasdaq Composite	6396.90	3.59	▲ 0.06	5034.41	6460.84	18.8		
	S&P 500	2463.02	-2.52	-0.10	2083.79	2490.87	10.0		
	CBOE Volatility	11.87	0.24	▲ 2.06	8.84	23.01	-15.5		
EMEA	Stoxx Europe 600	374.95	1.00	▲ 0.27	328.80	396.45	3.7		
	Stoxx Europe 50	3053.27	10.04	▲ 0.33	2720.66	3279.71	1.4		
France	CAC 40	5114.62	13.21	▲ 0.26	4310.88	5442.10	5.2		
Germany	DAX	12296.63	82.09	▲ 0.67	10174.92	12951.54	7.1		
Greece	ATG	811.04	-0.66	-0.08	548.72	859.78	26.0		
Israel	Tel Aviv	1388.09	-5.22	-0.37	1346.71	1490.23	-5.6		
Italy	FTSE MIB	21722.51	-92.05	-0.42	15923.11	22065.42	12.9		
Netherlands	AEX	518.83	2.36	▲ 0.46	436.28	537.84	7.4		
Russia	RTS Index	1110.73	4.03	▲ 0.36	953.12	1196.99	-3.6		
Spain	IBEX 35	10124.90	-6.10	-0.06	8512.40	11184.40	8.3		
Switzerland	Swiss Market	8906.66	47.19	▲ 0.53	7585.56	9198.45	8.4		
South Africa	Johannesburg All Share	55878.19	397.99	▲ 0.72	48935.90	56896.89	10.3		
Turkey	BIST 100	109742.95	131.16	▲ 0.12	71792.96	110530.75	40.4		
U.K.	FTSE 100	7396.98	42.85	▲ 0.58	6654.48	7598.99	3.6		

Asia-Pacific

Australia	S&P/ASX 200	5689.90	0.20	▲ 0.004	5156.60	5956.50	0.4		
China	Shanghai Composite	3365.50	-19.89	-0.59	2980.43	3385.39	8.4		
Hong Kong	Hang Seng	27522.92	-90.84	-0.33	21574.76	28094.61	25.1		
India	S&P BSE Sensex	31662.74	0.77	▲ 0.002	25765.14	32575.17	18.9		
Indonesia	Jakarta Composite	5832.31	8.17	▲ 0.14	5027.70	5915.36	10.1		
Japan	Nikkei Stock Avg	19396.52	38.55	▲ 0.20	16251.54	20230.41	1.5		
Malaysia	Kuala Lumpur Composite	1782.98	10.50	▲ 0.59	1616.64	1792.35	8.6		
New Zealand	S&P/NZX 50	7804.26	14.05	▲ 0.18	6664.21	7879.46	13.4		
Philippines	PSEI	8022.98	39.01	▲ 0.49	6563.67	8072.75	17.3		
Singapore	Straits Times	3228.06	-4.41	-0.14	2787.27	3354.71	12.1		
South Korea	Kospi	2346.19	26.37	▲ 1.14	1958.38	2451.53	15.8		
Taiwan	Weighted	10538.51	-9.35	-0.09	8902.30	10617.84	13.9		
Thailand	SET	1632.66	11.36	▲ 0.70	1406.18	1632.66	5.8		

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Key Rates

Latest 52 wks ago

Americas	Argentina peso-a	0.0581	17.2139	8.5	
Brazil	real	0.3226	3.0994	-4.8	
Canada	dollar	0.8236	2.1243	-9.7	
Chile	peso	0.001626	615.00	-8.2	
Peru	so	0.3092	3.2341	-3.5	
Uruguay	peso-e	0.0347	28.810	-1.8	
Venezuela	bolivar	0.09923	10.08	0.8	
Asia-Pacific	Australian dollar	0.8034	1.2447	-10.4	
China	yuan	0.1542	4.6486	-6.6	

Country/currency	Thu	US\$ vs. per US\$ (%)	YTD chg
Country/currency	Thu	US\$ vs. per US\$ (%)	YTD chg
Hong Kong dollar	0.1280	7.8149	0.8
India rupee	0.0156	63.9450	-5.9
Indonesia rupiah	0.0000752	13301	-1.7
Japan yen	0.009227	108.38	-7.4
Kazakhstan tenge	0.002975	336.14	-7.4
Macau pataca	0.1242	8.0527	1.

FINANCE & MARKETS

Little-Known Insurers Backstop Florida

Alongside state entity, small—and untested—carriers provide bulk of hurricane coverage

By LESLIE SCISM

Hurricane Irma will test a Florida insurance market where a wave of large insurers aggressively reduced their footprint, replaced by smaller firms and a state body.

Florida's insurance market nearly collapsed in 2006 after some of the costliest storms in U.S. history—besides Katrina, there were Charley, Frances, Ivan, Jeanne, Rita and Wilma in 2004 and 2005. In their wake, many big national home insurers shed policies in the state, frustrated by regulators and lawmakers who rebelled against the large rate rises they said were essential.

What followed has been a winding path. At first, state leaders used their Citizens Property Insurance Corp. entity to plug the gap, and it became the largest insurer in the state with nearly 1.5 million policies in 2011. From there, some 50 small to midsize home insurers have played a growing role. They have



A man reinforces a house in Miami ahead of the anticipated arrival of Hurricane Irma.

the spokesman said.

John Rollins, an executive with Cabrillo Coastal General Insurance Agency LLC in Gainesville, Fla., who was Citizens' chief risk officer until early this year, said Citizens and the Catastrophe Fund "have been replenished significantly through a combination of meteorological luck and prudent planning." Citizens still has about 443,000 policyholders in Florida.

Smaller firms increasingly are the ones adding customers, with names such as Universal Insurance Holdings Inc. and Heritage Insurance Holdings Inc. Shares of Universal fell 15% Tuesday and Heritage dropped 17%, as fears of an Irma strike on Florida spread. Both companies were off again on Thursday after a partial recovery Wednesday.

A total of 56 of the carriers had a surplus—assets minus liabilities—of \$3.9 billion as of March, up from \$1.8 billion for 48 companies in 2010, according to Demotech.

State rules require these firms to buy reinsurance as a backstop arrangement under which other insurers are on the hook to pay some claims. The state then runs a "catastrophe stress test to simulate

the impact of catastrophic storms and the companies' ability to respond," said Karen Kees, a spokeswoman for Florida's Office of Insurance Regulation.

These reinsurance deals have aided the ascension of smaller carriers.

Since the financial crisis and a period of ultralow interest rates, yield-hungry pension plans, sovereign-wealth funds and other big investors have pumped tens of billions of dollars into the reinsurance market to diversify and earn more than they could on bonds. That led to a sharp decline in the price for property-catastrophe reinsurance, with these smaller Floridian firms now able to load up on more reinsurance at lower prices.

"There will be losses, there will be a lot of heartache" if Irma does strike Florida, said Pares Patel, a founder and chief executive of home insurer HCI Group Inc. in Tampa, Fla. But "it is happening in as good an environment as anyone can reasonably expect" for the state's insurance market, Mr. Patel said. HCI's reinsurers include a Berkshire Hathaway Inc. unit.

—Nicole Friedman contributed to this article.

grabbed so much business that Florida's top-20 market-share list for homeowners' insurance is rife with names of carriers most people have never heard of outside its borders.

This transformation occurred during a 12-year hurricane dry spell, lasting long enough for state officials to shore up the foundations of Citizens. But it is also long enough that the new system

has never had a real-life test of its resilience.

"The truth of the matter is a Category 4 or 5 hurricane in a heavily populated area is a major stress test of everything [because] the destruction is almost unimaginable," said Joseph Petrelli, president of Demotech Inc., a ratings firm with a specialty in Florida's market.

Inside Florida, much of the

focus in recent years has been on building up a capital cushion at Citizens. Benefiting from the absence of hurricanes and gradually increasing premium rates, Citizens now has \$9.9 billion in "claims paying ability," which is money readily available to pay claims, a spokesman said.

A sister organization, the Florida Hurricane Catastrophe Fund, has about \$17 billion,

feeds its diesel demand with imports from the U.S., so European refiners may be making up the Harvey-induced shortfall at a hefty profit, analysts say.

The global shortage is a boon for the refiners who convert crude oil into diesel. So-called diesel cracks—a proxy for refining margins—have risen to their highest levels in two-years, at around \$16.50 a barrel against Brent crude oil.

To capitalize, expect refiners to switch more of their production to diesel from other oil products, said Michael Dei-Michei, head of re-

search at JBC Energy.

While experts believe these shifts won't be permanent, they could have a significant impact on diesel flows and prices over the next few weeks or months.

Even as U.S. refineries come back online it will take time before they are able to export at their previous levels.

Moreover, the "reconstruction of areas affected by Harvey will also result in higher U.S. demand for distillates [like diesel], limiting export capacity," said Ehsan Ul-Haq, director at Resource Economist Ltd.

Refinery Closures Leave Diesel Shortage in Europe

By CHRISTOPHER ALESSI

In the wake of Hurricane Harvey a tarnished fuel is getting a boost: diesel.

The price of diesel futures has risen roughly 10% since Harvey tore into the U.S.

Gulf Coast and shut down refineries and ports through which this fuel usually flows out of the U.S. This has contributed to a shortfall in Europe, a region with huge demand for the fuel to power passenger cars.

Diesel's image took a big

knock two years ago when Germany's Volkswagen AG admitted it had rigged millions of diesel cars to cheat environmental regulators, which ultimately revealed diesel engines as far bigger polluters than originally thought. That triggered a political backlash in Europe, but because the fleet of cars on the continent is largely diesel, demand has remained high.

Europe's domestic production came up short by around 900,000 barrels every day between January and June of this year, according to JBC En-

ergy GmbH. The U.S. had been supplying about 250,000 barrels of that shortfall. The gap is expected to widen in the coming weeks by about 200,000 barrels a day year on year, according to James McCullagh, an oil-products analyst at Energy Aspects Ltd.

"Before Harvey, Europe was looking to the U.S. [Gulf Coast] for extra barrels to help cover its import requirements this autumn," Mr. McCullagh said.

Russia, a traditional supplier of diesel to Europe, is unlikely to be able to step in. Its

refineries are in the midst of heavy seasonal construction and maintenance work, experts say. Initial data show that refined products from the Middle East and Asia to Europe are rising, according to Lisa Ward, co-founder of TankerTrackers.com, a website that records oil tanker movements.

But just as Europe hungers for diesel imports, cargoes of this fuel have been heading out of local European ports to Latin America over the past week, according to Energy Aspects. Latin America usually

search at JBC Energy.

While experts believe these shifts won't be permanent, they could have a significant impact on diesel flows and prices over the next few weeks or months.

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Trump, His Children, and 500+ Potential Conflicts of Interest

President-elect Donald Trump's complex holdings place him in an unprecedented position

By Joel Eastwood, Coulter Jones and Julia Wolfe

Published Jan. 19, 2017 at 6:00 a.m. ET

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The WSJ digital interface features a political cartoon at the top left. Below it are news stories: "GOP's Fallback Plan After Vote to Repeal Law Fails" and "WSJ OPINION: POTOMAC WATCH WITH PAUL GIGOT". A video player shows a Senate hearing with the title "Will the Bare-Bones Obamacare Repeal Pass?". The main navigation bar includes links for "LATEST", "WSJ UP NEXT", "WSJ PODCASTS", and "WSJ NEWS". On the right, there's a graphic for "Russia" with the date "March 2014" and a headline about sanctions.

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MARKETS

Airlines Are on the Ropes

Hurricanes hammer the industry as fare war raises doubts on outlook for pricing

By AMRITH RAMKUMAR

The fallout from Hurricane Harvey and a bruising fare war are punishing airline stocks, in a sign of weakness in the transportation sector that some investors watch as an indicator on the economy.

After pushing up shares of the four largest U.S. airlines at least 12% to their 2017 highs, investors are now fretting that price competition between airlines will hamper their ability to boost revenue for the remainder of the year.

As of Wednesday's close, shares of Delta Air Lines Inc., United Continental Holdings Inc., American Airlines Group Inc. and Southwest Airlines Co. were all down at least 15% from their highs this year.

Earlier this week, Delta lowered its projections for unit revenue—a key industry measure of how much airlines earn for every mile they fly a passenger—citing a slower recovery in domestic last-minute ticket prices and higher fuel costs. United on Wednesday said it expects unit revenue to decline more than expected in the third quarter, as the impact of Hurricane Harvey and a price war weigh on earnings.

In recent years, competition from ultralow-cost carriers has forced down prices across the industry. Weather-related disruptions are now adding to the airline industry's headaches as it enters what is traditionally a weaker time of year. Harvey knocked out about 25% of oil-refining capacity at one point, pushing fuel prices higher.

It also led United to cancel 7,400 flights from its second-largest hub, George Bush Intercontinental Airport. The company expects operations to

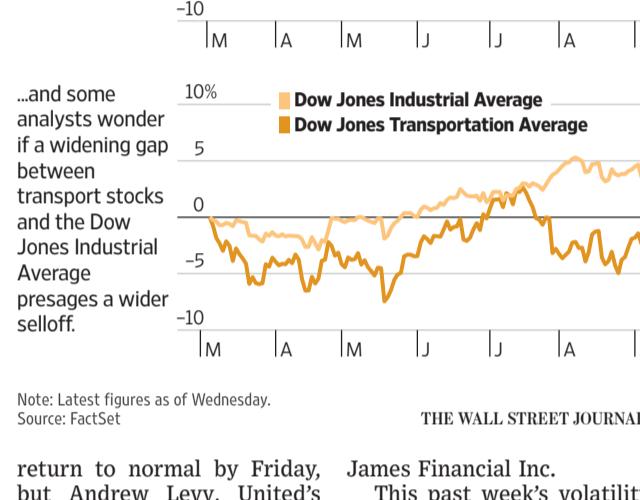


CHRIS URSO/TAMPA BAY TIMES/ASSOCIATED PRESS

People waited in Tampa on Wednesday as Hurricane Irma, the latest storm-related threat to the industry, approached Florida.

Turbulent Times

Airline stocks have lagged behind the broader U.S. market...



Note: Latest figures as of Wednesday.
Source: FactSet

THE WALL STREET JOURNAL.

return to normal by Friday, but Andrew Levy, United's chief financial officer, said demand for flights in Houston will suffer for a while.

Now, Hurricane Irma could also alter travel as it moves through the Caribbean.

"It definitely feels like we're getting closer to max pain levels," said Savanthi Syth, an analyst at Raymond

James Financial Inc. This past week's volatility in airline shares was the latest example of the group weighing on the Dow Jones Transportation Average, which shed 0.9% on Tuesday to end a six-session winning streak and was down 4.4% since mid-July as of Wednesday's close. Some investors and analysts look to transportation stocks as an

economic indicator because shares of companies that carry goods and personnel tend to perform well when the economy is strong.

Some market watchers say weakness in the Dow transportation gauge could portend losses for the index's cousin, the Dow Jones Industrial Average. Buoyed by standout stocks such as Boeing Co. and Apple Inc., the Dow industrial gauge has continued to hit fresh highs this year.

The divergence between the transportation and industrials indexes is "a red flag" that can't be ignored, according to Nathan Thooft, senior managing director of global asset allocation at Manulife Asset Management. Still, the outlook for stocks remains favorable looking at the earnings and economic backdrop, he said.

Some industry analysts are projecting that airlines could decline further. On Tuesday, UBS Group AG cut its full-year earnings estimates for six airline stocks by about 10% on average.

Last week, Morgan Stanley wrote in a note to clients that future earnings projections are too high and predicted that revenue per available seat mile could decline more than expected throughout the rest of the year.

However, the group's recent skid and relatively low valuations have some investors buying. American, Delta and United trade at roughly 8 times Wall Street's projected earnings in the next year while United's multiple is 7.4, according to FactSet. Southwest has a multiple of 12. These compare with the benchmark S&P 500's valuation of 17 times analysts' expected profits in the next year.

Craig Hodges, a portfolio manager at Hodges Funds, said he recently bought shares of American and Southwest.

"I'm buying airlines all day long at these prices," Mr. Hodges said.

Euro Gains as ECB Is Bullish on Growth

By CHRISTOPHER WHITTALL AND MICHAEL WURSTHORN

The euro moved up against the dollar after the European Central Bank raised its growth forecasts.

In the U.S., shares of financial companies on Thursday sagged under the pressure of falling bond yields and the threat of Hurricane Irma, weighing on major stock indexes.

In midday trading, the Dow Jones Industrial Average was

down 38 points, or 0.2%, to 21768. The S&P 500 was off 0.1%, while the Nasdaq Composite was down about 0.1%.

Declines in Treasury yields, along with concerns about the storm's potential impact on Florida as it battered islands in the Caribbean, helped erase stocks' early gains following the ECB's decision to leave monetary policy unchanged while reaffirming the resilience of the eurozone economy.

The euro's advance further compounds the central bank's dilemma of a rapidly appreciating currency.

While the ECB avoided making any pronouncements on when it would scale back its bond-buying program, the central bank's president, Mario Draghi, said the euro's rise "represents a source of uncertainty" that requires monitoring.

The euro—up 14% against the dollar this year—has damped eurozone inflation by lowering import prices and led the ECB to cut its inflation forecast slightly on Thursday.

However, investors appeared to focus on the ECB's upgrade of its growth forecasts, which helped send the euro up 0.8%, to \$1.2007, in midday trading in New York.

Stocks in Europe also gained, with the Stoxx Europe 600 rising 0.3%.

Seamus Mac Gorain, a portfolio manager at J.P. Morgan Asset Management, said there is a limit to how far the ECB can talk down the currency given the strong growth in the eurozone and the fact that the euro doesn't look overly expensive based on traditional currency valuation models.

Still, the euro's rapid appreciation in recent months will mean the ECB won't "want it to go too much higher from here," he said.

Elsewhere in currency markets, the WSJ Dollar Index, which measures the dollar against a basket of 16 other currencies, was down 0.6%.

Meanwhile, shares of financial companies in the S&P 500 tumbled 1.9%, with insurance companies Everest Re Group and XL Group among the index's biggest laggards.

"People are looking at what happened with [Hurricane] Harvey and the type of companies affected to see what will get hit now," said Paul Karrlsson-Willis, head of global equity sales and trading at Cabrera Capital, adding that insurers and orange producers will be closely watched.

Hurricane Harvey is already projected to disrupt measures of the U.S. economy in the weeks and months ahead. Jobless claims surged in a report on Thursday, while forecasters in The Wall Street Journal's survey of economists expect the growth rate of gross domestic product to fall by about 0.3 percentage point in the third quarter.

Some investors and traders expect Irma to further hurt some economic indicators in the near term and that the storms could damp expectations the Federal Reserve will raise interest rates later this year.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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A Stock to Ride Two Tech Trends

Take two of the hottest themes in the market, electric vehicles and new iPhones, and both lead you to a Korean tech company: Samsung SDI.

The \$11 billion company, 20% owned by Samsung Electronics, makes most of its revenue from batteries, yet the biggest profit driver in the next few years will come from something else: smartphone screens. The company has a 15% stake in Samsung Display, which makes screens for smartphones and televisions. Samsung Electronics owns the remaining 85%.

Apple is expected to unveil three iPhones Tuesday, with the priciest featuring an edge-to-edge screen using a technology called organic light-emitting diodes. Samsung owns nearly the whole mobile OLED market, which means it will almost certainly be the sole supplier.

OLED screens give sharper images and use less power. Their curved edges allow bigger screen sizes without making the phones bulkier.

SDI's stake in Samsung Display gives investors a way to benefit from rising demand for the screens. Samsung Display contributed around \$200 million to SDI's profits last quarter, similar to what its contribution was for all of 2016. While many top-end Android phones, for example Samsung's latest flagship Galaxy S8, already sport OLED screens, Apple's joining the fray would make that more of a "must have" for future phones.

While there is looming competition, Goldman Sachs expects that 80% of Apple's OLED screens will still come from Samsung in 2019, even if all iPhones produced beginning next year are using the technology.

Apart from its stake in Samsung Display, SDI also supplies materials for making OLED screens.

The bigger worry for investors is SDI's core battery business—it barely made any profit last quarter. But things are looking up even there. Smartphone batteries started making profits again

Power Play

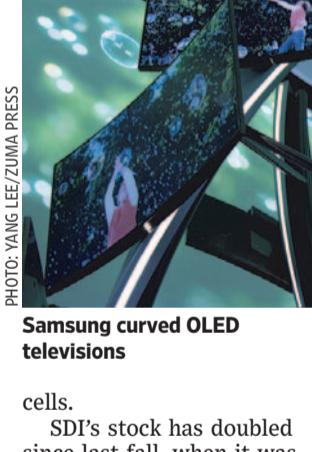
Samsung SDI's forward price/earnings ratio



in the latest quarter after losses caused by last year's recall of Galaxy Note 7 smartphones.

The car-battery business may continue to lose money, but strong sales of electric vehicles in Europe could give a surprising lift. The BMW i3, of which SDI is a supplier, is selling well.

Another potential boost: Tesla's 100-megawatt energy-storage system in Australia will use SDI's battery



Samsung curved OLED televisions

cells.

SDI's stock has doubled since last fall, when it was burned by the Note 7 debacle but has only just reached its 2013 peak. Despite the rally, the stock trades at 15 times forward earnings—lower than the five-year average of 19, according to S&P Global Market Intelligence.

That looks like a bargain to buy into not one, but two, of the market's biggest trends.

—Jacky Wong

OVERHEARD

It is a country best known for fairy tales, Legos and environmentalism, but Denmark is also home to two oil-and-gas companies.

That is about to be one and pretty soon zero. Partially state-owned Dong Energy, which stands for Danish Oil & Gas, is about to complete the sale agreed to earlier this year of its oil-and-gas operations.

Dong, it appears, has already moved on.

The company's website shows lots of pictures of windmills and not a pump jack anywhere.

The company's decision to exit from its namesake industry started something of a trend.

Last month, the only other Danish oil-and-gas company of note, a unit of shipping company A.P. Moeller-Maersk, was sold to France's Total.

Dong shareholders are happy with the stock outperforming the energy sector. Now, it is time to do something about that name.

Bad Loans Still a Worry In China

There are Chinese banks, and then there are China's bad banks. To understand just how worrying the country's bad-loan problem has become, it is worth taking a look at the latter.

China Cinda Asset Management, the second-largest of four asset managers set up in the 1990s to clean up China's large pile of souring loans, is still at it two decades on, managing and restructuring distressed assets unloaded by banks. The company's latest results offer a lens into the rapidly deteriorating asset quality in China.

The current pace at which Cinda is acquiring distressed assets is far outpacing the rate at which it can dispose of these assets. That has pushed down the price at which it can sell bad-loan portfolios to close to 20 cents on the dollar from 30 cents at this time last year. Its income from disposing of bad assets dropped 64% on the year, with returns on restructured assets falling to 8.7% in the first half from 10.6% a year ago.

These trends suggest China's bad-loan problem is more severe than investors would guess from looking at the big banks' results: Banks such as ICBC and Bank of China actually reported improving nonperforming-loan ratios in the first half. One reason they were able to do so is that they have been unloading bad assets to the likes of Cinda.

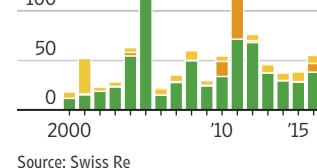
The big banks' ability to shuffle their soured loans off has helped them garner plenty of love from investors this year. That doesn't mean China's bad-loan problem has gone away—it just has been swept under a convenient nearby carpet.

Anjan Trivedi

How to Tell Whether Irma Will Be Insurance Catastrophe

Payout Pain

Global insured losses from catastrophic events



outdoing even the damage done by Katrina in 2005.

Shares of U.S.-listed insurers and reinsurers with big natural catastrophe exposures, such as Aspen Insur-

ance, Validus, RenaissanceRe and Everest Re, have dropped by 7% to 10% since Friday.

The industry is already expecting significant losses—upward of \$10 billion—from Hurricane Harvey, which hit Texas last month. But this will only lead to a drop in profits rather than stop the squeeze on reinsurance pricing. Such a loss isn't big enough to dent the huge amount of capital that has flooded into reinsurance risk in past decade. Since 2008, capital in the reinsurance sector has almost doubled to \$605 billion at the end of March of this year from \$340 billion, according

to Aon Benfield Analytics.

A lot of this capital growth has been in traditional reinsurance, but alternative capital—in the form of catastrophe bonds and related products—has more than quadrupled over the same period.

Money has continued to flow despite declining yields on cat bonds and falling returns on equity for reinsurers, because the income investors get from both is still attractive compared with other investments, while catastrophe risk is also seen as independent of the economic cycle that affects other investments.

Global catastrophe losses

for the reinsurance industry exceeded \$55 billion last year, the fourth-highest loss in the past decade, and yet reinsurance prices have still fallen. Some think it will take a single loss of more than \$100 billion to turn the tide of more capital and weaker returns in reinsurance. Even a direct hit by Irma on Florida's population centers might not be big enough to buck the trend.

Investors have been taking on more risk for less return in the insurance industry for some time. So far the trade-off hasn't been too painful, but at some point that will change.

—Paul J. Davies

Composer
Randy Newman
geeks out over
his favorite
gadgets
W8



OFF DUTY



Smaller,
easier-to-pilot
private jets
to transport
your clan
W8

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

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Livin' On a Prairie

Harking back to simpler times in America, designers are reworking pioneer motifs—handmade quilts, fringed suede and bandana prints—for women who dwell far away from where the buffalo roam free



QUILT TRIP This quilted topcoat is a statement piece, so pare down the rest of your look (sleek hair, simple accessories) to avoid artsy-craftsiness. A classic American beauty tip: A strong red lip.

Coat, \$5,495, and Top, \$1,095, *Calvin Klein 205W39NYC*, 212-292-9000.

Fashion Editor: Rebecca Malinsky
Photographed at the Bernard Family Hall of North American Mammals at the American Museum of Natural History.

BY NANCY MACDONELL

IN 1936, New York department store Lord & Taylor made news when it offered its female customers a clothing collection inspired by iconic American looks such as cowboy garb and New England fisherman knits. It was an unusual move: Back then, Parisian

taste overwhelmingly shaped fashion, even if the clothes were made in the U.S.A.

Eight decades later, Americana is as orthodox a style reference as bohemian chic or naval uniforms. Even so, many of the fall 2017 collections lean more conspicuously and notably American than those in recent seasons. Designers from both sides of the Atlantic tapped into the "Little House on the Prairie" look. Was it an innocently nostal-

gic nod to American style, or a pointed commentary on today's politics?

Some designers ostensibly went for pure fashion on the runway: Belgian-born Raf Simons, making his highly anticipated debut as the chief creative officer of Calvin Klein, worked with a plethora of American tropes, from red-white-and-blue marching band ensembles to quilted top coats

Please turn to page W2

OFF DUTY

A PAEAN TO PIONEER STYLE

Continued from page W1

with no hint of a reactionary subtext. London-based Sarah Burton of Alexander McQueen, a British brand that shows in Paris, used a bandana-like print that looked like it originated in a dude ranch bunkhouse. Prada's line included suede fringed jackets. Isabel Marant played with patchwork quilt prints. Stuart Vevers, an Englishman who's been the executive creative director at Coach 1941 for four years, embraced buffalo checks and prairie skirts.

Others who opted for Americana this season were openly political. That was the case with Patric DiCaprio, David Moses, Bryn Taubensee and Claire Sully, the quartet behind the upstart, four-year-old New York label Vaquera, who sent a dress made from what looked like a deconstructed American flag down the runway. It was cut with a long train that dragged behind the model as she walked. "There's a lot of anger and frustration," said Ms. Sully. "We wanted to make an overt statement, to say, 'Let's talk about America.'"

Most of the latest iterations of Americana are quite distinct from the oeuvre of Ralph Lauren, who built a global empire out of his mastery of apple-pie imagery. The difference is their intent, said Bridget Foley, the executive editor of Women's Wear Daily, who worked on *Ralph Lauren: 50 Years of Fashion*, a book about Mr. Lauren's career, as documented by WWD. These current designers' takes are more fleeting, less personal. "With Ralph, I think it's a manifestation of a belief system," said Ms. Foley. "It's not a seasonal message. It's a core value, an overall point of view. It's who he is as a person and a designer."

Another difference: Mr. Lauren's vision is akin to painter Norman Rockwell's in its cheery idealism, a stark contrast to this season's Americana, which feels ironic and more complex, recalling director Terrence Malick's dust-bowl love story, "Days of Heaven" and American painter Grant Wood's haunting, self-aware depiction of rural life in his iconic 1930s "American Gothic" portrait. The collections were, for the most part, designed just after last fall's contentious election, and can be read as a yearning for what seem like less complicated times.

"People are reaching for the familiar," said Patricia Mears, the deputy director of the Museum at FIT in New York. "You see this in periods of uncertainty." In fashion, that means turning to silhouettes and ideas that evoke an idealized past. This isn't limited to Americana—at Gucci, for example, creative director Alessandro Michele mines the glories of the Renaissance, when Italian city states were at the height of their power.

A subtler point: When considering the origins of Westernwear, it's important to note that, far from



COWGIRL, INTERRUPTED Keep it subtle. Contrast stitching on trousers evokes classic Levi's; pointed pocket flaps and an adorned collar just hint at rodeo shirting. Top, \$1,670, Pullover, \$1,090, and Pants, \$1,160, Louis Vuitton, 866-884-8866. Photographed at the American Museum of Natural History.



FRINGIER THINGS An ornate Western jacket can easily outshine the rest of your outfit. Keep your layers simple but add bold stilettos to balance out the tumult on top.

Above: Jacket, \$13,460, Shoes, \$990, Prada, 212-334-8888; Levi's Made & Crafted Jeans, \$198, levi.com.

being the clothing of exclusively white male pioneers, it reflects a truly American mix of influences.

"Buffalo Bill was one of the first to take elements from Native American dress and combine it with Western workwear for entertainment," said Ms. Mears. "In the '20s, Eastern European tailors, like Rodeo Ben [Bernard Lichtenstein], combined tailoring, Western work-



wear, and Eastern European floral motifs. And they had many Latino workers. So Americana is this mishmash of different cultures."

An immigrant of sorts himself, Mr. Simons arrived at Calvin Klein,

having worked on his own line after serving as creative director for 3½ years at Christian Dior, the venerable French fashion house that celebrates its 70th anniversary this year. In constructing his inau-

HAIL TO THE HANDKERCHIEF

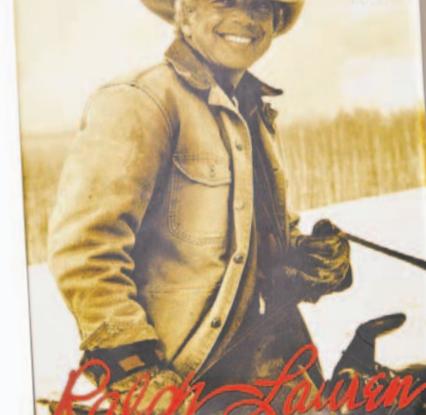
To elevate and prettify the bandana-print look, seek it out in silk shirt-dress form.

Left: Dress, \$4,450, and Belt, \$765, Alexander McQueen, 212-645-1797.

gural Calvin Klein collection around recognizably American archetypes, he seemed to be signaling his new allegiance, an admiration for his adopted country.

"I learned about American style through film, so my references have that Hollywood glow," said Coach 1941's Mr. Vevers, a Brit. "Days of Heaven" fed his nostalgia for the American prairie, but he had other influences, such as the clothes kids wore "Back in the Days," the name of a 2001 book about the '80s hip hop scene in New York City that affected the way he styled his Americana pieces. "We [paired] shearling coats with raw edges with a T-shirt," he said, giving them a "more modern sort of luxury."

In general, said Mr. Vevers, American style represents the "shift" in how people learned to dress over the years: "When you think of classic American style, you think of ease." So the explanation for the deluge of Americana references may well be more prosaic. For better or worse, the look of people on streets all over the world—dictated by comfort, determinedly casual, rule-averse—has a Made in America label on it.



HIGH IN THE SADDLE

As the new creative force at Calvin Klein, Raf Simons may be beguiling the fashion crowd with his riffs on Americana, but Ralph Lauren got there first. 2017 marks the 50th anniversary of the Ralph Lauren brand, which more than any other fashion company has come to embody iconic American style. Those nostalgic for the designer's early days can flip through the coffee-table tome, *Ralph Lauren* (left), reissued this year by Rizzoli, which glossily catalogs his persistent fascination with fringe, chaps, prairie skirts and other elements of our sartorial heritage. Here, a few highlights from his career.



Bang for the Buck

Romanticizing roughness: The allure of classic fringed buckskin jackets like the kind sharpshooter Annie Oakley wore was not lost on the designer.



Betting the Ranch

In 1978, Mr. Lauren introduced Western-inspired ensembles at his runway show at the Plaza Hotel, piling on the extras like chaps and a Stetson hat to make his point.



Native Instincts

In 1988, the brand's "home-spun" looks took a particularly luxurious turn, tapping into the heritage of Navajo motifs and saddle-stitched suede pants.



A Little Haute on the Prairie

Often flounced, and done in countless fabrics—from white eyelet and gingham to denim and suede—the prairie skirt (here, in 1982) is one of the label's go-to pieces.



Blanket Statement

Mr. Lauren defines his Americana as a study in contrasts: "It's like a melting pot of all the color and earthiness, and utility and optimism that is America itself."



Ricky and Ralph

Even his wife, Ricky (here, in 1989), is an All-American dream. "I've always loved the girl in the convertible with her hair blowing in the wind," he writes. "That's the girl I married."



OFF DUTY

Oslo's Kitchens Catch Up

Attention epicurean tourists: The Nordic culinary wave that made foodies giddy is finally making headway in Norway's capital

BY J.S. MARCUS

THE NEW NORDIC food trend continues to make inroads from Midtown Manhattan to northeastern New South Wales. But these days it seems to be stirring the pot most vigorously right at home—in Norway. This is a mild surprise: While other Scandinavian countries have led the charge, until recently, sky-high prices and middling food quality in many of Norway's restaurants could lead tourists to think of eating there as a necessary evil.

I've occasionally visited the country over the decades, chalking up memories of glorious fjords, marvelous museums, \$5 gas-station apples, \$40 meatloaf slices and fishcakes fit for a hockey match. But after hearing rumors of a Norwegian culinary revolution and mindful of the krone's recent weakening, I returned to Oslo twice this past year, with an open mind and an open mouth.

The New Nordic movement is closely associated with Denmark, where chef René Redzepi, of Copenhagen's Noma restaurant, began to see the vast and often forbidding Nordic region as a veritable hothouse of culinary ideas and overlooked ingredients. Norway, with its short, intense growing season and range in climates and terrains, was al-

I tried an alchemical petit four made from fermented Norwegian buckwheat that tasted a lot like chocolate.

ready itself awash in excellent and unusual produce—including seafood and butter bound for Noma's own kitchens. But it finally took an expat Danish chef named Esben Holmboe Bang to airlift New Nordic mojo to Oslo.

In 2010, Mr. Bang opened Maaemo, the restaurant that has set the standard for upscale eating in the entire country. In 2012, it made its debut in Michelin's Nordic guide with two stars, and last year he got his third star—the first Norway-based chef to win that honor. (Noma, now preparing for a relaunch on a new urban farm, never got beyond two.)

Maaemo's fixed menu with wine pairings tops out at over \$550 these days—down from well over \$700 a few years ago thanks to exchange rates, but still prohibitive. Instead of a full meal, I stopped by Mr. Bang's office for a taste or two. I tried an alchemical petit four made from fermented Norwegian buckwheat,



NORWAY WITH A BANG Clockwise from top left: Maaemo's Esben Holmboe Bang, the first Norway-based chef to earn three Michelin stars; Brutus, a new Oslo wine bar co-launched by a former sommelier from Noma; a grilled scallop at Maaemo; mussels and flowers in seaweed mayo at Brutus.

coaxed, through roasting, into tasting a lot like chocolate.

This fall, Mr. Bang, a towering 35-year-old, is testing out cowberries, an Inuit favorite. "They're extremely tannic," he said, "but the high amount of pectin is interesting."

Maaemo has turned fine dining into a prestige pastime in Oslo, spawning eateries that combine Norwegian ingredients, culinary innovation and moderate prices—a mix that would have been unimaginable five years ago.

Kontrast, opened in late 2013, is the brainchild of Swedish transplant Mikael Svensson. He likes to go intensely local, sourcing in and around Oslo's own fjord, and

he was rewarded last year with his first Michelin star. Early September is the tail end of Norway's raspberry season, and Kontrast is serving its nearby berries now with a homemade, pale-green sorbet made of yogurt and tangy wood sorrel. The yogurt itself is also homemade, stressed Mr. Svensson, 34.

In contrast to Kontrast, where fixed-menu dinners cost about \$180, Bass Oslo, in hipster neighborhood Grünerløkka, offers lower prices and a mix-and-match menu of small-plate possibilities. Gung-ho on natural wines, Bass added a pan-European funk to Nordic flavors. I had mackerel paired with flash-

pickled cucumbers. The bartender slipped me an unfiltered Austrian Gewürztraminer to give the dish a lychee-like jolt.

Sentralen, a new restaurant and event complex, is also all-in on small plates. In what could be called a Franco-Nordic taco, Sentralen has found a new way to use lompe, Norway's take on soft flatbread, by topping it with duck confit, pickled red cabbage, a brown-butter sauce and fresh dill. Earthy and light, it was too delicious for me to fret over whether the ducks were as Norwegian as the lompe.

Another young transplant, Swedish baker Pontus Blomberg, is leading a sour-

dough-centered rebellion at Handwerk, a new chain of bakeries that uses Norwegian grains and forgoes yeast. His sourdough versions of *boller*, a Norwegian riff on Scandinavian sweet buns, taste light and tangy, like citrusy brioche.

Norwegian dairy products get high marks throughout Scandinavia, but even the most partisan local foodies were flabbergasted last fall when Kraftkar—a cow's-milk blue cheese from west Norway—came away with the top prize at the 2016 World Cheese Awards. I stopped by Fromagerie, the city's leading cheese shop, to chat with owner Gunn Hege Nilsen, who gets her precious Kraftkar

shipment once every other week. "It sells out the day it arrives," she said.

Fromagerie is also a place to find artisanal *brunost*, or brown cheese, a Norwegian staple made from caramelized whey. One of Norway's signature products, brunost, with its leather color and sour-toffy taste, is a turnoff for many foreigners. Ms. Nilsen sources hers in a Norwegian fjord, where old-fashioned techniques, like using a preponderance of whey from goat's milk, mean a spicier taste than the industrial, supermarket versions.

The city's booming market hall, called Mathallen Oslo, presents a dark Nordic grandeur even on a summer day. I bought up some fine Norwegian produce—like floral strawberries and fruity carrots—and headed back to my Airbnb rental.

On Ms. Nilsen's advice, I paired fresh strawberries—a summer, not spring, treat in Norway—with *fenalår*, a rich ham made from leg of lamb; together, they had a fresh intensity, more bracing and interesting than prosciutto and melon.

I wound down my Oslo tour on a rainy summer night at Brutus, a new wine bar in Tøyen, a gentrifying neighborhood in the eastern part of town. Launched last November by a group including John Sonnichsen, a Dane who put in three years as a sommelier at Noma, Brutus excels at small plates and unfiltered wines. Norwegians were complaining all summer about the rain, but it's paid off, said Mr. Sonnichsen, 31. "The wet summer means it's an extremely good year for mushrooms." At Brutus this week, they are grilling duck legs outside and serving them with handpicked chantarelles.



FROM FJORD TO FEAST Clockwise from left: Kontrast, which opened in 2013, sources many of its ingredients in and around Oslo's own fjord; Kontrast chef Mikael Svensson, who earned his first Michelin star last year; raw-beef sirloin with bleak roe and tapioca chips at Bass Oslo.

MEGA MEAL

Two-Tone Is Never Too Much

New Mexico's red and green chiles are so good, why not opt for both at once?

—ALLEGRA BEN-AMOTZ

THE INSIDE of Mary and Tito's Restaurant on Albuquerque's 4th Street doesn't look much: vinyl tables, walls plastered with old photos. But the kitchen produces some of New Mexico's best chile—not the fiery stew, spelled chili, sold across the border in Texas, but the pepper-based sauce that holds pride of place in New Mexican cuisine. On a recent trip, my husband and I stumbled into Mary and Tito's for breakfast. We ordered stacked enchiladas filled with cheese and onions topped with a fried egg and mothered with both red and green chiles, side by side. "Christmas-style." We sat in silence at first, savoring the contrast between the earthy, fruity red chile and the sharper, vegetal green. Like a Mexican mole sauce it's deep and layered complexity, the red sauce providing new flavors with each bite. I asked our waiter, Travis—right—the son of the restaurant's owner—for the secret ingredient. "People always think they taste all sorts of stuff in our chile," he said. "It's basically just chiles, garlic and time." "Thyme?" I blurted, incredulous.

"Smiled. "No. T-I-M-E." New Mexican food reflects a myriad of influences: indigenous people produce first cultivated by the region's original Pueblo Indian inhabitants; ingredients borrowed from Spanish explorers who settled in the 1500s; and contributions from Anglo settlers who came at the end of the Mexican-American War in 1848. A few decades later, Dr. Fabián García, a culturalist at New Mexico State University, began selective breeding experiments that produced the state's first unique strain of red pepper, the New Mexico Chile.

Since then, chile-the-sauce has become such a staple that in 1996, New Mexico adopted it as the country's first and only state question: "Red or green?" Every New Mexican has a preference. And timers favor red chile,



Christmas-Style Stacked Enchiladas

The key to this recipe is using real New Mexican chiles—both dried red and roasted green ones (fresh, frozen or jarred). Supermarkets around the country hold chile-roasting events for the green chiles shipped out of Hatch, N.M., at this time of year, and you can order them jarred at zaglianchileco.com. A good source for the dried red chiles is santafeschoolofcooking.com. Real corn tortillas, made from nixtamal, make a big difference too. Buy them at Mexican markets or at hotbreadkitchen.org.

ACTIVE TIME: 25 minutes TOTAL TIME: 2 hours SERVES: 2

For the red chile:

16 large dried New Mexico red chile pods
3 cloves garlic, minced
1 tablespoon vegetable oil or lard
1 tablespoon flour

Salt

For the green chile:
2 cups roasted, peeled and diced New Mexico green chile peppers (fresh, frozen and defrosted, or jarred and drained)

1/2 cup water

2 cloves garlic, minced
Salt
For the enchiladas:
Vegetable oil
6 corn tortillas
1 cup grated Wisconsin

cheddar cheese

1/2 small white onion, diced
2 eggs (optional)

1. Make red chile: Remove and discard stems and seeds from red chiles. Rinse pods in a colander under cool water, then place in a medium saucepan with enough water to fully cover. Bring to a boil, then reduce heat to medium-low and simmer uncovered until fully softened, 10-20 minutes. Strain and let peppers cool slightly.

2. Add cooled chiles to blender along with 2 cups water. Avoid filling blender more than halfway; blend in batches if necessary. Blend until completely smooth, about 60 seconds. Blend in garlic and salt to taste. Transfer puree to medium saucepan.

3. Heat oil in a small skillet over medium heat. Add flour and cook, stirring con-

stantly, to make a golden-brown roux, taking care not to burn it. Remove from heat. Drizzle roux into chile puree and mix to combine. Simmer chile 30 minutes, stirring occasionally. Do not boil. Season with salt.

4. Make green chile: Bring chiles, garlic, salt and 1 tablespoon water to a simmer over medium heat in a medium saucepan. Reduce heat to low and simmer gently, stirring occasionally, until chiles fall apart and form a chunky sauce-like consistency, about 30 minutes. If pan looks dry during cooking, stir in water, a spoonful at a time. Season with salt.

5. Make enchiladas: Heat 1 inch oil in a small skillet over medium-high heat until

oil bubbles immediately when the edge of a tortilla touches it. Fry tortillas, one at a time, just until they soften and edges begin to crisp, about 10 seconds per side. Drain on paper towels, then keep warm in a tortilla warmer or under a kitchen towel.

6. Mix cheese and onions in a bowl. Lay a tortilla on a plate, spoon a quarter of cheese-onion mixture over tortilla, top with another tortilla, and repeat, finishing with a third tortilla. On a second plate, make a second tortilla-cheese stack. (Cheese should melt slightly.) Spoon 1/2 cup red chile and 1/2 cup green chile over each stack, red on one side, green on the other. Top each stack with a fried egg, if you like.

said New Mexico Magazine culinary editor and cookbook author Cheryl Jamison. "In the days before reliable refrigeration, dried red was the way people ate chiles for most of the year," she said. Mary and Tito's red chile uses the Sandia Hot, a medium-hot, mildly sweet pepper the restaurant has sourced from the same

family farm in Salem, N.M., for over 30 years. Sun-drying (as opposed to the machine-drying method used by larger producers) lets the authentic flavor shine through.

Green chile might be described as the trendy choice. The pods owe their unique flavor in part to the terroir of the Hatch Valley, where the

best ones are grown, and in part to the method of preservation: fire-roasting in steel drums at the peppers' early-autumn peak. In recent years, Hatch green chiles have caught on across the country—supermarkets from California to Pennsylvania hold chile-roasting events in their parking lots when the Hatch

harvest comes in.

Native to northern New Mexico, the stacked enchiladas I ordered at Mary and Tito's resemble something closer to lasagna than their more common, rolled counterparts. Layers of melted cheddar temper the heat of the chiles; the soft yolk of the fried egg topping each stack

oozes out luxuriously to enrich the sauces.

Antoinette Knight still does things largely the way her late parents, Mary and Tito Gonzales, a couple reporter and retired firefighter, did when they opened in 1963. By age 16 Antoinette was running the register and learning to make chile. When Tito died, she stepped up to help her mother run the business. In 2010 they accepted a James Beard Foundation American Classics Award. Both Antoinette and Antoinette's son Jordan now work alongside her.

Of two cooks who have been at the restaurant nearly 40 years, Antoinette said, "They're very protective of our recipes. They still don't let the new guy do certain things by himself." The "new" guy, the son of one of the cooks, has been cooking at the restaurant for 18 years.

You won't find a measuring cup in the kitchen. Recipes are not written down. I've been trying to re-create the stacked enchiladas I had at Mary and Tito's ever since I visited, and the recipe comes pretty close.

It's not difficult to pull off, but it does reward cooks who make the effort to obtain the right ingredients and take the time preparing them. At Mary and Tito's, Travis Knight offered key advice: "New Mexican food isn't convoluted; there are no real shortcuts."

WISELY

DARLINGS OF THE DAIRY

Get the cheeses all the mongers are mad for this season—plus the early word on what's next

THIS YEAR America's cheesemakers—from small-scale operators milking a mere 40 goats to representatives of major cheese conglomerates—gather for the American Cheese Society's annual conference, which includes the most comprehensive cheese competition in the U.S. This year's event, held in Denver, was the largest to date: 2,024 cheeses from 281 companies in more than 400 award categories. That's a considerable leap from the first competition in 1985, when 30 cheesemakers entered 89 cheeses in seven categories.

The most coveted award, "Best of Show," goes to first-, second- and third-place winners. A win rewards the relentless labor involved in producing cheese, from shoveling manure and raking hay for the dairy herds to painstakingly monitoring cheeses' aging. A victory can also help woo funding from state and agriculture programs. Winning cheeses will sell out, and their makers will have more options in deciding who will ultimately tell the story of a cheese to consumers. Significantly, all three of this year's "Best of Show" winners (eight) came from farmstead producers—meaning the cheese comes from the same farm as the milk. These makers are intimately with their animals and environment, and with the milk as it changes seasonally. You can taste the places cheeses come from. And fortunately for consumers, once a cheese wins, you're far more likely to find their cheeses at a

children from New York and Boston for weeklong visits to help with the farm's various activities, including cheese-making. The Tarentaise Reserve is, as its name says, a reserve cheese, made in limited quantities. Their regular Tarentaise, which is a bit younger, exhibits similar characteristics and is just as delicious. \$75 for a 1/2 pound, saveby

children from New York and Boston for weeklong visits to help with the farm's various activities, including cheese-making. The Tarentaise Reserve is, as its name says, a reserve cheese, made in limited quantities. Their regular Tarentaise, which is a bit younger, exhibits similar characteristics and is just as delicious. \$75 for a 1/2 pound, saveby

second place went to the Farm at Doe Run in Pennsylvania for their St. Malachi. A hybrid Gouda/Alpine-style cow's milk cheese, aged 11 months in the farm's stone-quarry cave, it's a nutty brown-butter bomb with a firm, crumbly paste, made by a team that's leading the evolution of the state's artisan cheese industry. \$22 for a 10-ounce wheel.

From the Cellars at Jasper Hill, Harbison—a woodsy puck of pudding-soft pasteurized cow's milk cheese girdled in spruce bark—placed third. At the vanguard in its home state of Vermont and nationally, Jasper Hill has even sold American cheeses in Europe: The product is that good and they're that tenacious.

\$22 for a 10-ounce wheel.





She's a fan.



To find out why Lucy Liu is a fan visit mandarinoriental.com ATLANTA • BANGKOK • BARCELONA • BODRUM • BOSTON • GENEVA • GUANGZHOU • HONG KONG • JAKARTA • KUALA LUMPUR • LAS VEGAS
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OFF DUTY

ON WINE LETTIE TEAGUE



What Not to Do in a Wine Store...Ever

HOW DO YOU become a wine merchant's favorite customer, rate personal service and perhaps even receive an email when your favorite wine goes on sale? It seems pretty obvious: Visit the store often, get to know the sales staff and generally show your support. But what about the customer faux pas that might put a wine merchant off? In search of insight and a few good stories (of course), I asked retailers what they wish customers wouldn't do while shopping in their stores.

Customers who put on fake French accents get on Daniel Posner's nerves. Mr. Posner, proprietor of Grapes the Wine Company in White Plains, N.Y., reported that "a small group of people will be talking normally and then they'll ask for a French wine, and all of a sudden they're fluent in French." Except that they are not; these customers usually mispronounce words and get the names wrong. "We will have to say, 'What did you say?' It's totally unnecessary," Mr. Posner said. Do customers ever put on, say, a fake Spanish accent? Occasionally, said Mr. Posner, but he confirmed that it's most often fake French, and most often men who do it.

This problem seemed to be Mr. Posner's alone, but another pet peeve cropped up repeatedly among the retailers I surveyed: customers who talk on their phones, ignoring the sales staff behind the counter or on the floor. One man actually completed an entire business deal while talking on his phone in Jeffrey Wolfe's eponymous wine shop in Coral Gables, Fla., and then he walked out without buying a single bottle. The store had simply been a quiet place for him to complete a conversation. Mr. Wolfe was duly affronted. "Walking into my store is like walking into my home," he said.

Harris Polakoff, the proprietor of Pogo's Wine & Spirits in suburban Dallas, has also watched plenty of shoppers talk on the phone and ignore sales staff, and he's had others who go a step further by putting headphones on after they finish their phone conversations, as if to guarantee there will be no interaction at all with the staff. But even that isn't as off-putting as the customers who have walked into the store, declined Mr. Polakoff's help and actually videotaped his wine shelves. "I thought that was rude," said Mr. Polakoff. Not to mention odd.

Mr. Polakoff emphasized that the vast majority of his customers don't wear headphones or videotape the bottles on his



shelves—they're people who visit a small, independent wine shop because they actually want to get the retailer's advice and recommendations. A trained and knowledgeable sales staff is one of the great assets of a small business, as is the presence of the merchant him- or herself. Mr. Polakoff likes to help customers, too, especially since he and his staff have tasted most of the offerings in his store.

Some customers also like to give their dogs free run of the shop, a common complaint among wine retailers.

Sometimes a customer at MCF Rare Wine in Manhattan will actually pick up a bottle and ask proprietor Matt Franco if he's tasted the wine. The fact that the store is quite small, with only 100 or so bottles on the shelves, doesn't seem to register. Some people will even add, "Is it any good?" Shouldn't the fact that Mr. Franco has culled his selection to such a tiny number signify that these are wines he likes?

Other times, a merchant feels hamstrung by a client's perception of her shop. Gina Trippi, co-

owner of Metro Wines in Asheville, N.C., recalled how she started carrying Apothic Red, a mass-market brand, to attract customers buying it at a large discount liquor store in town. But Apothic Red drinkers refused to buy it in her store. "They said, 'Oh I couldn't buy that wine in a nice wine shop,'" she said.

But reluctant Apothic Red drinkers don't bother Ms. Trippi as much as the customers who refuse to take wine advice from a woman. If a female staffer approaches such customers (who include both men and women), they will most often just grin and keep walking toward a male staffer, said Ms. Trippi, who has both witnessed the phenomenon and experienced it herself. "They assume if it's a woman staff member she won't know what she's talking about," she said. What does Ms. Trippi, who is both a woman and the store's co-owner, do when this happens? If the customer happens to be talking to her, Ms. Trippi will simply flag down a male staffer for help.

I find it hard to believe that in 2017, with so many women in the wine business, some shoppers actually presume a woman will be ignorant based on gender alone. But then I also have a hard time believing people would show up for store tastings reeking of perfume or cologne. But they do this as well, said Ms. Trippi.

I got this recipe from my stepmother, and I've tweaked it some over the years," she said. "Instead of red wine vinegar, for example, I use rice vinegar. It's lighter and doesn't overpower the tomatoes." If time allows, she chills the soup for a day before serving to let the flavors develop.

A final drizzle of olive oil is key. "I use a good oil here," Ms. Sullivan said. "It shouldn't be too peppery." The same oil helps the sourdough croutons bake up crisp and golden. "I make sure the bread gets well saturated before baking," Ms. Sullivan said. "I don't think of this as diet food." —Kitty Greenwald

Total Time: 15 minutes Serves: 4

2 large, ripe, juicy tomatoes, cored

1 shallot

2 Persian cucumbers, or 1 medium Kirby cucumber, seeded and peeled

1 stalk celery

1 red bell pepper, stemmed

and seeded

1½ cloves garlic

1½ tablespoons rice

vinegar

1 tablespoon lemon juice

Salt and freshly ground black pepper

1 teaspoon Worcestershire

sauce, optional

½ cup olive oil, plus more for drizzling

3 cups roughly torn sourdough bread without crust

2 tablespoons roughly chopped basil leaves

1. Preheat oven to 350 degrees. Roughly chop tomatoes, shallot, cucumbers, celery, bell pepper and garlic, then place in a food processor. Purée until vegetables are finely minced and soupy. Pulse in vinegar and lemon juice, and season to taste with salt, pepper and Worcestershire, if using. Pulse in half the oil. Refrigerate soup until chilled, at least 10 minutes.

2. Meanwhile, line a baking sheet with

parchment paper. In a large bowl, toss sourdough pieces with enough of the remaining oil so that bread is well saturated. Season with salt, and spread on prepared baking sheet. Bake until golden brown, about 7 minutes.

3. Ladle chilled gazpacho into bowls and garnish with croutons and basil. Drizzle with additional olive oil, season with salt and serve.

Some customers also like to give their dogs free run of the shop. This was a common complaint among retailers. "They will just drop the leash," marveled Mr. Franco, who has found a dog in his back office more than once.

Margaux Singleton posted a sign outside her Calistoga, Calif., business, Enoteca Wine Shop, that says, "Attention Dogs—No Pee Pee Here!" She's not sure it's comprehensive enough. "I'm thinking of changing it to 'Dogs and Children,'" she said.

Retailer Gerald Weisl of Weimax Wines & Spirits in Burlingame, Calif., has a sign in his store warning customers they should not expect to find wine scores posted. It name-checks two famous wine publications, noting that Weimax is a "Wine Spectator and Wine Advocate Free Zone." He said people who come in looking for a wine with a certain number of points often aren't thinking about the wine itself—whether it fits their taste or will work with their meal. Mr. Weisl regards scores as detrimental to the enjoyment of wine. He worries that someone who buys a highly rated wine and doesn't like it might conclude that he or she simply doesn't like wine.

"A good wine merchant will ask the customer a few questions as to what characteristics they find appealing, what food they are pairing with the wine and

what price range is comfortable," he said.

Like the other retailers I talked to, Gary Fisch, owner of the Gary's Wine & Marketplace stores in suburban New Jersey, works the floor, though he notes this has its disadvantages. When he's helping people, sometimes "they assume they can negotiate the price," he said. Mr. Fisch prides himself on his pricing and will generally match most other stores' prices, unless a wine is in limited supply. "When Insignia

was Wine Spectator's Wine of the Year," Mr. Fisch offered by way of example, "we decided not to be the cheapest." One customer was outraged when Mr. Fisch wouldn't meet the price the man found on a competing retailer's website, and he left in a huff. Mr. Fisch saw the same man in his shop a few days later, buying the same wine—apparently the online retailer didn't have it in stock.

After hearing tales of poor etiquette and general gracelessness, I was relieved to realize I'd never committed such infractions. I've never worn headphones in a store, videotaped bottles or bargained on prices, let alone let my dogs off their leashes. I am, however, seriously considering putting on Maurice Chevalier's accent the next time I visit Mr. Posner's store—just to see if I can pull it off.

► Email Lettie at wine@wsj.com.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

End-of-Summer Gazpacho With Olive-Oil Croutons



The Chef
Julia Sullivan

Her Restaurant
Henrietta Red in
Nashville, Tenn.

What She's Known For
Cooking that's at once modern and cozy. A way with shellfish, from raw to roasted. Fresh, bright dishes suffused with the flavor of wood fire.

THE SORT OF restaurant you could eat at every night: That was the vision when chef Julia Sullivan and her business partner, Allie Poindexter, opened Henrietta Red in Nashville just over six months ago. And they've made good on it with an airy, whitewashed space and oyster bar, where the food is, in Ms. Sullivan's words, "fresh and bright."

That certainly describes this gazpacho, the chef's second Slow Food Fast contribution. It's a delicious catchall for the produce still abundant at this time of year: tomatoes, cucumbers, garlic, bell peppers, celery. A splash of vinegar punches it up.

Long a favorite of Ms. Sullivan's, this

gazpacho has evolved over time. "I got this recipe from my stepmother, and I've tweaked it some over the years," she said. "Instead of red wine vinegar, for example, I use rice vinegar. It's lighter and doesn't overpower the tomatoes." If time allows, she chills the soup for a day before serving to let the flavors develop.

A final drizzle of olive oil is key. "I use a good oil here," Ms. Sullivan said. "It shouldn't be too peppery." The same oil helps the sourdough croutons bake up crisp and golden. "I make sure the bread gets well saturated before baking," Ms. Sullivan said. "I don't think of this as diet food." —Kitty Greenwald



PURÉE GOLD Like a salad in soup form, this veggie-packed gazpacho couldn't be simpler. Crunchy olive-oil croutons add texture and richness.



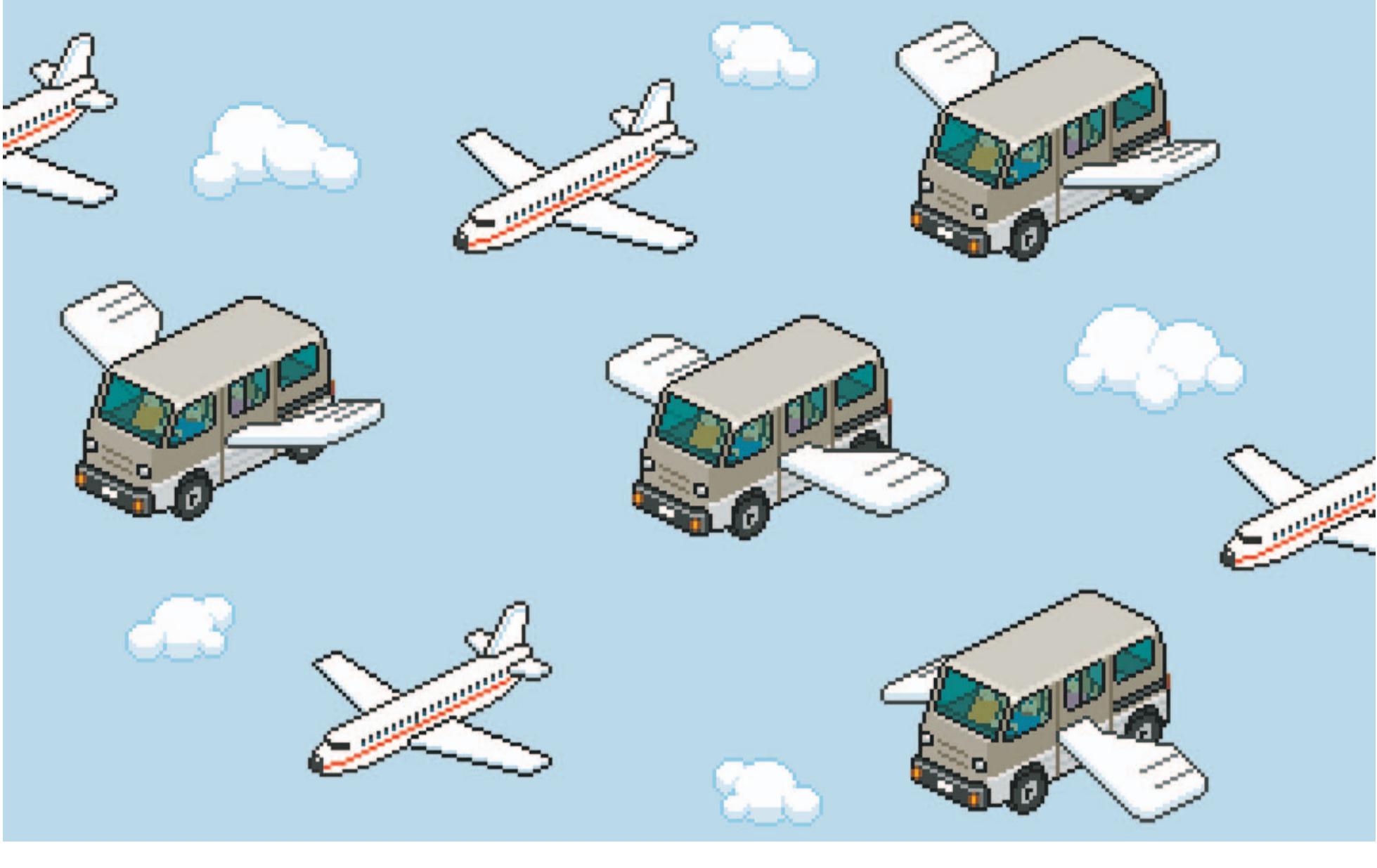
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OFF DUTY



Fly the Family-Friendly Skies

Forget the minivan. A new class of smaller, easier-to-pilot aircraft (that seat up to six) can make a getaway soar

BY JONATHAN WELSH

BUSINESS FLIERS eager to preserve their sanity despite a Beyoncé-like schedule have long justified the exorbitant expense of traveling by private jet. But shouldn't the same cost-benefit analysis apply to your most precious asset: vacation time?

Aircraft makers are betting that at least a handful of nerve-frayed

customers will think so. The market is admittedly rarefied—customers need at least a couple million to spend and the perseverance to train for a specialized but attainable pilot's license. Still, manufacturers are investing in a relatively new category of small but fast planes, often called VLJs (very light jets), aimed at highfliers who want to quickly ferry their families to holiday destinations that would tediously take hours to reach by other means.

Cirrus Aircraft began delivering

its SF50 Vision Jet, which seats five to seven people and flies at 345 miles an hour, late last year. A few months earlier, Honda Motor Co., better known for cars and motorcycles, rolled out the HA-420, a petite six-seater with a scorching top speed close to 500 mph—not to mention big-jet features like a bathroom generously sized for an adult contortionist.

Other companies, including small-plane pioneer Cessna, have gotten on board, too, shifting their

focus to the family-transport market. Unlike larger business jets generally meant to be flown by a pair of professional pilots, models like the Cessna Citation C2 and OneAviation's Eclipse 550 have relatively simple controls and automated systems that Mom or Dad can handle solo. (Some customers hire a pro to do the flying while they do Sudoku in the cabin.)

You can save a lot of time flying a VLJ. While a summer drive to the Hamptons from Manhattan can take

several hours in heavy traffic, a VLJ, soaring 20,000 feet above the crawling Fords and Chevys, can make the trip in 40 minutes. Los Angeles to Lake Tahoe? Drive eight-plus hours—or fly there in one. Lake Michigan's Beaver Island takes at least a day to reach by car from Chicago, Detroit, Milwaukee and Minneapolis. Compare that to roughly 60 minutes aloft—with no need to synchronize your travel to the ferry schedule.

In many cases, taking a VLJ that goes 400 mph is even more efficient than boarding a 600 mph commercial craft; small aircraft can land at regional airports major airlines don't serve, putting you closer to your final destination and enabling you to skip security checks.

Of course, there are prerequisites. Beyond the price of the aircraft, which start at \$2 million, you'll need the proper training. Start with a private pilot's license in a basic, easy-to-fly propeller-driven airplane, like a Cessna 172, then move on to a faster, more powerful airplane with complex features like retractable landing gear. To fly a VLJ (or any other jet), you'll need an instrument rating as well. Finally, specialized training for the specific type of VLJ that you buy is required.

While all that schooling may sound dreary, rest assured that, even if you're a complete neophyte, you can be flying a jet in six months if your schedule and budget allow it.

Here are some of the personal jets seeking to replace the minivan on your next big family trip.

HIGH AND FLY // FOUR STATE-OF-THE-ART SMALL AIRCRAFT TO COMMANDER FOR YOUR NEXT WEEKEND JAUNT



Cirrus SF50 Vision

The design of the Cirrus Vision clearly breaks with tradition. While most private jets typically have two engines, the Vision sports a single jet engine attached piggyback-style atop the fuselage. In the early days, plane engines were unreliable, so having two was safer than one. Today, jets rarely fail, but traditionalists (including the FAA) still prefer two-engine designs—it took some convincing to get federal approval for the Vision. If flying with a single engine gives you pause, rest assured that the Vision comes equipped with a parachute huge enough to slowly lower the entire aircraft in the event of an emergency. \$2 million, cirrusaircraft.com

Cessna Citation M2

Slipping into the cockpit of a Citation M2, it's hard not to feel like a bona fide airline pilot; the plane's broad dashboard and beefy control yokes scream "jumbo jet." However, this is still a small, entry-level airplane for Cessna, which has been developing its Citation business jets for more than 40 years. The M2 has an advanced iPad-style instrument panel and offers multiple automated systems to help solo fliers keep tabs on the machine without a co-pilot's help. This is especially key in the M2, which can travel at 460 mph and has a range of 1,500 miles—the longest of the production aircraft in this group. \$4.5 million, cessna.txtav.com

Honda HA-420

Instead of mounting the twin jets to the sides of the fuselage as most private jet-makers do, Honda decided to attach its HA-420's to pylons on top of the wings. The unique design helps the plane fly faster and run quieter, while leaving room for a bathroom in the cabin, according to Honda. The company also applied decades of car-building experience and techniques to make the aircraft's production as efficient as possible. One clear benefit: Even competitors acknowledge the aircraft's high-end fit and finish—not to mention the category-leading top speed of 486 mph. \$4.5 million, hondajet.com

Stratos 714

A proof-of-concept model of the Stratos 714 was introduced at July's big aviation trade show, AirVenture, to much buzz. The final version of this single-engine, six-seat aircraft is slated to have a top speed of 460 mph and a 1,700-mile range. The prototype hasn't quite reached those specs, said a spokesperson, but should as test flights continue. Built with owner-operators in mind, the Stratos 714 was specifically designed to be easy to handle, with "docile flight qualities." The company is seeking additional funding from investors as it embarks on its next round of tests. Price TBD, stratosaircraft.com

MY TECH ESSENTIALS

RANDY NEWMAN

The singer and songwriter, whose album 'Dark Matter' was recently released, on his favorite baseball podcast and the charisma of Steve Jobs

When I want to entertain myself, music isn't what I turn to; it isn't what I listen to to relax. It's always seemed like work to me. Now I listen to podcasts. I like "Baseball Tonight With Buster Olney." There are bad baseball shows that are guys yelling, but this show is pretty good.



When I started out, movie studios didn't require composers to demo much, but now they want to hear exactly what a song is going to sound like. They don't get bad surprises in the studio, but they don't get any good ones, either. I use a music program called Digital Performer in a fairly rudimentary way. I have to get someone to do a polished version; mine sounds like it's coming out of my ass or my nose.



I played a 9-foot Steinway Model D Concert Grand [similar model shown] in Santa Barbara around 1998, and I said, "Jesus, this is a great piano. If it's ever for sale, let me know." They did and I bought it. It has a full bass but not a muddy one. The top end is bright, but it isn't brittle sounding. It can do a nice pianissimo and you can bang away and make a lot of noise. I write music on it. If I ever do play for fun, God help me, I'll play that one, too.

I don't use social media, which is undoubtedly a mistake on my part if I want to be successful. People have to make their money on the road [touring], as do I, and it's stupid of me not to have gotten into Facebook or Twitter. However, I've got a big family, five kids from ages 22 to 50, and I've got grandchildren. I've got, uh—what the hell is it?—Instagram! I look at pictures of them there sometimes.

I haven't been driving because for a while I was falling asleep. I think it was sleep apnea, which I've taken care of. So I've been taking Uber. I'm going to try Lyft. I talked to a guy who drove for both; he said they're the same.

I knew Steve Jobs from the times I played Apple product unveilings. To say he was charismatic is a cliché, but I'll tell ya, he was inspirational in a way. He was so enthused about what he was doing. He gave me my first iPhone. I just got a big one, the iPhone 7 Plus. I think it's too big for my hand. It's like the human brain, where they say we use one third of it. I use one 10th of what the iPhone can do. —Edited from an interview by Chris Kornelis

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THE WALL STREET JOURNAL.

I cannot endure to waste anything so precious as autumnal sunshine by staying in the house.'

—Nathaniel Hawthorne

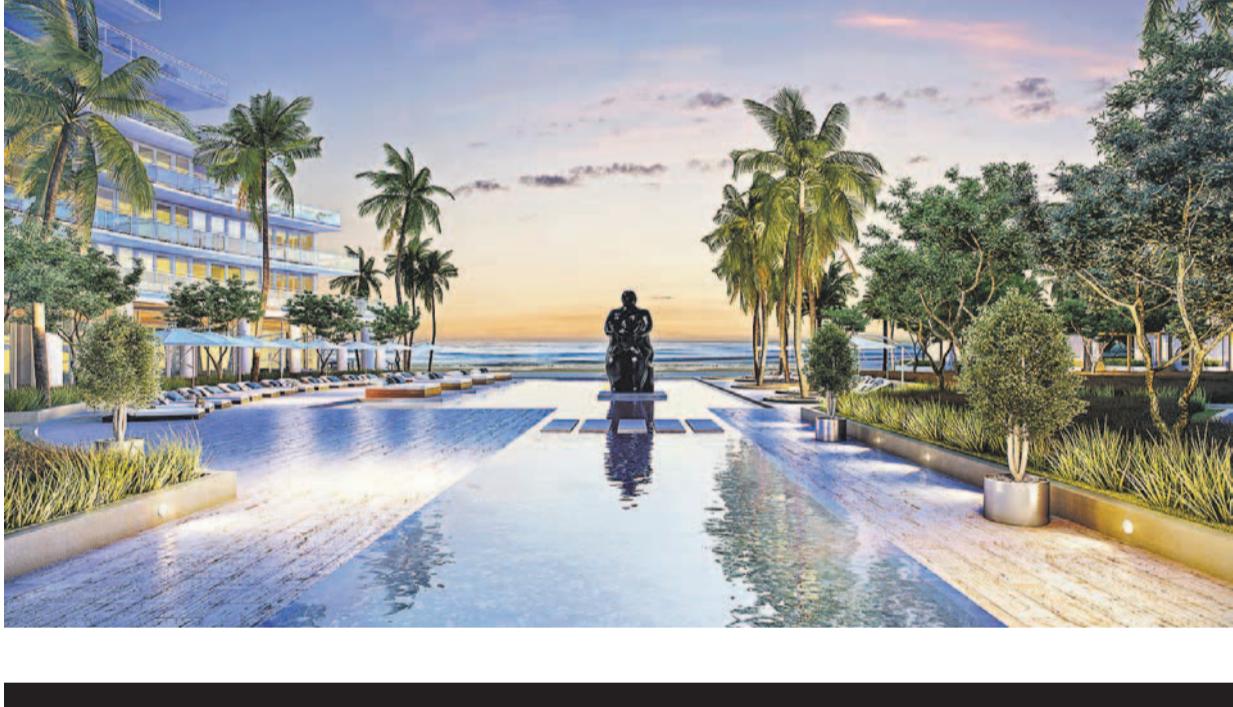
Friday - Sunday, September 8 - 10, 2017 | W9



BIG PLANS Oliver and Dianna Von Troll take a hard-hat tour of their condo in the Auberge Beach Residences and Spa in Fort Lauderdale, Fla., above. To convince them to buy, the developer allowed them to buy two units, combine them and have the building's architect draw up a new, customized floorplan for their condo. A rendering of the pool at the under-construction Auberge, below.

A High-Rise Built for Me

In a bid for wealthy suburbanites, some city developers let buyers customize almost every aspect of a luxury condo before closing: getting that 'humongous' closet.



BY KATY MC LAUGHLIN

OVER THE COURSE of 2½ years, Oliver and Dianna Von Troll met with the director of sales at Auberge Beach Residences and Spa, a luxury condominium building under construction in Fort Lauderdale, Fla., more than 10 times. Yet they still wouldn't make an offer.

"Nothing really met our needs," said Mr. Von Troll, 46, a builder of high-rises who said his work in the industry has given him very specific tastes. In February, sales director Wendy Marks hit upon a solution: The Von Trolls could buy two units, combine them and have the building's architect draw up a new floor plan. Satisfied, the Von Trolls paid \$5.2 million for a 4,700-square-foot condo.

After years of marketing turnkey, designer-finished condos to high-end buyers, a handful of developers are going dramatically in the other direction, offering extreme levels of customization before the building is even completed. The switch is a bid to attract wealthy downsizers, who developers say are a target market for luxury

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ARTISTS WERE KEY TO HACKNEY'S RISE

The London borough, once the scene of urban grime, is undergoing a rebirth; a preserved shark provides a spark.

BY RUTH BLOOMFIELD

LONDON'S BOROUGH of Hackney, once a byword for deprivation and urban grime, is now a mecca for creative types, foodies and young professionals. And it was artists—young, hip, and financially challenged—who laid the foundations for this rebirth.

At just over seven square miles, Hackney is one of London's smaller boroughs, and traditionally one of its cheapest. In 2007, the peak of the housing boom, an average property cost just under £309,000, or about \$400,000, compared with the Greater London average of just over £353,000, according to research by Hamptons International.

Today the average home in the east London borough costs almost \$800,000, nearly double the average in 2007. The Greater London average stands at just over \$764,000, a 67% increase.

"Hackney really was a no-go area," said Neil Wilson, branch manager of Fraser & Co. estate agents. "There were a lot of halfway houses, a lot of crime. It was a place

that nobody really wanted to delve into. Then it just escalated."

The metamorphosis began in the late 1980s and early 1990s, when a loose collective called the Young British Artists began exhibiting together. Their work was often shocking and headline friendly—think Damien Hirst's preserved shark and Tracey Emin's disheveled bed. Many of these artists moved to Hackney's Hoxton neighborhood, a former Victorian slum, where they could find cheap workspace in former warehouses only 3 miles from central London.

In 2000, the White Cube Gallery opened on Hoxton Square showing work by Hirst, Emin and all the Young British Artists. "Hoxton—which had previously been a little bit forgotten, seen as a little bit run down and unpleasant—suddenly got this reputation as the center of contemporary art in London," said Martin Phillips, branch manager of Fyfe McDade estate agents. This reputation has helped boost prices in

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SCHOOL'S OUT In Hoxton, a two-bedroom apartment within a former Victorian schoolhouse is listed for about \$2.59 million.

HOUSE OF THE DAY
wsj.com/houseoftheday



San Francisco
A light-filled loft with room for dancing



Amenia, N.Y.
An updated home in a bucolic setting



Malibu, Calif.
Inside the farmhouse of an Il Divo singer

GRETTERSONS

FROM TOP: JESSICA KLEWICK GLYNN FOR THE WALL STREET JOURNAL; AUBERGE BEACH RESIDENCES & SPA

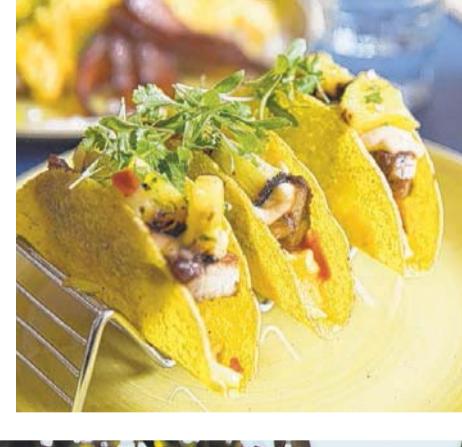
SEBASTIEN ZAMBARDI

MANSION

ARTISTS WERE KEY TO HACKNEY'S RISE



JOANNA YEE FOR THE WALL STREET JOURNAL (4); MAP BY JASON LEE



SCENES FROM HACKNEY

The Hackney Peace Carnival Mural in Dalston, far left, was painted in 1985. Friends of Ours coffee shop in Hoxton, above, serves pork-belly tacos, left.



LEAFY SETTING Victoria Park offers row boats and pedal boats for rent. Homes in Victoria Park Village sell for a premium.

Continued from page W9
Hoxton to around \$1,300 to \$1,550 per square foot.

Mr. Phillips' clients tend to work in one of London's financial districts and want a home that has "already been polished up."

Currently on the market for \$2.59 million is a two-bedroom, 2,003-square-foot apartment within a former Victorian schoolhouse. The property, listed by Chestertons, features warehouse-style, open-plan living space.

As the Hoxton and adjacent Shoreditch neighborhoods became unaffordable, young artists migrated farther east, colonizing new areas like wildfire. "The speed

Going Up in London

How the average home price has risen in the past decade.

	2007	2017	% increase
Hackney	\$399,704	\$795,242	99%
Prime Central London	\$1,065,230	\$2,219,110	108%
Greater London	\$456,974	\$764,310	67%

Source: Hamptons International and Land Registry

of it was just incredible," said Mr. Wilson.

One of those places is Dalston, originally a country village that was subsumed into the sprawl of London during the 18th and 19th centuries. Throughout the 20th century, immigrants arriving in

Britain gravitated toward Dalston because of its low prices and high concentration of public housing.

Its reputation wasn't good. Richie Tramontana of Red Property Partnership, recalls when part of the Kingsland Road, which runs through Dalston, was nicknamed the "murder mile" thanks to a spate of fatal stabbings and shootings.

Kingsland Road is now better known as a burgeoning foodie mecca, lined with highly rated independent cafes and restaurants plus hip bars and pubs.

Dalston's dramatic about-face was helped along by the opening of the East London Line in 2010, which gave the area two train stations and put it on the map with buyers and developers.

Mr. Tramontana said buyers tend to be middle-class, professional couples who like the area's Victorian housing stock and have seven-figure budgets. A two-bedroom, 751-square-foot cottage is currently listed with Hamptons International for \$2.5 million.

Meanwhile, property developers have also seen the potential in Dalston and are rap-



ney is the sheer variety of its different neighborhoods.

In Victoria Park, a leafy urban village with an eponymous public park at its heart, the streets are lined with large Victorian houses. Boutiques, independent cafes and restaurants sit along its de facto main street, Lauriston Road.

"Partly it is the park itself, and architecturally it does stand out quite a lot from the rest of Hackney because of its larger Victorian townhouses," explained Chris Manderson, sales manager of Foxtons estate agents who estimated that a four-bedroom house in the heart of "Victoria Park Village" would

cost an average \$2.3 million.

The 21st century has seen a tremendous change in the fortunes of Hackney, but few believe its ascent can continue indefinitely.

"I don't think that it can keep going at the rate of knots that it has for the last few years," said Mr. Manderson, who blames Brexit-related turbulence for the slowdown.

On the other hand, U.K. buyers priced out of Prime Central London are starting to explore Hackney, and Mr. Manderson said he believes simple economics will encourage overseas buyers to follow suit. "It is still affordable, in the grand scheme of London," he said.

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On the Market in Hackney



\$1.035 million

Near Victoria Park

Two bedrooms, one bathroom



\$1.164 million

Victoria Park Village

Three bedrooms, two bathrooms, one half-bath

This apartment in a former warehouse is part of a boutique development close to Victoria Park. The newly renovated unit has wood floors, huge windows and measures 815 square feet.

Agent: Hamptons International

This 1,022-square-foot, split-level apartment was once a public house. The main floor has an open-plan kitchen and living room; a patio is located off the lower level.

Agent: Currell

MANSION



CRYSTAL PALACE The exterior, above; a painted tile of an ancient Chinese scene in the garden, right.

LIVING HISTORY

A Shanghai Mansion With a Tumultuous Past

First a merchant's home, then a museum criticizing bourgeois excess, Crystal Palace is now on the market for \$24 million

BY JAMES T. AREDDY

THE 8,600-SQUARE-FOOT mansion known as Crystal Palace is a monument to Shanghai's tumultuous swings from capitalism to communism, back to somewhere in between. Built for hat merchant Ye Fukang just months before Mao Zedong took power in 1949, it's now on the market for 160 million yuan, or around \$24 million.

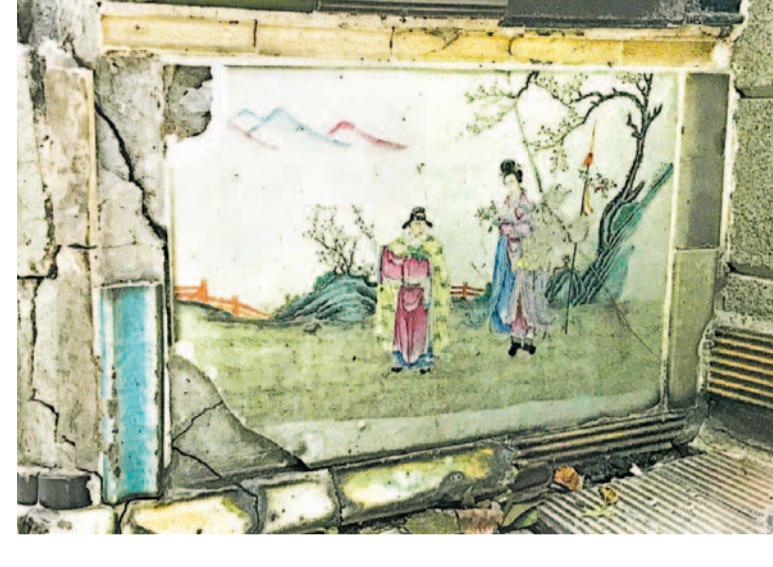
Mr. Ye and his six wives survived communist rule until 1966, when Mao's Red Guards tossed them out to use the house as a museum criticizing bourgeois decadence. It got a new name meant to disparage: Crystal Palace.

The mansion is centrally located in a former colonial district called the French Concession. A frieze of imperial lions high on its broad brick face survived, as did Art Deco floors inlaid with copper and chinoinerie tile lining the walled garden.

"You came through the main gate, around the grass garden and into the front room," recalls the owner's son, 82-year-old Jimmy Ye, pointing to the spot with a 15-foot ceiling where he was married. Feeling the contours of hand-rounded bricks and steel window frames, Mr. Ye added, "The Italian columns rise straight up to the Chinese-style lions. It's a mix of East and West."

There's no trace today of the hat-maker's Czechoslovakian glass sculptures, prized chandeliers or clock collection, nor his oversized canopy bed with dragon carvings.

In the first months of Mao's Cultural Revolution, the family's prized possessions were stolen or



smashed. Mr. Ye was cast as an enemy of the state for his Cornell University law diploma and merchandising background. He spent his remaining years in jail, where he died in 1975, a year earlier than Mao. Chinese authorities later reversed the verdict on Mr. Ye.

The house now has landmark status, but its four floors of boxy rooms and service wing stand derelict. Half-hearted renovations date to the early 1980s when it was barracks for People's Liberation Army officers and their families. A dozen water faucets pour into a communal wash basin that is awkwardly jammed atop cracked ceramics painted with scenes of ancient China. Steel girders prop up the main stone gate.

The Ye family eventually regained title to Crystal Palace, but the only person living there is a guard whose bamboo mattress oc-

cupies an old dining room.

Currently owned by a Hong Kong-registered corporation, the leasehold continues until 2080, according to the agency Savills, which has the listing.

Savills agent Roy Zhao estimates taxes will exceed 20 million yuan, or \$3 million, on top of the sales price. In a city where luxury properties can sell for over \$2,800 per square foot, Mr. Zhao says, "the price is not actually that high."

The home will require extensive renovations, and the buyer should expect to face painful choices like whether to keep the original tile or install in-floor heating.

"I hope whoever takes over the house can restore it to what I remember, but it will be difficult," says Mr. Ye.

—Yifan Xie contributed to this article.

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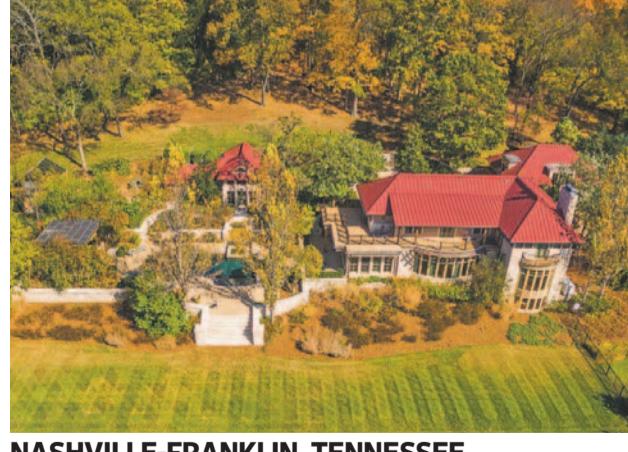
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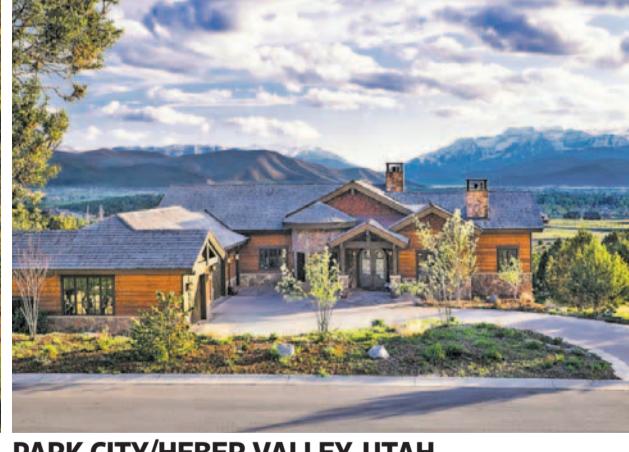
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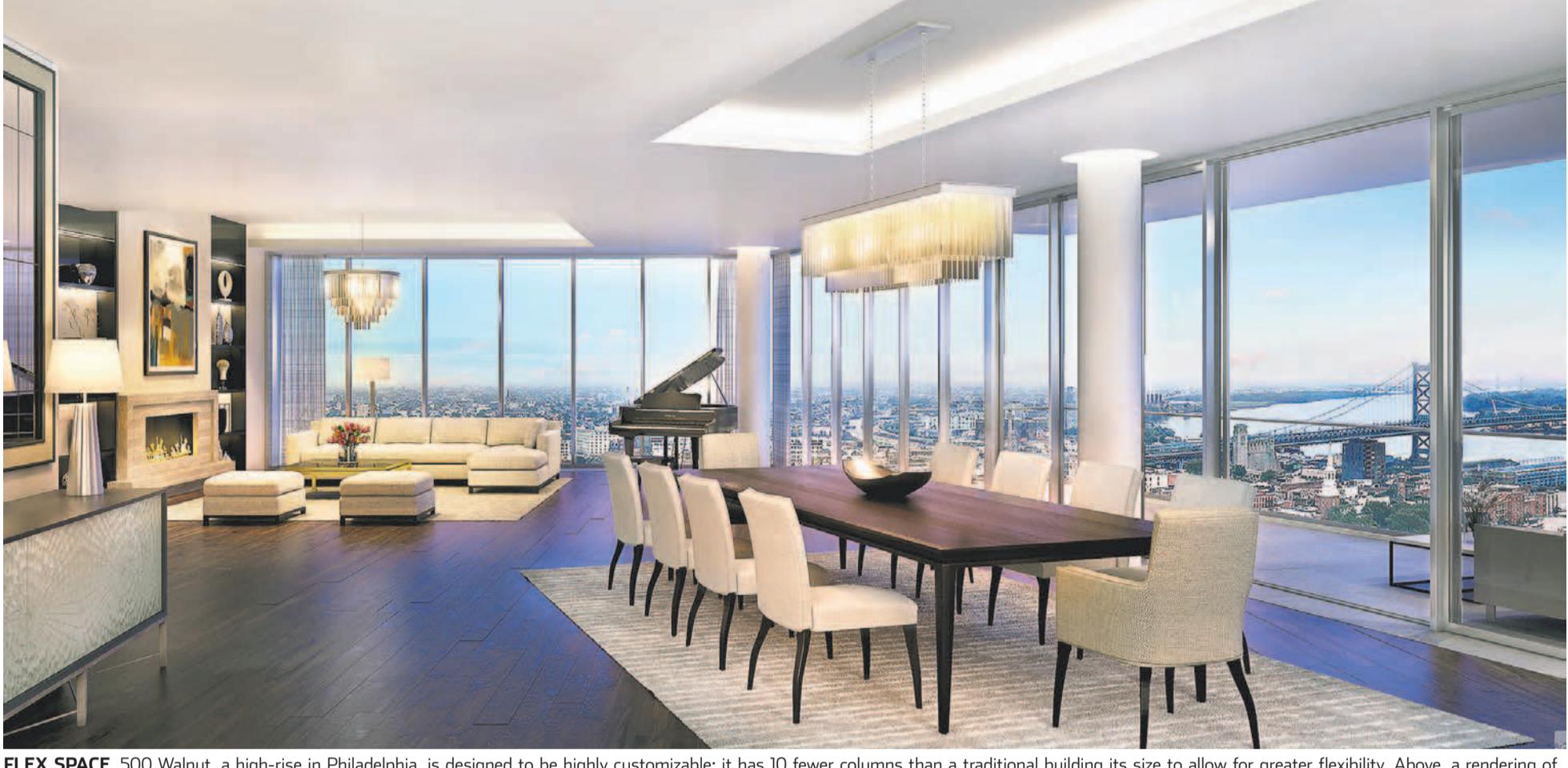
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FLEX SPACE 500 Walnut, a high-rise in Philadelphia, is designed to be highly customizable; it has 10 fewer columns than a traditional building its size to allow for greater flexibility. Above, a rendering of a full-floor unit at 500 Walnut shows one possible configuration.

A HIGH-RISE BUILT FOR ME

Continued from page W9

downtown living, but who can be reluctant to give up the custom-built suburban homes they are used to.

Some developers are anticipating such demands from day one, engineering their buildings to accommodate buyers who want to enlarge rooms, move kitchens and bathrooms, or combine units. In buildings already under construction, other developers are willing to eat some of the costs incurred when buyers redraw where the walls will go.

Wayne Mailloux, a 69-year-old

retired executive, and his wife Penny, a 69-year-old retired teacher, were ready to move out of their 10,500-square-foot home in a suburb near Scottsdale, Ariz.

Their destination was the Optima Kierland, a building slated for completion next March in the upscale North Scottsdale neighborhood. They liked the idea of being able to walk to restaurants and movies, said Mr. Mailloux. What they didn't like: The largest units in the building maxed out at 1,709 square feet.

"We've grown accustomed to space, and we like to entertain,"

said Mr. Mailloux.

The solution was for the couple to buy three three-bedroom units and two one-bedroom units and combine them into a three bedroom, 6,574-square-foot unit with three terraces. The Maillouxes hired their own interior designer to create a plan to reconfigure the space. Mr. Mailloux declined to discuss what they spent on the condo. Three bedroom units in the building have sold for an average of \$930,000, and one bedrooms for \$350,000, said Mike Akerly, regional manager at Polaris Pacific, a San Francisco-based company which is

handling marketing and sales for the Optima. Typically discounts aren't given to buyers who combine units, he said, adding that about 30% of buyers have combined two to five units.

The building also charges \$75,000 for the first combination of two units, plus \$25,000 for each additional unit to be combined. This fee covers the cost of resubmitting plans for city permits, and mechanical and engineering work to accommodate a client's design, said Mr. Akerly.

"They have allowed us to make it into our home," Mr. Mailloux said.

Selling unfinished space isn't unusual in new buildings: Many high-end condos are delivered to buyers after closing in what the industry dubs a "white box" state, which means that the unit has sub flooring and "throw away" bathrooms and kitchens only intended to satisfy municipal codes and which will likely be replaced, said Shaun Osher, chief executive of CORE real-estate brokerage in New York City.

The difference between this type of sale and what developers are doing today is that buyers are able to finish units to their specifications before closing. That way buyers don't have to carry the costs of a condo while they renovate, and they have more flexibility if the building is designed to make it easy to move kitchens, bathrooms and walls around.

Tom Scannapieco gambled that customization would be key to convincing well-heeled suburban buyers to pay unprecedented prices for Philadelphia condos. The developer completed his first customizable high-rise in the city, 1706 Rittenhouse, in 2013. A penthouse in the building sold for a city record of \$12.5 million in 2010.

His next Philadelphia high rise, 500 Walnut, which will start seeing buyers move in next month, follows the same concept. A penthouse at 500 Walnut went into contract last year for \$17.85 million, blowing past his previous record. Prices for units in both buildings were "unprecedented for Philadelphia," said Mike McCann,

an agent at Berkshire Hathaway HomeServices, Fox & Roach Realtors, who is currently representing a three-bedroom condo at 1706 Rittenhouse for \$7 million.

To make 26-story 500 Walnut more customizable, Mr. Scannapieco said he doubled his plumbing costs so buyers had the option of moving bathrooms 30 feet from the pipes, rather than a more traditional 8 feet. The building was engineered with 10 fewer columns than a traditional building its size,

Mr. Scannapieco said, so that buyers would have the option of expanding rooms. Doing so meant he had to thicken the concrete between floors, which is expensive, he said. Ceilings conceal an 8-to-9-inch cavity, Mr. Scannapieco said, designed so buyers can run wiring and pipes through rooms, adding

to the flexibility. These engineering elements added roughly 10% to the cost of the building, Mr. Scannapieco said.

Mr. Scannapieco said the costs are worth it: He is able to charge a 30% to 50% premium in the market because of the customization, high-end finishes and luxury services his buildings offer.

The goal was to attract buyers like Joan Carter and her husband John Aglialoro, entrepreneurs who have lived for 30 years in a large suburban home in Haddonfield, N.J. The couple was looking to move into Philadelphia—their first foray ever into city living—but were turned off by "cookie cutter things" they saw on the market, Ms. Carter said.

When the couple met with the sales team at 500 Walnut, the developer paid an architect to provide them with a free consultation to sketch out a redesign of the floor plan. Once they decided to buy, they hired their own architect who designed a back hallway where caterers and workmen could enter without going through the main living space, a large office and a wine cellar for roughly 700 bottles.

Ms. Carter declined to say what the couple spent on their condo, which should be finished in the first quarter of next year. Thus far, floor-through units, such as the one Ms. Carter bought, have sold for between \$6.6 million and \$9 million, said Mr. Scannapieco; the building is two-thirds sold. Almost all the buyers

have spent over \$400,000 on customization, and some have spent as much as \$1.5 million, Mr. Scannapieco said. Resales, even of highly customized units at 1706 Rittenhouse, have been strong because buyers in these buildings "use top architects and top designers and don't do silly, tacky stuff," said Mr. McCann.

Mr. Von Troll said the customization plan finally convinced him to buy because it solved his main problem: While he and his wife wanted Auberge's amenities, they were loath to give up their current condo nearby, which Mr. Von Troll said had all the specific features they love.

Out of 127 buyers thus far in Auberge's two towers under construction, eight of them have combined units. Clients who combined units and asked for redrawn floor plans early on in the process paid far less in customization costs than they would today now that construction is further along, said Ms. Marks.

The Von Trolls's customized floor plan provided their must-have items, including a 1,500-square-foot master suite, which will include a "humongous closet" of roughly 400-square feet, Mr. Von Troll said. It will be oriented east to west, "so I can see the sunrise and sunset," plus a "nice big terrace" looking right out over the ocean, he said.

"We're looking for a house in the sky, basically," said Mr. Von Troll.



COMBINATION DEAL Wayne and Penny Mailloux tour their under-construction condo at the Optima Kierland in Scottsdale, Ariz. They combined five units to create their unit of more than 6,500 square feet.

