

# THE WALL STREET JOURNAL.

DOW JONES | News Corp

FRIDAY - SUNDAY, SEPTEMBER 29 - OCTOBER 1, 2017 ~ VOL. XXXV NO. 170

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EUROPE EDITION

DJIA 22381.20 ▲ 0.18%

NASDAQ 6453.45 ▲ 0.003%

NIKKEI 20363.11 ▲ 0.47%

STOXX 600 386.36 ▲ 0.19%

BRENT 57.41 ▼ 0.85%

GOLD 1285.50 ▲ 0.11%

EURO 1.1777 ▲ 0.27%

## What's News

### Business & Finance

**C**hina will force most car makers in the country to start manufacturing electric vehicles in 2019, a one-year reprieve from an earlier proposal. **A1**

◆ **Toyota** is setting up a venture with Mazda Motor and automotive supplier Denso to develop electric-vehicle technology. **B4**

◆ **IKEA** agreed to acquire TaskRabbit, a Silicon Valley startup that connects people with freelancers to run errands and do odd jobs. **B1**

◆ **H&M** said third-quarter profit sank 20% as the fast-fashion retailer discounted prices and fewer shoppers visited its stores. **B1**

◆ **Toshiba** sealed a nearly \$18 billion deal to sell its memory-chip unit to a Bain-led group, but the pact still faces hurdles. **B1**

◆ **Apple** has expressed interest in buying advanced liquid-crystal displays from Japan Display for some of its iPhones next year. **B4**

◆ **A Fidelity fund** is betting on Stockpile, a startup aimed at children and young adults that lets investors buy fractional shares in firms. **B5**

◆ **Carlyle** is in talks to sell a stake in bond manager TCW to bidders that include Nippon Life and MUFG. **B5**

◆ **Kellogg's CEO** is leaving, making him the fourth head of a major food company to depart this year. **B3**

◆ **Roku shares climbed** sharply in their trading debut, a welcome sign for the stalled tech IPO market. **B8**

### World-Wide

◆ **Islamic State** said it released the first speech in nearly a year from its leader, with remarks defying speculation that he was dead. **A3**

◆ **Turkey's president** raised the possibility of releasing a detained American pastor if the U.S. extradites a Turkish cleric sought by Ankara. **A3**

◆ **Uganda's leader** is seeking to abolish an age cap to extend his 31-year rule, sparking protests and parliamentary brawls. **A3**

◆ **Republicans are vowing** to repeal the ACA before the current session of Congress ends, despite a failed attempt this week. **A5**

◆ **Foreign-flagged ships** will be allowed to deliver aid to Puerto Rico after the U.S. waived a law that had blocked them. **A5**

◆ **Abe faced** one of the biggest threats to his power after Japan's main opposition group agreed to line up behind a new party. **A4**

◆ **Chinese firms** with ties to North Korea must shut down within 120 days to comply with new U.N. sanctions, Beijing said. **A4**

◆ **Washington state** and Louisiana joined other U.S. states that have sued drug-makers over widespread opioid addiction. **A5**

◆ **Trump's administration** is planning to assess the ability of refugees to assimilate when deciding whether to admit them. **A5**

◆ **Died: Hugh Hefner**, 91, the founder of Playboy. **B2**

**CONTENTS** Markets B8  
Books A7-9 Off Duty W1-6  
Business News B3 Opinion A10-11  
Crossword A12 Technology B4  
Head on Street B8 U.S. News A5  
Life & Arts A12 Weather A12  
Mansion W7-12 World News A2-4

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Please see AMAZON page A2

39

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FRIDAY - SUNDAY, SEPTEMBER 29 - OCTOBER 1, 2017 ~ VOL. XXXV NO. 170

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EUROPE EDITION

## Catalanians Rally in Defense of Independence Vote



UNITED: Students protest in Barcelona to defend the region's right to hold an independence referendum against Madrid's wishes. The vote Sunday will test police loyalty. **A3**

## Tax Plan Is Win for Banks

Profits could increase if proposed U.S. overhaul boosts growth, borrowing

Wall Street has hungered for a tax overhaul, and with good reason. If it spurs stronger economic growth, corporate borrowing and finance firms' profits could jump.

A lower corporate tax rate as called for in the tax framework unveiled by the administration of President Donald Trump on Wednesday should immediately boost banks' own profits. Bankers expect some pain points, but are confident

the benefits will outweigh them.

Morgan Stanley Chief Executive James Gorman said at an industry conference in June that a 25% corporate tax rate

By Telis Demos,  
Liz Hoffman,  
Justin Baer and  
Rachel Louise Ensign

would lift his bank's earnings by 15%, assuming no changes to the business mix. The Trump framework calls for a 20% rate, so the benefit could be even greater.

Citigroup Inc. has said that a cut to a 25% rate plus a tax holiday on foreign earnings would have boosted its annual net income by \$800 million, or by about 5%. It would also improve

the bank's return on equity by more than 1 percentage point, estimated John McDonald, an analyst at Sanford Bernstein.

Any fillip in economic

growth could help reverse a

decline in business-loan growth experienced since late last

year. Some bank executives have attributed this slowdown to clients waiting for a tax

overhaul to be completed before ramping up borrowing and investing in their businesses. A lack of clarity has also been cited as a slowing factor for deal making on companies' part.

Smaller banks could also reap bigger gains since they have relatively high effective tax rates and businesses that are almost purely domestic, Evercore ISI analysts said in a note. A potential tax cut to 28% from 35% could boost 2018 earnings for regional banks by a median 9%, they said.

The Trump proposals also spare an important business for banks and other lenders: mortgages. The administration's document calls on Congress to retain the deduction for mortgage interest. A change to that could have disrupted housing markets.

While the framework would

Please see TAXES page A5

## Electric Vehicle Rules Set By China

China will force most car makers in the country to start manufacturing electric vehicles in 2019—a one-year reprieve from an earlier proposal that foreign auto companies had fought against, but the strongest national initiative yet to spur alternatives to gasoline and diesel cars.

By Yoko Kubota in  
Beijing and Trefor  
Moss in Shanghai

Under a long-awaited plan announced Thursday, China will set gradually escalating quotas for pure-electric cars, plug-in hybrids and fuel-cell cars, as Beijing seeks to curb air pollution and nurture a domestic green-car industry.

In a partial victory for foreign-car manufacturers, China agreed to delay implementation until 2019, instead of next year as originally envisioned in draft proposals.

The quotas will be enforced through a credit-score system in which auto makers will gain points for production of pure-electric, plug-in hybrid and fuel-cell cars.

In 2019, most local and foreign auto makers must earn

Please see CARS page A4

## FIRE ERUPTS AFTER REVIEW FLAGGED SAFETY PROBLEMS

At least 10 died in 2015 at a compound housing Saudi Aramco workers

By JUSTIN SCHECK AND BRADLEY HOPE

As dawn broke on Aug. 30, 2015, Nighat Razi's neighbors were already screaming. Smoke was spreading through her building in an apartment complex for employees of Saudi Arabia's state oil company.

A smoldering electrical transformer had ignited car tires in the underground garage, and explosions rumbled through the complex.

"We were hearing 'Boom! Boom! Boom!'" said Senthilmurugan Balasubramanian, an Indian engineer.

Ms. Razi and her husband, Ahmed, a geolo-

gist, found themselves trapped in the apartment with their three daughters. The black smoke filling the hallway outside their apartment made escape impossible.

Outside, someone was frantically blowing a whistle. But no fire alarm sounded at the complex. There were no smoke detectors in the apartments, and no fire doors to prevent the spread of flames.

A year earlier, the safety division of Saudi Arabian Oil Co., or Aramco, had flagged these very shortcomings, warning in an internal document that the complex had "major life-safety

Please see FIRE page A6

## Amazon Effect Upends Retailers

By RIVA GOLD  
AND SAABIRA CHAUDHURI

Amazon.com Inc.'s expanding reach is prompting investors to dump shares of retailers far from the U.S.

The Seattle-based company is hastening a global move to online shopping that is plunging many overextended retailers into crisis, forcing some to eliminate physical stores, cut prices or even file for bankruptcy.

While the Amazon effect has been most pronounced in the U.S., investor concern overseas has been rising.

"Virtually every retailer needs to assume Amazon is coming for them," said Eddie Perkin, chief equity investment officer at Eaton Vance Investment Managers. "What companies and investors thought were immune categories have turned out not to be immune."

Mr. Perkin has been

We're a Great Match. Our Pets Have Irreconcilable Differences.

As couples delay marriage, their unions come with incompatible cats and dogs

By HILARY POTKEWITZ

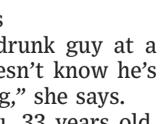
Amanda Brazeau and Scott McLeish started dating in 2015 and often planned activities they could do with their canine companions, like walks to the park and pet sleepovers at their Ottawa homes.

Her dog Lola, a bulldog-pug mix, tended to be aggressive toward other dogs, while Mr. McLeish's dog

Cato, a German shorthaired pointer, always wanted to play. "He's like the fun, drunk guy at a party who doesn't know he's being annoying," she says.

Ms. Brazeau, 33 years old, and Lola, 7, moved in with Mr. McLeish, 34, and Cato, 9, last year. "And then the fights started," she says. Lola was usually the aggressor, but, as the smaller dog, would often end up hurt.

Please see CLASH page A2



Ms. Brazeau also brought two house cats. Cato had no experience with felines, but as a hunting dog, he had to chase. "Then Lola's pack instinct would kick in, and they'd both be chasing," she says. "We had to set up blockades around the house. It was a horrible time."

Many young urban professionals are getting married later, and pet ownership in that group is rising.

So when animal-lovers couple up, it is often with someone who is already in a committed relationship—with their pet.

That makes moving in together a lot more complicated.

Some couples get lucky and their animals adapt into a happy family. But often, newly blended households devolve into turf wars where each day has the potential to end with someone peeing on the couch.

In the worst cases, pet owners

Please see CLASH page A2

## INSIDE



THE NEXT BREXIT STEP

BRUSSELS BEAT, A3



THE PUFFER JACKET GOES GLAM

OFF DUTY, W1



ROOMS THAT DO DOUBLE DUTY

MANSION, W7

## WORLD NEWS

### Dear Reader,



The Wall Street Journal Europe print edition will no longer be available in your region beginning Monday, Oct. 2.

When we started our European edition in January 1983, we had three stated aims: to offer the most authoritative news affecting international trade and investments; to save readers time;

through "careful selection by sophisticated editors of the essentials," and, most important, to fulfill the need for trustworthiness, because "the only information that is useful is information that is accurate and unbiased."

Those original objectives remain at the core of our journalism. They will continue to do so as we adapt

to readers' changing demands and focus on providing the same quality and depth of news with our digital services in Europe. Thank you for reading us and we hope you will continue to follow us through our alerts, newsletters, apps and on WSJ.com.

—Thorold Barker  
Editor, Europe

### CLASH

Continued from Page One  
move in together and find their animals fight tooth and claw.

"Conflict travels right up the leash," says Philadelphia dog trainer Nicole Larocco-Skeehan. Animal spats often lead to human arguments, she says. "I've seen more relationships dissolve because the dogs aren't getting along than I've seen people willing to re-home their dogs."

Ms. Brazeau says she and Mr. McLeish started arguing about trainers and discipline methods. Giving up an animal wasn't an option, she says.

They hired Jessica O'Neill, a local canine behaviorist, to help with the chaos.

"When every foundation of a dog's life is disrupted, it's really difficult for them," Ms. O'Neill says. That includes how they get food, where they sleep, and where they're put when left home alone. On top of all that, there is a new rival for human affection.

The first order of business, Ms. O'Neill says, is to replicate old routines.

"If your dog is used to eating by himself in a room, you can't say, 'Here's your new brother. Here are your bowls. You two will eat side by side from now on.' For cats, each feline needs its own litter box on each floor of the house.

Other practices include designating a confined space for each animal, giving them 15 minutes alone several times a day, and leash exercises to build trust.

After a few months of daily drills, Ms. Brazeau says the dogs settled into a fragile truce. She and Mr. McLeish plan to get married in October.

Allyssa Galella and Daniel Aguiar, both 31, moved in together in March after getting engaged. Ms. Galella and Tilly, her rescue cat, relocated to the West Los Angeles two-bedroom condominium that Mr. Aguiar shared with Brie, his 6-year-old Australian shepherd mix.

They knew the transition would be tough, because "Tilly doesn't like anyone who isn't me," Ms. Galella says. Brie was fascinated, always trying to sniff or lick the cat. "Tilly would hiss and swat, and she has all her claws," Ms. Galella says.

Fearing for the dog's safety, they surrendered the spare bedroom to the cat, installing a special gate that lets her come and go without Brie getting in. Tilly's room is outfitted with a giant kitty castle, among other feline amenities. The alter-

tions have stopped, though the animals are never together unsupervised.

Some pet feuds have no good resolution, leading couples to take desperate measures. Tina Willis, 47, and John Schutz, 55, have found themselves stuck between feuding cats since they married 12 years ago. From the get-go, her tomcat Razzle hated his feline Pixey, stalking and attacking the cat all over the house. Razzle also started spraying whenever Pixey was nearby.

They tried several veterinary solutions, including Prozac, but drugs made Razzle catatonic. "It took away his personality. Even though he's mean to this one cat, he's super affectionate with us," Ms. Willis says.

They eventually moved Pixey into the garage, where she has been living in isolation. "It's really sad," Ms. Willis says. They installed window perches and other cat paraphernalia and try to nuzzle Pixey every time they walk through the garage.

Mr. Schutz recently started smuggling Pixey into his home office in the evenings, moving her back into the garage at sunrise to avoid riling Razzle. But the tomcat still sprays when he figures it out, Ms. Willis says.

"It's mortifying. We've been holding back on buying nice furniture. We have slipcovers on everything," she says. "But what are we going to do, get rid of a cat that's part of our family?"

Cats and dogs hold no monopoly on human heartstrings. Other animals can form intense attachments with their owners and may act out when they sense a rival, says Meera Music, associate veterinarian at the Center for Bird & Exotic Animal Medicine, north of Seattle.

"I just saw clients where the husband's African gray parrot is in love with him and hates his wife, and the wife's macaw is in love with her and hates the husband," Dr. Music, 32, says.

When agitated or jealous, the birds will scream, bite or divebomb the other spouse. "These birds are big enough that they can take off a finger," she says. "They're incredibly intelligent and very possessive."

It may take years, Dr. Music says, but it is possible to teach parrots to tolerate each other and curb the aerial attacks. "But never forget, these are wild creatures," she says. "Can you incorporate them into a household? Absolutely. Can you make them become best friends with each other? Absolutely not."



Chris Snow for The Wall Street Journal

## Kurds Put Off Allies With Vote



### MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

Two years ago, when independence for Iraqi Kurds was a long-term strategy rather than an immediate pursuit, the head of the University of Kurdistan pondered what kind of new state they desire.

Kurdistan's model should be Montenegro, which amicably separated from Serbia in 2006, rather than Kosovo, whose violent secession remains unrecognized by Belgrade or by the United Nations, said Khaled Salih, the university's vice chancellor at the time.

"It would be much safer for Kurdistan to have recognition of Iraq first, which would also make becoming part of the international community much easier," he explained. "Without that we have to fight first to separate, and then to fight again to get recognition. Just look at Kosovo."

Now, in the wake of Monday's independence referendum, in which 93% of voters backed a breakup with Bagh-

dad, even a Kosovo-like separation seems like a best-case scenario for Iraqi Kurds.

**K**osovo, at least, had the full support of ethnic kin across the border in Albania. Its split from Serbia was made possible by a 1999 military campaign launched by the U.S. and its Western allies. Iraq's Kurdistan, landlocked and utterly dependent on its neighbors' good will, lacks all that—and enters its current predicament dangerously isolated.

Only three nations worldwide gained internationally recognized independence over the past two decades—East Timor, Montenegro and, in 2011, South Sudan. All of them did so with the assent of the countries to which they used to belong.

Kosovo's U.N. membership bid was blocked by Russia, and it remains unrecognized by nations concerned about potential separatism at home.

Over the years, Iraqi Kurds—in part because of their determination to fight Islamic State—assembled many allies around the world. Many of those tacitly accepted that, one day, Iraq's Kurdistan—home to more than five million people—could also become a country in its own right.

However, Monday's referendum, called while the fight against Islamic State remains unfinished, has squandered much of that goodwill. It also alienated most of the friends

that Iraqi Kurds will need to make it on their own in a world increasingly averse to the creation of new states.

Not only did the federal government in Baghdad react harshly to Monday's vote. The move was also condemned by all of Iraqi Kurdistan's neighbors, regional powers—and the U.S.

Opposition to Kurdish statehood in recent days even united bickering politicians in Baghdad—and aligned the Shiite-led Iraqi government there with Turkey's President Recep Tayyip Erdogan, until this week a major ally of the Iraqi Kurdistan regional government.

"Nobody—not even the most hard-line Arabs—is saying that the Kurds cannot dream of having their own state. But there are issues such as timing, borders and others that have to be resolved first. Trying to push it through like this is what has irked everyone," said Sajad Jiyad, managing director of the al Bayan think tank in Baghdad.

The U.S. State Department issued a stern warning before the referendum—and said after Monday's vote that Washington was "deeply disappointed" by the move, which "will increase instability and hardships for the Kurdistan region and its people."

The reaction was so severe in part because, in the eyes of many Western officials, the referendum's timing was dictated by internal political calculations of Kurdistan's President Masoud Barzani, whose mandate expired in 2015 and whose party faced challenges from rival Iraqi Kurdish forces. By whipping up nationalist sentiment ahead of the vote, Mr. Barzani has spectacularly succeeded in rallying domestic support.

"The referendum has developed into something that truly united the Kurdish people. This was unexpected even for those who had called for it because of domestic political considerations," said Maria Fantappie, Iraq specialist at the International Crisis Group. "Kurdistan will suffer the consequences of the referendum, but the leaders who called for it will be able to leverage these challenges...They can use this to refresh their political legitimacy."

**S**o far, at least, Monday's referendum has reduced the degree of autonomy that Iraqi Kurds enjoy. The Kurdish regional authorities have for years managed their own border crossings and international airports in Erbil and Sulaymaniyah.

That's set to change Friday, the deadline by which Iraqi Prime Minister Haider al-Abadi demanded the crossings and airports come under federal control. Though the Kurdish government is unlikely to comply, few airlines would defy Baghdad: those from Egypt, Lebanon and Iran have already said they would no longer fly to Iraqi Kurdistan.

has been opening fulfillment centers and launching its own fashion brands in Europe—made up one-third of all retail sales growth in the U.K. and Germany last year, according to Morgan Stanley.

"Looking at capital expenditures and distribution centers Amazon is putting down—that's a real signal of intent," said Jeroen Huysinga, portfolio manager at J.P. Morgan Asset Management. The fund manager has been selectively adding exposure to retail stocks, including Associated British Foods PLC, picking companies it believes can adapt to the changing environment.

International real-estate investment trusts tracking mall operators have been hit hard in the past 12 months as brick-and-mortar stores come under pressure. France's Klépierre SA and the U.K.'s Intu Properties have fallen 21% and 22%. Shares of Scentre Group, the owner of Westfield shopping centers across Australia and New Zealand, have fallen 19%.

Amazon's impact has been sharply felt among retailers who sell laptops and other small consumer electronics, forcing firms like the U.K.'s Dixons Carphone PLC to equip its staff with tablets to show

its in-store prices are cheaper than those found online.

A Dixons spokeswoman said price is just one factor, with great service and shopping environments that let staff demo products equally important.

Shares in Dixons are off 48% this year.

Amazon's impact can be felt "pretty much anywhere on the planet," said Mark Phelps, an equities chief at AllianceBernstein Global, who has reduced

### CORRECTIONS & AMPLIFICATIONS

**Student-loan debt** in the U.S. can't be discharged in bankruptcy unless a borrower files a separate court action known as an adversary proceeding and is able to prove "undue hardship," a high legal hurdle. A Property Report article Wednesday about a program that pays some student-loan debt for home buyers incorrectly said student loans can't be discharged in bankruptcy.

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

exposure to retail fashion brands largely as a result of growing online competition.

"If you are a retailer and Amazon comes into your area of operation, you will lose sales," he said.

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## AMAZON

Continued from Page One  
avoiding shares of many brick-and-mortar retailers even as their prices have fallen.

The Stoxx Europe 600 retail sector has shed 3.7% in 2017, even as the wider European benchmark has gained 6.9%. Retail was Europe's least popular sector among fund managers surveyed by Bank of Amer-

ica Merrill Lynch in September. Europe had been partly sheltered from Amazon's impact until recently. In 2015, the Stoxx Europe 600 retail sector had gained 8%, even as the U.S. SPDR S&P Retail ETF fell 9.9%.

U.S. retailers expanded aggressively for years and have recently been forced to reverse course, closing stores at a record pace, whereas European and Australian retailers don't have the same space glut.

U.S. brands are also more

dependent on selling products through department stores than European ones, meaning they have been harder hit by struggles at chains like Macy's Inc.

Shoppers globally are increasingly accustomed to buying online, meaning retailers the world over are feeling pressure over their prices, delivery and range of products.

Amazon's international sales increased 16% in the first half of 2017 from a year earlier. The online giant—which

has been opening fulfillment centers and launching its own fashion brands in Europe—made up one-third of all retail sales growth in the U.K. and Germany last year, according to Morgan Stanley.

"Looking at capital expenditures and distribution centers Amazon is putting down—that's a real signal of intent," said Jeroen Huysinga, portfolio manager at J.P. Morgan Asset Management. The fund manager has been selectively adding exposure to retail stocks, including Associated British Foods PLC, picking companies it believes can adapt to the changing environment.

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Amazon's impact has been sharply felt among retailers who sell laptops and other small consumer electronics, forcing firms like the U.K.'s Dixons Carphone PLC to equip its staff with tablets to show

# WORLD NEWS

## Catalonia Vote Tests Police Force Loyalty

Asked to stop the referendum, some officers intend to let the vote go ahead

BY JON SINDREU  
AND JEANNETTE NEUMANN

MADRID—The Spanish government's efforts to stop Catalans from voting in a referendum on independence are testing the loyalties of one of the region's staunchest institutions: its police force.

Catalonia's 17,000-strong Mossos d'Esquadra will be on the front lines Sunday when pro-independence leaders plan to stage a referendum on whether the Northeast region should secede from Spain.

The government of Prime Minister Mariano Rajoy has declared the ballot illegal, saying it violates the constitution, and Spanish authorities have launched aggressive efforts to stop Catalans from voting, including arresting separatist leaders.

On Wednesday, a Spanish prosecutor ordered the national and local police forces to work together to maintain order and to prevent the referendum from taking place Sunday by confiscating referendum material, closing down sites where the ballots are being prepared and sealing polling stations.

But opposition to Madrid among Mossos leadership is raising the possibility that some officers will do little to stop the vote this weekend.



A woman stood next to Mossos officers on Wednesday as she protested efforts to stop the vote, which is scheduled for Sunday.

EMILIO MORENAT/ASSOCIATED PRESS

The tension between national authorities and Mossos is a microcosm of a bitter, centuries-long standoff between Madrid and Catalonia, which has erupted into the worst political crisis Spain has seen in decades.

Since it was established in the 1980s, Mossos has been one of the most visible symbols of Catalonia's autonomy, answering directly to the Catalan Interior Ministry rather than to Madrid. Among the other 16 Spanish autonomous regions, the Basque Country is the only other one to have a fully independent police force.

Mossos Chief Josep Lluís Trapero, who has personal ties with pro-independence leaders, has walked a fine line in response to authorities' orders. Mossos officers have cleared demonstrators who hindered Spanish military police from raiding buildings in search of voting material, but have avoided confiscating material themselves.

Some Mossos officials and other people familiar with the matter say Mossos won't stop people from voting Sunday as long as there is a sizable number of voters inside polling sta-

tions, which those officials believe would give officers public-order grounds not to intervene.

"Some of the measures asked by prosecutors can't be followed without creating a bigger conflict than the one they say they want to prevent," Joaquim Forn, Catalonia's regional interior minister, said in an interview.

On Wednesday, a post on the official Mossos Twitter account said prosecutors' instructions would be followed with "opportunity, proportionality and congruence." Some Mossos officers said they took that as a sign they could be

told to look the other way, although it could be harder to do so in situations when they are ordered to band together with other Spanish police forces.

A Mossos spokesman said: "As always, we comply with court orders."

Spain's state prosecutors have responded by putting Mossos under the control of the Spanish Interior Ministry for matters related to the referendum. Madrid has also sent in about 4,000 national police officers to help execute its orders, housing many of them on giant ferries docked in Barcelona.

## Erdogan Offers Deal To Release U.S. Pastor

BY YELIZ CANDEMIR

ISTANBUL—Turkey's president raised the possibility of releasing a detained American pastor if the U.S. extradites a reclusive Turkish cleric sought by his government, pushing Washington over a major point of tension between the two countries.

Ankara wants the U.S. to send back Fethullah Gulen, a Pennsylvania-based cleric it blames for a July 2016 coup attempt. Mr. Gulen denies involvement and U.S. officials have consistently said the evidence provided by Turkey isn't strong enough to extradite him.

Turkey wants the U.S. to send back a cleric it blames for a 2016 coup attempt.

President Recep Tayyip Erdogan on Thursday held out the possibility of a swap deal for Andrew Brunson, a Presbyterian minister detained by Turkish authorities almost a year ago and later charged for terror-related activity and espionage. The detention of Mr. Brunson has become a priority in Turkey for the Trump administration.

"They [the U.S.] say, hand the priest back to us. You also have a priest," Mr. Erdogan said during a speech at a graduation ceremony for police officers in Ankara. "You give him back to us, and we'll give him back to you, after his [Mr. Brunson's] trial."

"The priest we have is being tried," Mr. Erdogan said, referring to Mr. Brunson. "The one you have is not even being tried, living in his mansion in Pennsylvania," he added. "You can give him back much easier."

The comments were the Turkish president's most explicit yet on the possibility of such a deal.

The Wall Street Journal reported in 2016 that U.S. and Turkish officials had discussed scenarios under which Mr. Gulen might be extradited, but that American authorities weren't persuaded of a valid case.

In Washington, the Trump administration cast doubt on Mr. Erdogan's offer. "I can't imagine we would go down that road," State Department spokeswoman Heather Nauert said.

BRUSSELS BEAT | Valentina Pop and Laurence Norman

## Post-Brexit Phase Inches Onto Table

Despite the official word from the European Union on Thursday that it was unlikely to discuss Britain's future trade relationship for months yet, some progress on post-Brexit matters might not be so far off.

Officials and diplomats in Brussels say EU leaders could decide next month to allow negotiators to begin talking about a transitional arrangement to ease economic disruption in the immediate aftermath of Britain's departure from the bloc in March 2019.

Talks about the future have been held up by the EU's insistence that sufficient progress must first be made on critical issues around the separation itself, namely a financial settlement of tens of billions of euros and agreements on EU citizens' rights and the Northern Irish border.

In a speech last week, British Prime Minister Theresa May suggested some concessions on these issues that could lay the groundwork for the talks to advance. She also said her government was interested in what she called an "implementation period" after Brit-

ain leaves the EU.

Ms. May said her country was considering staying "on current terms" for up to two years after Brexit to minimize disruption to businesses and public services. This suggests the U.K. would stay under the EU umbrella—inside its internal market and following its court judgments—without having a say in new decisions taken by the bloc.

Though she called it an implementation period, it isn't clear that anything would actually be implemented. Neither would it truly be a transition phase, since the only real change would be the U.K. having formally left the bloc. Mrs. May appears to be suggesting what amounts to a standstill phase, which might have to be followed by a true implementation period in which EU rules and regulations are phased out.

The EU's top Brexit negotiator, Michel Barnier, on Monday described Mrs. May's transition request as "something new, something strong," but added that currently he doesn't have the



EU negotiator Michel Barnier

relationship. Yet at the same time, Mr. Barnier is saying there can be no possible discussion of that future relationship until the divorce issues are resolved.

That seems a difficult square to circle at a time when British negotiators are pressuring the EU to show flexibility and start engaging in talks about future ties.

For the U.K. there are dangers too. A new mandate to discuss the transition could end up ruling out some of the things Mrs. May wants to do during the transition, such as start serious trade negotiations with non-EU countries. It could also test Mrs. May at home. Some of her Conservative lawmakers aren't eager to prolong the current EU arrangements much beyond the Brexit date, believing that would render meaningless the decision to leave the bloc.

Talks soon about the post-Brexit transition are "quite plausible," said Charles Grant, director of the Centre for European Reform, in London. "If that transition is a continuation of EU membership without having a vote, you don't need to know where you're going to."

## ISIS Says It Put Out Speech By Leader

BY MARIA ABI-HABIB AND NANCY A. YOUSSEF

Islamic State said it released the first speech in nearly a year from its leader Abu Bakr al-Baghdadi, with the remarks defying speculation that he was dead and lashing out against the U.S.

The audio recording, about 45 minutes long, sought to reassure Islamic State members that their losses across the Mideast will lead to their enemies' eventual downfall.

Although the speech gave no indication of when it was recorded, Mr. Baghdadi referred to the political negotiations in Astana, Kazakhstan, between the Syrian opposition and the government. Whether the voice on the recording was Mr. Baghdadi couldn't be independently verified.

The Russian military said in June that it was investigating whether Mr. Baghdadi was killed in a May airstrike against Islamic State leaders. Russia's foreign minister subsequently qualified that claim, saying reports couldn't be corroborated with 100% certainty. Western and Iraqi officials were skeptical of the report.

The purported speech released Thursday would be the first by Mr. Baghdadi since Islamic State lost Mosul in Iraq this summer, once the largest city under its control, and while U.S.-backed forces are about to cement control over Raqqa in Syria. Both Raqqa and Mosul were the de facto capitals of Islamic State's caliphate, or religious empire. At its height in 2014, the caliphate straddled Iraq and Syria, a contiguous territory the size of Belgium and had satellites across the Mideast.

U.S. officials were scrutinizing the message, but said they couldn't confirm it was Mr. Baghdadi. "We haven't been able to independently verify," a U.S. military official said. The official added there was no reason at this point not to think it was Mr. Baghdadi on the recording.

Mr. Baghdadi mocks the U.S. on the recording, claiming it "thought it was the greatest nation in the world and has lost its place as the only superpower while falling into huge debts" with a poorly executed Middle East policy. "Russia used this weakness to take America's place as the superpower [in Syria]."

## Power Play Sparks Chaos in Uganda

BY NICHOLAS BARIYO

KAMPALA, Uganda—Street protests, media bans and days of parliamentary brawls are roiling Uganda as President Yoweri Museveni seeks to abolish a constitutional age cap to extend his 31-year rule.

Parliament descended into pandemonium for the second consecutive day on Wednesday as opposition lawmakers threw chairs and microphone stands at security guards trying to eject them. The speaker suspended one ruling-party legislator for entering the chamber armed with a pistol.

The state media regulator banned live broadcasts of the protests, stalling coverage of proceedings and street skirmishes in downtown Kampala.

At issue is Mr. Museveni's bid to amend Uganda's constitution to extend his tenure beyond 2021. The 73-year-old Mr. Museveni scrapped presidential term limits in 2005 but didn't overhaul a clause in the constitution that bars anyone above 75 from holding the top office.

The gambit will be watched closely by other longtime African

leaders looking to extend their tenures. Cameroon's Paul Biya, Zimbabwe's Robert Mugabe and Rwanda's Paul Kagame have all abolished term limits to cling to power, offering a check against democratic advancement elsewhere across the continent.

"Over the years, Museveni has fused his party with government—anyone trying to challenge him faces insurmountable hurdles," said Nicholas Sengoba, an independent

analyst in Kampala. "He will stick to his plan to maintain power no matter the cost."

In the nearly three weeks since Mr. Museveni's ruling party proposed the plan to remove the age cap, the capital and several regions have been rocked by protests, leaving at least one person dead. More than 150 demonstrators have since been arrested, police said.

Opposition and international rights groups say Mr. Museveni

is an autocrat determined to rule for life, who has curtailed freedom of speech and association. His supporters say a 75-year cap is "arbitrary" and has no justification in the constitution. The standoff now threatens to unsettle the stability of this East African nation.

The U.S. Embassy in Kampala has warned the crackdown stifles people's rights to free expression and urged the government to protect basic freedoms.



Makerere University students confronted police officers in Kampala during protests on Tuesday.

ISAAC KASAMANI/AGENCE FRANCE PRESSE/GETTY IMAGES

## WORLD NEWS

# In Russia, Spotlight Falls on an Oil Boss

Sechin has turned a state-run company into a global giant, forging ties to Kremlin

BY JAMES MARSON

MOSCOW—The corruption trial of a former Russian economy minister is casting a spotlight on a Kremlin power struggle and the clout of the country's top oil boss.

The trial revolves around a November meeting between Igor Sechin, who heads a state-controlled oil giant, and the then-minister, Alexey Ulyukayev, at the firm's Moscow headquarters. Mr. Sechin, who was sanctioned by the U.S. in 2014 after Russia annexed Crimea, has in recent years turned the firm into a global powerhouse.

At the meeting, Mr. Sechin gave Mr. Ulyukayev a basket of sausages—a typical gift from Mr. Sechin, often made from the meat of animals he has hunted, former employees have said—and a lockable bag, according to transcripts of covert recordings read out in court by prosecutors and published by Russian news outlets.

"You may consider the mission accomplished," Mr. Sechin said, according to the transcripts. "There you go: Take it, put it away, and let's go and drink tea."

As Mr. Ulyukayev prepared to drive away, agents from Russia's Federal Security Service swooped in and found that the bag contained \$2 million in cash, prosecutors have said. Mr. Ulyukayev told inves-



MEDEY MIKHAIL/TASS/ZUMA PRESS

The U.S. Treasury in 2014 imposed sanctions on Rosneft chief Igor Sechin, right, seen with Russian President Vladimir Putin this month.

tigators he thought the bag contained wine, according to court documents.

When the trial opened in mid-August, Mr. Ulyukayev pleaded not guilty and said Mr. Sechin had framed him. Mr. Sechin told state television Mr. Ulyukayev had "demanded an illegal payoff for his regular work," and added, "That's a crime."

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

comment.

Mr. Sechin, 57, is a veteran of Russia's security services who has worked with President Vladimir Putin since the 1990s. Mr. Sechin has enhanced his power in recent years as PAO Rosneft, the company he runs, has taken over smaller oil companies. The Russian state owns half of Rosneft, which accounts for around 40% of Russia's total crude production.

"He is in theory only an oil boss, but he stands out from

most of the rest of the elite," said Andrei Kolesnikov, an analyst at Carnegie Moscow Center. "Putin allows him to rattle others. It's useful for Putin to keep a balance of power."

Rosneft's economic clout and large crude output give Mr. Sechin a prominent role in the Kremlin's foreign relations. He has cemented Russia's links with China through oil-supply contracts and a deal this month that made a Chinese energy firm Rosneft's third-largest shareholder.

Mr. Sechin's Rosneft has also helped shore up Venezuela's state oil company with billions in loans.

The U.S. Treasury Department noted Mr. Sechin's ties with the Kremlin when it imposed sanctions on him in 2014, saying that he "has shown utter loyalty to Vladimir Putin—a key component to his current standing."

In July, the Treasury Department imposed a \$2 million fine on Exxon Mobil Corp. because the company signed

eight documents in May 2014 related to oil and gas projects in Russia that were also signed by Mr. Sechin. Exxon, which was headed in 2014 by Rex Tillerson, who is now the U.S. secretary of state, is challenging the fine.

Economic liberals in the Russian government have advised Mr. Putin to open up Russia's state-dominated economy. The Bank of Russia forecasts Russia's gross domestic product will grow in a range from 1.7% to 2.2% this year following two years of recession.

Some ministers who favor a more free-market approach, including Prime Minister Dmitry Medvedev and Deputy Prime Minister Igor Shuvalov, last year initially opposed Rosneft's proposed acquisition of a smaller state-owned oil firm. Mr. Ulyukayev spoke out against the proposed deal in August of last year, saying privatization of one state company by another was inappropriate. The next month, though, he said Rosneft would be allowed to participate.

With the Russian budget under pressure and in need of extra revenues, the deal was approved in October and foreign investors later bought a 19.5% stake in Rosneft for about \$11 billion.

The next month, Mr. Sechin called Mr. Ulyukayev and invited him to Rosneft's headquarters across the Moscow River from the Kremlin, according to transcripts read in court.

After Mr. Ulyukayev's detention, Mr. Putin fired him as economy minister, citing a loss of confidence.

## Beijing Will Shut Firms Tied To North Korea

BY JOSH CHIN

BEIJING—North Korean-connected businesses in China must shut down to comply with new United Nations sanctions, China's government said.

Enterprises involving North Korean entities or individuals have 120 days to close, the website of China's Ministry of Commerce said. Chinese enterprises also must close businesses abroad that involve North Korean interests, according to the notice, issued Thursday with China's State Administration for Industry and Commerce.

China accounts for more than 80% of North Korea's trade, and North Korean businesses, from trading companies to restaurants, are found in many Chinese cities, especially near the border.

The U.N. Security Council tightened the sanctions—meant to stymie Pyongyang's missile and nuclear-weapons programs—earlier this month, after North Korea's latest nu-

clear test. The official Korean Central News Agency said the test was of a hydrogen bomb meant to be mounted on an intercontinental ballistic missile.

China has walked a careful line, saying it would comply with U.N. sanctions while resisting measures it worries might destabilize its neighbor. On Saturday, the Commerce Ministry said it planned to reduce oil exports to North Korea and ban imports of North Korean textiles, in line with the latest sanctions.

Chinese customs data showed coal imports from North Korea resumed in August, just ahead of a U.N. ban, after a hiatus in purchases since February. China's agricultural exports to North Korea have soared in recent months, according to customs data.

In August, U.S. Trade Representative Robert Lighthizer launched an investigation into Chinese policies on intellectual property and technology transfer.

China's auto sector is one of those in Mr. Lighthizer's crosshairs.

While foreign auto makers have been struggling to interpret Beijing's intentions in the months since the draft rules first appeared, Chinese auto makers, many of them state run, have long been privy to Beijing's plans, said Kenneth Jarrett, president of the American Chamber of Commerce in Shanghai.

"That has given them an unfair advantage in what should be a competitive market with a level playing field," he said.

The same rules apply to Chinese auto makers, but most of them, at the government's behest, already produce electric vehicles, and will easily likely meet the requirements, according to industry experts.

Anticipating the new rules, Ford Motor Co., the Renault-Nissan Alliance and Volkswagen AG have all set up new joint ventures with local car makers in recent months that will specialize in pure-electric cars.

—Yang Jie, Mike Colias and Christina Rogers contributed to this article.

## Abe Faces New Threat as Japan Rivals Unite

BY PETER LANDERS

TOKYO—Prime Minister Shinzo Abe faced one of the biggest threats to his solid hold on power after the leading opposition force agreed to line up behind a new party led by popular Tokyo Gov. Yuriko Koike.

Parliament's lower house was dissolved on Thursday, and the government formally set a general election for Oct. 22, affirming a plan Mr. Abe announced this week.

Analysts initially expected Mr. Abe's ruling Liberal Democratic Party and a smaller coalition ally to have little trouble retaining a solid majority in the election, which would clear the way for Mr. Abe to continue in the office he has held since December 2012. They said Mr. Abe called the Oct. 22 election, more than a year ahead of the end of the lower house's term, in anticipation that opposition parties would split the support of anti-Abe voters.

But the prospects for a staffer challenge increased on Thursday when the opposition group with the most parliamentary seats, the Democratic Party, said it would effectively



stay on as governor but didn't absolutely rule out a run for parliament.

There are signs Ms. Koike's forces could be a formidable foe to Mr. Abe. Allies of Ms. Koike took a majority of the Tokyo assembly in July elections, and Mr. Abe's LDP was left with its fewest seats ever in the assembly.

A poll of 538 people by the Mainichi newspaper released on Thursday found that support for Mr. Abe has fallen since Ms. Koike started her Party of Hope. The new party gained support from 18% of respondents compared with 29% for the LDP, with many undecided, the newspaper said. It didn't give a margin of error.

Speaking to ruling-party lawmakers on Thursday, Mr. Abe depicted the new opposition alliance led by Ms. Koike as the latest in a series of political "booms" dating to the 1990s that he said fizzled out. "What did these bring about? Disarray and economic stagnation," he said. "We must not entrust the future of our children and the security of Japan to any party that changes its face just for the sake of getting elected."

## CARS

Continued from Page One  
points equivalent to 10% of vehicles they produce in China and import into the country, the Ministry of Industry and Information Technology said.

Ms. Koike, a former member of Mr. Abe's party who served in his cabinet during his 2006-07 stint as prime minister, hasn't proposed major shifts in Mr. Abe's pro-American, business-friendly policies. Instead, she has pre-

sented herself as a fresh face for voters weary of LDP governments.

She called for an end to *shigarami*, or entanglements, in an implicit criticism of Mr. Abe after his government was accused of helping his friends, including one who got permission to open a veterinary school. Mr. Abe has denied wrongdoing but said on Monday that it would

be a rough election because of the criticism.

For Ms. Koike to be a candidate for prime minister, she would need to resign as Tokyo governor and run for parliament in the Oct. 22 election.

Under Japan's system, the prime minister must be chosen from members of parliament. Ms. Koike said on Thursday that she planned to

Chinese partners to avoid steep tariffs. Along with the deadline for implementation, foreign auto makers were concerned that the mandates would essentially force them to give away proprietary technology to their Chinese partners.

Chinese officials have denied claims that the plan was aimed at appropriating foreign technology, but the plan's introduction comes amid heightened scrutiny of China's trade practices.

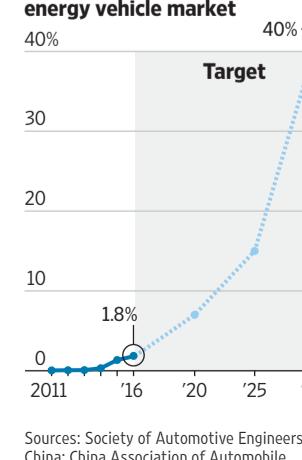
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### Amping it up

Choked in smog, China has set lofty goals for EVs.

#### China's share in the global new energy vehicle market



Sources: Society of Automotive Engineers of China; China Association of Automobile Manufacturers; Fitch Ratings

THE WALL STREET JOURNAL.

EUROZONE

## Business, Household Sentiment Surges

Businesses and households across the eurozone were more upbeat about their prospects than at any time in more than a decade during September, an indication they are undaunted by the prospect of reduced stimulus from the European Central Bank next year.

The European Commission said its economic sentiment indicator, which aggregates business and consumer confidence, rose to 113.0 from 111.9 in August, to reach its highest level since June 2007. Economists had expected a much smaller rise.

—Paul Hannon

MEXICO

## Central Bank Keeps Interest Rates Steady

The Bank of Mexico left interest rates unchanged, but warned of new short-term inflation risks after two deadly earthquakes.

The board of governors voted to keep the overnight interest rate target at 7%. It was the second straight meeting the bank kept rates on hold.

—Anthony Harrup

## CARS

Continued from Page One  
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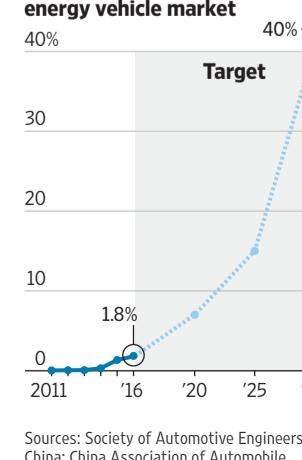
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THE WALL STREET JOURNAL.



## IN DEPTH

# FIRE

*Continued from Page One*  
concerns" and shouldn't be occupied. The company ignored the warning and moved employees into apartments anyway.

By the end of the ordeal, at least 10 people were dead, including a pregnant woman who perished trying to jump from her window into a swimming pool; her blood stained the concrete rim where her head hit. That toll makes it one of the oil industry's deadliest accidents since BP PLC's 2010 Gulf of Mexico spill, which killed 11.

Unlike Western energy companies, Aramco enjoyed the legal upper hand in the disaster's aftermath. The world's biggest oil producer, and one of its largest companies by revenue, Aramco answers to one individual, the Saudi king. In one of the world's last remaining absolute monarchies, courts are also ultimately accountable to the king, offering scant recourse to foreigners seeking damages.

No resident sued Aramco over the tragedy, which took place near its headquarters in the kingdom's Eastern Province. Most received little more than token compensation for their losses, said multiple victims, including two who played a role organizing survivors in their efforts to seek payment from the company. Some received several thousand dollars; others received no money at all.

The company has disclosed little publicly or to its own employees about the fire's causes or the response to the blaze.

Aramco's handling of the safety review of the building, the fire and its aftermath show how different it is from its publicly traded peers, which have long faced intense scrutiny from investors and courts. Those differences may soon come into sharp relief—the Saudi government is planning a 2018 initial public offering for Aramco that could be the biggest in history.

The Wall Street Journal assembled this account based on confidential Aramco documents and interviews with more than 30 Aramco employees, firefighters, emergency personnel and survivors of the fire.

Aramco said in a written statement that, despite there being no "ruling of liability or financial responsibility" against the company, it provided "medical care, immediate housing relocation, cars, mobile phones, financial assistance and specialist counseling" to victims of the fire. "The company also chose to provide relief and compensation to cover damages incurred, as appropriate."

"The safety of our employees, their dependents, and our contractors is of paramount importance," spokesman Fahad Toryf wrote. "Our leadership actively integrates safety into business strategies, processes and performance measures to build a strong safety culture across the enterprise."

Aramco said Saudi authorities were primarily responsible for the fire rescue and the subsequent investigation because Aramco leased, rather than owned, the compound.

In recent decades, the global oil industry has become safer, largely as a result of pressure from liability lawsuits, shareholder litigation, government fines and other damage claims that come in the aftermath of disasters. Danger, companies such as BP and Exxon Mobil Corp. have learned, is expensive. Safety is cheap, especially away from the oil fields.

The Deepwater Horizon disaster in the Gulf of Mexico cost BP more than \$60 billion in cleanup expenses, legal settlements and other payments, and spawned multiple investigations into what went wrong.

A publicly traded Aramco will have to disclose details about its oil reserves and its finances, as well as its safety record. Saudi officials working on the initial public offering said they worry the listing could expose the company to lawsuits in Western courts.

Aramco said its rate of lost-time injuries last year—incidents that result in injuries forcing an employee to miss work—was .05 per 200,000 hours worked. That compares to .029 for Exxon Mobil, and .05 for BP and for Royal Dutch Shell PLC.

From 2011 through last year, Aramco reported a total of 29 fatalities of employees, contractors and others, including the victims of the Radium fire. Exxon reported 27; BP, 14; and Shell, 34. Aramco hasn't always



SAUDI INTERIOR MINISTRY GENERAL DIRECTORATE OF CIVIL DEFENSE/ASSOCIATED PRESS

**Smoke billows from the Radium residential complex in Khobar, Saudi Arabia, used by the state oil giant Saudi Aramco.**

reported as much detail as its peers, making an apples-to-apples comparison difficult. Since 2011, Aramco has reported what it terms "operational-related deaths," a spokesman said, although it also included the Radium fatalities because the event was "traumatic."

The inspection that found fire-safety problems before the 2015 fire at the Radium compound was itself sparked by an earlier incident. In 2009, a fire swept through a camp for contractors on an Aramco gas project, killing several people.

A person familiar with the matter said the company decided to make sure all housing facilities it rents for Aramco employees would be up to the safety standards of both the company and Saudi Arabia.

In August 2014, Saudi Aramco's housing division asked company housing inspectors to evaluate the Radium compound in al Khobar. A company controlled by the Arifi family of Saudi Arabia was finishing construction on the complex, one of many projects spurred by the country's oil boom.

Saudi Aramco's safety unit sent in Thomas Meyers, an American who worked for years on building-code enforcement in Colorado before joining Aramco in 2012, according to internal documents.

Mr. Meyers has since left the company and declined to comment on the details of his inspection. According to an Aramco letter summarizing his findings and obtained by the Journal, he noted a long list of serious problems.

Each of Radium's eight six-story buildings had an open stairwell that amounted to "a chimney capable of conveying heat and combustion byproducts throughout the building," the inspection department's letter says. Mr. Meyers also found that buildings didn't have full sprinkler coverage, a violation of Aramco building codes.

Four of the eight buildings had just one exit, and they didn't open to a safe outdoor area. Exits were also blocked with "data communications equipment," according to the letter. The apartments had no smoke detectors. Electrical wiring was often not covered by outlet boxes and in some cases wires were spliced and connected using only electrical tape, the letter said.

Fawzy Al-Farhan, the acting superintendent in Mr. Meyers's division, sent the findings to acting housing-group manager Albadri Jannah with the recommendation the building not be used.

Saudi Aramco badly needed housing. After the oil market peaked in June 2014, the company poured billions of dollars into ramping production toward an all-time high. To handle engineering, accounting and other white-collar functions, the company was importing thousands of educated foreign workers.

Part of the Aramco recruitment pitch for prospective hires from such places as Canada, Pakistan, the U.K. and India was the promise of lush living situations at a low cost, recalls a finance professional hired in 2014.

Radium, which looked like it would be at home in Phoenix or Albuquerque, seemed to fit the bill. There was underground parking and a gym. A palm-

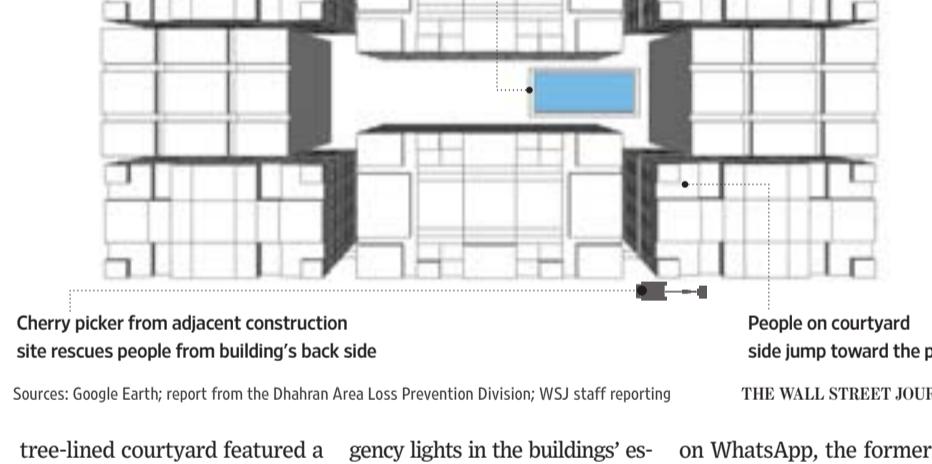
### Fire at the Compound

A large fire at a residential compound of Saudi Arabia's oil giant killed at least 10 people and injured more than 200.

**APPROX 4:45 AM**  
Fire starts in underground garage

**APPROX 5:10 AM**  
People in underground gym smell smoke

Entrances between buildings too small to allow fire trucks to access interior courtyard



Sources: Google Earth; report from the Dhahran Area Loss Prevention Division; WSJ staff reporting

tree-lined courtyard featured a pool.

The workers who started to arrive in the fall of 2014 came from all over, some from other jobs elsewhere in the Middle East and others for their first stint in the region. Many had families.

The Razis were originally from Karachi, Pakistan, and spent much of their family life abroad. With a master's degree in geology and experience in software, Mr. Razi got a job in 2005 working at a United Arab

**Some survivors who lost all of their belongings said they got about \$4,000.**

Emirates-based company analyzing oil-field data. Working in the Middle East meant a much higher income than he could make in Pakistan, and the chance to raise his children in well-appointed homes and give them private educations.

After a stint in Qatar, the family moved to Saudi Arabia, where Mr. Razi got a job working on resource-exploration systems at Saudi Aramco. The company assigned the family to the Radium complex.

A few months after they moved in, some of Mr. Razi's engineer friends discussed the lack of basic fire-safety measures, said two former residents. Some complained to housing managers at Saudi Aramco.

One resident emailed to complain there were no emer-

gency lights in the buildings' escape routes, and that fire alarms often went off mistakenly.

When that happened, the resident wrote, "I never see any initiated activity, evacuation or anyone coming to assist."

Aramco officials promised to fix the problems, according to a former resident.

Some, like a smell of sewage, were addressed, but safety issues weren't, former residents said.

In summer, many workers sent their families home to escape the desert heat. That is why the Radium complex was relatively uncrowded on the early morning of Aug. 30, 2015, when a faulty electric transformer began sparking.

At about 4:45 that morning, a young Filipino lifeguard living in the ground-floor bunkhouse for Radium staff walked out of the shower and smelled smoke.

The faulty transformer by then had leaked burning oil, which made its way across the floor of the parking garage, said a person involved in investigating the incident.

The lifeguard woke his colleagues. They ran into the courtyard and realized the smoke was spreading. The lifeguard blew his whistle for two long blasts, over and over again.

Few residents heard, though, and a busload full of Aramco engineers headed off for work. At about 5:10 a.m., two Pakistani workers exercising in the Radium gym upstairs from the parking lot also smelled smoke. They ran outside and realized, in horror, that nearly everyone else in the building was asleep.

Few could hear the whistles.

"We shouted 'Fire!' Then I messaged everyone in my group" on WhatsApp, the former resident said.

Workers had arrived early at a construction-equipment yard next door and when they saw the smoke they drove cherry picker-type lifts to the windows and started rescuing people from the building's back side.

Those stuck on the courtyard side were less fortunate. As the wait for firetrucks dragged on for close to an hour, people on the upper floors started to fling their mattresses out the windows and use them as crash pads. Others tied sheets together and rappelled down the walls.

One panicked family dropped their toddler from a balcony to a man in the courtyard, who caught the boy and handed him to medical responders. A Pakistani couple jumped from the building with a child in each of their arms, using their bodies to shield the children from the fall.

The father broke an arm and both legs and suffered a traumatic brain injury. His wife was also hurt. The children survived without serious injuries.

The first firefighters, members of the Saudi civil defense, arrived at about 6 a.m.

About 25 minutes later, friends of Mr. Razi, the Pakistani engineer, started doing a head count of their neighbors and realized that he and his family were still inside. One of the friends reached Ms. Razi on the phone. She told them the family was stuck in their fifth-floor apartment, beyond the reach of the cherry pickers.

The friend called again, and Ms. Razi said smoke was pouring into her apartment and Ahmed was unconscious. The friend asked her to wave from

her window so rescuers could pinpoint her location. The friend saw a hand from afar as he was led away by rescuers.

Mohammed Gabrelidar, a Sudanese petrophysicist, saw the chaos and realized he needed to get his three daughters out, said a person who was on the scene. Mr. Gabrelidar grabbed his 2-year-old and ran downstairs through the smoke. He raced back, but by then the smoke was too thick to get to his apartment, where his two other daughters, his wife and her mother waited. Only his wife would survive.

Over the next few hours, firefighters ran into the building, pulling out those they could. Some of the people out of the rescuers' reach, including Mr. Razi and one of his daughters, tried to walk through the smoke-filled hallways, said two former neighbors. But they were overcome, and Mr. Razi and the girl collapsed back into their apartment.

Several Aramco firetrucks arrived at around 10 a.m., as did oil-rig-service helicopters that flew from an Aramco field about 30 miles away.

Once firetrucks with water tanks arrived, firefighters were able to douse the fire. Ambulances took more than 80 people with burns, broken bones and lung damage from smoke inhalation to local hospitals.

When they got to the Razis' apartment, rescuers found Ms. Razi and two of her daughters huddled in a corner. One of the girls, Aizah, could barely breathe. Another daughter, and Mr. Razi, were already dead.

A couple of days later, survivors gathered at the Thuqba Cemetery, near the causeway to Bahrain, to bury Mr. Gabrelidar's daughters and mother-in-law. That was the last time that many of the survivors saw each other. For the next several months, they would end up negotiating separately for payouts from the company.

Those talks dragged on, several employees recall. Aramco agreed to pay for some lost items, but told some employees they weren't allowed to file claims with the company for lost cars. Some employees quit. Some who financed their cars couldn't, because they were told they couldn't leave Saudi Arabia with any outstanding debt. They had to pay for their scorched vehicles to be removed and junked, as well as the outstanding loan balances, a process that took months.

An Aramco spokesman said the company paid out all claims that were filed.

The construction company that built the complex complained that Aramco took too long to move its employees' belongings out after the fire, delaying the company's ability to refurbish and re-rent the complex. Aramco paid 20 million Saudi riyals, or about \$5.3 million, to the contractor to settle the dispute, according to a person familiar with the matter. Representatives for the company didn't respond to multiple requests to comment.

Survivors received small payments, in some cases about \$500, according to documents the Journal reviewed. Some who lost all of their families' belongings said they received about \$4,000.

Canadian engineer Tariq Minhas, who lost his wife, son and two daughters in the fire, was a devout Muslim. Aramco arranged for the dead to be buried in a holy cemetery in Medina, said two people close to the situation. The company gave Mr. Minhas about six months off work and paid for him and about 15 family members from the U.S., Pakistan and Canada to visit Mecca.

Mr. Minhas took comfort in accepting the accident as "destiny" rather than "blaming, rather than complaining," said a person familiar with his thinking. Mr. Minhas has said he is appreciative of how Aramco handled the situation.

Ms. Razi wrote a letter to Aramco's chief executive pleading for a job with the company so she and her surviving children could stay in Saudi Arabia and receive medical care. Instead she was sent back to Pakistan, where she has been working as a seamstress. She initially received about \$32,000 from Aramco, but the company recently agreed to pay her a considerably larger sum, according to a person familiar with Aramco's response.

Ms. Razi declined to discuss the fire in detail, saying, "It was God's will."

—Summer Said in Dubai and Saeed Shah and Qasim Nauman in Islamabad contributed to this article.

## BOOKS

'Now thy Forum roars no longer, / fallen every purple Caesar's dome— / Tho' thine ocean-roll of rhythm / sound forever of Imperial Rome' —Tennyson



BRIDGEMAN IMAGES

**HERO'S BURDEN** A 19th-century French lithograph, inspired by imagery on a Greek vase, depicts Aeneas bearing his father on his back during the flight from Troy.

# Of Arms and the Man

### Virgil: *The Aeneid*

Translated by David Ferry  
Chicago, 416 pages, £26.50

BY WILLARD SPIEGELMAN

**'HOMER MAKES US HEARERS,** and Virgil leaves us readers." Thus, Alexander Pope, three centuries ago. He was right. With their oral formulas and their re-creation of a distant world partly historical and partly mythic, Homer's poems set a precedent for all later, written epics. The "Aeneid," Virgil's paean to Augustus and the Roman Empire, appeared after its author's death, in 19 B.C. It is the greatest testimony of one writer to another, echoing Homer on every page. It must be read and heard. And it speaks to us.

The "Aeneid" is also the first nationalistic epic, a story of origins and destinies. Aware of the emperor's political achievements and Roman feats of civil engineering, Virgil wanted to praise Augustus for his accomplishments. But his real subject was the past: the fall of Troy, the founding of Rome. He had a film director's eye for pageantry and plumage, and a novelist's sympathy for his characters.

Virgil's reputation as seer as well as propagandist held sway for centuries. To early Christians, he was a "naturally Christian soul." To Dante, he was *duca, signore, maestro*, the pagan who knew almost everything. For 19th-century English schoolboys, reading him was a lesson in duty, grandeur and piety suitable for future world leaders. In 1944, T.S. Eliot called the "Aeneid" "the classic of all Europe," locating Virgil at the heart of European civilization.

Why? For one thing, Rome had become the "Eternal City." For another, Aeneas seems in many ways a modern man. Homer's heroes lack the sense of national destiny, of teleology, that fills Virgil's poem. Weighed down by psychological as well as cosmic forces, Aeneas has a deeper self-consciousness than Achilles. Like his author, he is aware of the cost of heroism and statehood. Sadness and regret are the inevitable price of empire building.

Do we need, in 2017, another version of the "Aeneid," after recent translations by Allen Mandelbaum (1971), Robert Fitzgerald (1983), and, in the new millen-

nium, Robert Fagles (2006) and Sarah Ruden (2008)? If it comes from the hand of David Ferry, one of America's few great working nonagenarian poets, the answer is a resounding yes.

But as the scholar Richard Bentley said to Pope after reading his magisterial "Iliad," "It is a pretty poem . . . but you must not call it Homer." So we shall call this work not Virgil's "Aeneid" but Mr. Ferry's, acknowledging that all translations are of their time, and each is an act of interpretation, a new take on a precursor text. Mr. Ferry's "Aeneid" is the logical culmination of an extended Virgilian project. His excellent translations of the "Eclogues" (1999) and "Georgics" (2005) appeared in bilingual editions that allowed readers to brush up on their Latin, if they had any, or at least glance from one page of the spread to the other to see what Latin poetry looks and sounds like.

Mr. Ferry's "Aeneid" lacks the *en face* original. But this volume has a greater problem than the absence of Latin: It forgoes all annotation. It contains neither minimal notes nor a glossary of characters—their identities, clues about how to pronounce their names—nor any information about Greco-Roman deities or Roman history. A first-time reader must rely entirely on the power of Mr. Ferry's poetry and the inherent grandeur of Virgil's story. That reader might make out phrases like the patronymic "Aeneas Anchisiades," or know that "the Mother, / The Berecynthian Goddess" means Cybele, but perhaps it is not necessary to do more than absorb the music and keep moving forward.

The late Robert Fagles praised Virgil's "unequalled blend of grandeur and accessibility." Mr. Ferry's poem has stateliness often encased in easy 21st-century diction. This helps make his Virgil our contemporary. His "Aeneid" is readable, even page-turning. Virgil's *impulit* becomes "bashes," and *vestem*, "shirt." During the fall of Troy, Panthus tells Aeneas "the Trojans are finished." Even grammar turns easygoing: "But who is that who from afar we see?" Words like "guesthouse" and "waggled" appear. Turnus accuses Drances of "talking away with your famous windbag blather." Tarchon rallies his troops: "What are you so afraid of, you so-called soldiers, / You no-good, hang-back, half-ass Etrus-

cans?" At the end Jupiter shuts Juno up once and for all: "I forbid you to try anymore. Enough is enough." And when Aeneas defeats Turnus he tells him: "Now get it together, the time has come."

Mr. Ferry's poetry moves seamlessly between the colloquial and the noble, nowhere more powerfully than in the second half of the poem, when the Trojans arrive in Italy and take what Fate has de-

hour will come, with pleasure to relate / Your sorrows past, as benefits of Fate." Ms. Ruden gets Virgil's condensation: "Sometime you may recall today with pleasure." Fagles uses a halting rhythm: "A joy it will be one day, perhaps, to remember even this." And Mr. Ferry injects something like bonhomie: "Perhaps there will come a time / When you will remember these troubles with a smile."

A great American poet renders the 'Aeneid' into an English that moves seamlessly between the colloquial and the noble. He makes Virgil our contemporary.

creed their destiny. Alliances, truces made and broken, the interference of the gods and, most of all, the "beauty of glory and death" fill out these six books, combining the politics of empire building, and the horn-tooting patriotism Augustus expected from Virgil, with domestic soap opera and a Hollywood-worthy blood-and-guts panorama of parades and warfare. Through rhythms and the music of words, Mr. Ferry endows even slaughter with mellifluousness.

It's impossible not to make comparisons among the recent translations, all of which have distinctive virtues. Sarah Ruden took upon herself the Herculean task of translating Virgil line-by-line, in iambic pentameter, the normative rhythm of English verse, as dactylic hexameter is of ancient epic. Fagles wrote in freer verse, with a usually six-beat line. Mr. Ferry favors a still looser, five-beat line, not always strictly iambic. Latin and Greek are compact languages, denser than English. Numbers are indicative: Whereas Ms. Ruden matches Virgil exactly, Fagles uses more lines and Mr. Ferry, the least concise of the three, adds hundreds of lines to Virgil's count of 9,896. But the main challenge for any translator is to remain true to Virgil without wrenching him into archaism or stiffness. In general, Mr. Ferry succeeds. He knows how to enlarge, elegantly. He also takes considerable liberties.

Consider one of Virgil's famous touchstones: *Forsan et haec olim meminisse iuvabit*. Aeneas is comforting his battered troops as they make their way across the Mediterranean. In 1697, John Dryden offered a stately heroic couplet: "An

Another Virgilian touchstone is Aeneas's complex response to seeing his own story represented on the rising walls of Carthage when he lands there in Book 1. Virgil sounds his famous note of sadness: *Sunt lacrimae rerum, et mentem mortalia tangunt* (roughly, "Here are the tears of things, and mortal concerns touch the mind"). Mr. Ferry amplifies the sadness: "These are the tears of things for what they were, / And what has become of them; the story of / The mortality of men strikes to the heart." Virgil uses seven words; to modernize and "Americanize" him, Mr. Ferry needs 27.

The agents of history seldom know the results of their actions. Even a hero can have doubts and ignorance. Aeneas famously leaves the Underworld—where his father shows him a foretaste of Roman greatness—via the gate of false dreams rather than that of true ones, because he cannot understand what for him is the future, but for the audience is the past. In Book 8, Vulcan forges for Aeneas a new set of armor, depicting characters and scenes from recent history, like Antony and Cleopatra, and their defeat by Augustus. Our hero lifts up his shield. The book ends: "These were the scenes on the shield which Vulcan made, / His mother's gift for Aeneas to wonder at, / Admiringly. Although he did not know / The meaning of what he saw, he took upon / His shoulders the fame and fate of his descendants."

Fate resonates throughout the poem, along with concepts like duty, piety, manliness and futility, all of which a modern audience can appreciate. Aeneas has been fated,

indeed forced, to reach Italy. He tells Dido when he leaves her, "*Italiam non sponte sequor*" ("I go not to Italy of my own free will"). When he contemplates killing Helen of Sparta for having caused the Trojan War, Venus (with a little help from Christopher Marlowe) stops him: "It is the gods who bring / This wealth and power down and burn the topless / Towers of Ilium." Later, Aeneas says the Trojans have arrived in Italy "only because the Fates have told us / That this is where we must come, to find our home."

This imperial enterprise sounds like "Manifest Destiny." Virgil reaffirms Homer's songs of carnage, warfare and brute machismo, giving them a modern slant, but his hero has his doubts and is often reluctant and unhappy. Before he kills Turnus in single combat, Aeneas hesitates, almost giving in to pity. When he sees the belt of Pallas, a young Arcadian ally, on his foe's armor, "the terrible savage rage / [Rises] up in him" and he plunges his sword in, claiming "It is Pallas / Who drives this home!" Virgil everywhere complicates the idea of personal responsibility.

Politically, there are greater complications. Juno finally accedes to fate, and the will of Jupiter, but she makes demands. She will allow the Trojans to take charge in Italy only if they give up their old culture and become absorbed as newcomers into the native population. Trojans no longer, they will be "submerged into / The one race and its language." This is why ancient Romans spoke Latin, not some equivalent of "Trojan." Issues of immigration and melting pots were as alive in the ancient world as they are today.

In his brief introduction, Mr. Ferry says he's in love with Virgil's voice. He channels it into many registers, none more appropriate than the lyric one, as in the death of the youthful Euryalus: "It was as when a scarlet / Flower, say, falls gracefully to the earth, / When the tooth of a plow has suddenly cut its stem, / Or as it is when a poppy flower falls, / Under the weight of a sudden summer rainstorm, / Bringing it down." The tears of things enhance their beauty.

**Mr. Spiegelman is the author of several collections of personal and literary essays, including "Seven Pleasures" and "Senior Moments."**

## BOOKS

'Questions of taste, of feeling, of inheritance, need no settlement. Everyone carries his own inch-rule of taste, and amuses himself by applying it, triumphantly.' —Henry Adams

# If You've Got It, Don't Flaunt It

### Bunny Mellon

By Meryl Gordon

Grand Central, 516 pages, £21.99

BY JUDITH MARTIN

**IF NOT FOR** the money angle, the biography of a knowledgeable and talented horticulturalist might have a limited audience. In "Bunny Mellon," Meryl Gordon labels her subject "a legend." But the worthy achievement of having revitalized the White House gardens during the Kennedy administration may not be seared into the public's memory.

The money part is extraordinary, however, and makes the book a gossipy read. When the billionaire philanthropist Paul Mellon was dying in the late 1990s, his wife's lawyer pointed out to him that the \$85 million he was planning to leave her "was not enough to underwrite the lifestyle that Bunny was used to." As Ms. Gordon shows, Mellon was sadly familiar with his wife's spending habits, so he threw in an additional \$25 million.

But she still had trouble maintaining what Ms. Gordon keeps describing as a standard of understated taste. Even before her Ponzi-scheming financial adviser as well as her beloved presidential candidate, John Edwards, got chunks of it in the early 2000s, she was selling property and paintings to keep up. She died in 2014, at the age of 103.

Nowadays one doesn't hear much about a hierarchy of taste, except in regard to food. The once-dictatorial fashion industry has turned its ladder upside down, looking to the streets for inspiration. But there used to be much talk, at least in certain sets, of "good taste" and therefore also of "bad taste," which people of good taste adored because it afforded them so much amusement.

The exercise of this good taste shouldn't be confused with stylishness. Far from setting trends, it posits a static standard: WASP shabby chic. As Bunny Mellon would often say, "Nothing should be noticed." So she would have the furniture distressed and the roof shingles painted to seem weathered. She did have one cheap and rickety chair, which she said was intended to put intimidated visitors at ease when they recognized something similar to their own possessions.

Such pronouncements come with an arbitrary code. Duck decoys in the library: good taste. Flamingo casts on the lawn: bad taste. Wax fruit for a centerpiece: bad taste. Ceramic vegetables for the serving pieces: good taste. You should not have trouble guessing which the Mellons had.

In the mid-20th century, Bunny Mellon was considered an arbiter of good taste, a mantle that still clings to the memory of her protégée, Jacqueline



HENRI CARTIER-BRESSON/MAGNUM PHOTOS

**GREEN THOUGHTS IN A GREEN SHADE** Bunny Mellon photographed by Henri Cartier-Bresson in 1962, at work in her greenhouse at the Mellons' Oak Spring Farm Estate in Virginia. The trompe l'oeil murals on the cabinets in the garden building, seen in the foreground, were painted by Fernand Renard.

line Kennedy Onassis. As taste is a personal quality, a basic tenet is that it cannot be bought. Certainly Mellon believed that flaunting expensive stuff was vulgar. She wanted her possessions to look understated and used, to the point of seeming worn.

So then what—one may well ask—did she need all that money for?

Gardening. This was her chief interest, and she favored the natural look. Apple trees naturally drop spoiled fruit on the ground, so when one of the many gardeners on the family's estate in Virginia cleaned them up, Bunny Mellon ordered them put back where they had fallen.

Other gardeners were employed raking leaves and then returning the prettiest ones to the ground.

Dressing. Being too early for distressed jeans, which should have been right in keeping with her idea of tattered taste, Bunny Mellon had her gardening clothes designed by Balenciaga, who did all her wardrobe, including her underwear, and, when he retired, bequeathed her to Givenchy. When Jacqueline Kennedy countered campaign rumors that she spent \$30,000 a year on Parisian clothes by saying, "I couldn't spend that much unless I wore sable underwear," she must not have been paying close attention to her mentor, who spent the equivalent of a million dollars a year on clothes and untold sums on jewelry.

Entertaining. Although much is made of her love of privacy, Bunny Mellon jumped at opportunities to entertain royalty. When Prince Charles and the Princess of Wales came to lunch, she had an octagonal pavilion built to enlarge her dining room (torn down after they left) and, although it was November, had her garden replanted with out-of-season flowers to make it look like summer.

Then there was the price of having that discerning eye. If the scarf that went with a certain outfit was in one of her other houses, she would send the private airplane to pick it up. When a swimming pool was being completed on one of her properties, she changed her mind about the locations of the shallow and deep ends and had them reversed. When she served commercial potato chips, she had her staff throw out any broken ones.

It adds up.

There is money and there is real money, as no one understood better than Rachel Mellon (née Lambert), who had been nicknamed Bunny by a servant. She was born into the fortune that her grandfather made by popularizing Listerine and that her father enhanced by popularizing the word "halitosis," a hitherto obscure Latin term that then scared the nation into buying Listerine.

Her first husband was also rich, but although she remained fond of

him, she found it expedient to leave him for Paul Mellon, with whom she shared tepid feelings at best and whose other blatant attachments she grandly ignored. For the same reason, she encouraged Jacqueline Kennedy to marry another philandering billionaire, Aristotle Onassis.

Mellon favored a natural look. She had gardeners rake leaves and return the prettiest to the ground.

Ms. Gordon interviewed scores of relatives, friends, tradespeople and servants for this biography, and by their testimony Bunny Mellon—despite bursts of generosity and social consciousness—was not a nice person. It isn't that they tell nasty stories; rather, they admit to such sycophantic behavior as relishing her luxurious presents and then whining at being dropped without explanation (which happened to most of them) and begging in vain to be taken back into favor. The message from the butler: "Madame says she's not at home."

Even her children and grandchildren suffered from periodic snubbing. Her blatant favoritism to one young grandson over his brother ex-

tended to lavishing presents on one with nothing for the other.

Her son, who had once found himself relegated to a room over the garage in a newly built house, spoke bitterly about her at her funeral. Her daughter received intense maternal attention when she became vegetative after a street accident in Manhattan but had previously been subjected to a mammoth débâcle celebration that she hated (the re-creation of a French village, complete with tents featuring Impressionist paintings), and she had been coerced into an aristocratic marriage although she was gay. Before the accident, mother and daughter had been periodically out of touch to the extent that the mother was surprised to find that for some time the daughter had breast cancer.

Ms. Gordon accounts for all this rudeness and cruelty by making frequent use of the all-purpose excuse that Bunny Mellon "felt insecure." After all, her younger sister, Lily, had been considered "the pretty one." In 2012, at the age of 101, she tried to reassure herself that John Edwards, whose \$400 haircut and mistress she subsidized, had been interested in more than her money.

Which just goes to show . . . Or does it?

*Ms. Martin is the author of the Miss Manners columns and books.*

## Angel-Headed Songbird

### What Is It All but Luminous

By Art Garfunkel

Knopf, 241 pages, £22.50

BY WILL FRIEDWALD

**WHAT IS IT ALL** but Luminous," Art Garfunkel's short book of reflections on his life, is often self-consciously arty (no pun intended), but it is never as self-glorying as it might be. Mr. Garfunkel, for instance, never comes right out and states the obvious, that Simon & Garfunkel—the act that he has been half of, off and on, for more than 60 years—was one of the groups that defined the 1960s. Between Paul Simon's songwriting and Mr. Garfunkel's skill at weaving his tenor into vocal harmonies, they have eclipsed even their original inspiration, the Everly Brothers, as the most celebrated pop music duo of all time.

Mr. Garfunkel never comes across as defensive, in the sense that he doesn't feel the urge to directly tell us, "Well, you may know me as half of Simon & Garfunkel, but here's all the other stuff I've done." That "other stuff" would include at least nine mostly successful solo albums and roughly a dozen movie roles, starting with 1970's "Catch-22" and 1971's "Carnal Knowledge." But then, in this book Mr. Garfunkel doesn't do anything in a straightforward fashion. "What Is It All but Luminous" is subtitled "Notes From

an Underground Man," indicating that he doesn't think of it as a memoir, an autobiography, or even a "life." The term "notes" may come close, but it's hard to imagine any single word that would accurately describe this book.

Mr. Garfunkel apparently decided it would have been too easy to simply set down his life story in the order that it happened, but he does want to tell us how he felt about everything. This he does through a series of diary entries, snatches of

An artful memoir-in-notes that reads nothing like the standard-issue rock 'n' roll tell-all.

poetry, and innumerable lists—everything but conventional narrative. The overall approach brings to mind Gonzo in "The Muppet Movie": He announces that he's going to India to become a movie star, and when Fozzie asks why he doesn't just go to Hollywood, he responds dismissively, "Sure, if you want to do it the easy way!"

Mr. Garfunkel is possibly under the impression that everybody already knows his story: how two music-loving Jewish boys met in the sixth grade at Public School 164 in Flushing, Queens, in 1953; became hooked on the Everly Brothers and

other early rock groups; and eventually created their own hit single together, "Hey Schoolgirl" (released under the performer names "Tom and Jerry"). Art Garfunkel and Paul Simon then went their separate ways (not for the last time) but reunited in time to become one of the signature acts of the folk-rock movement, creating a string of iconic albums and No. 1 singles in the process.



ASSOCIATED PRESS  
**Solo** Art Garfunkel in 1965.

As sketchy and indirect as Mr. Garfunkel's approach to his own story may be, the result is an entertaining volume that's more fun to read than a conventional memoir might have been. His verse is often

delightfully playful and surprisingly engaging. Talking about his second marriage, he writes:

I am Mr. Mickey Mouse and  
she's my Minnie Mouse.  
Around the house she's Mighty  
Mouse.

O mounted spouse divine,

O scintillant Mouse be mine.

A great deal of the text is presented in a kind of free verse, somewhere in-between prose and poetry. There's no discernible chronology, although more early anecdotes are found at the beginning and more recent thoughts, like reflections on what it feels like to be a 75-year-old pop idol, come at the end. Mr. Garfunkel is not afraid to reveal his thoughts about significant events in his life, including the suicide of Laurie Bird, his partner during the 1970s. More cheerfully, he writes about what it was like for him to become a father relatively late in life. Then there are those lists: lists of books he's read (most are rather highbrow, but "Fifty Shades of

Grey" also made the cut), lists of the songs on his iPod, lists of reasons why he's "in awe of my wife."

Mr. Garfunkel has nothing but praise, none of it sticky or sentimental, for his intermittent partner, Mr.

Simon. It's well known that they've had their disagreements over the decades, and even from this account it's clear that they were never meant to be a permanent partnership. But that doesn't take away from the music they created together. "To me it comes down to this," he says, quoting his acceptance speech from the Grammy ceremony in 2003, when the duo was given the lifetime achievement award: "One and one can coexist, or add up to two, or in our case, they can affect each other like electric energy." This book also contains a moving appreciation of another of Mr. Garfunkel's contemporaries, the singer-songwriter James Taylor: "James's accuracy of pitch is like a trader's honesty. To me, it has always been paramount in singing. There is an illuminating love of living things—all of them here on earth—that lies within the tenderness of his line readings."

In other words, "What Is It All but Luminous" is filled with more kind words than score-settling—another way in which it sets itself apart from the conventional rock 'n' roll memoir. Certainly there are few artists who can look back in contentment at a career that has spanned so many decades: What other singer (save Paul Simon) who landed his first hit in 1957 is still active today?

*Mr. Friedwald's latest book, "The Great Jazz and Pop Vocal Albums," will be published next month.*

## BOOKS

'We must plant the sea and herd its animals.... That is what civilization is all about—farming and replacing hunting.' —Jacques Cousteau

# What the Land Owes to the Sea

### Fishing: How the Sea Fed Civilization

By Brian Fagan  
Yale, 346 pages, £22.39

BY RICHARD ADAMS CAREY

MANY DENIED that there was anything wrong, insisting that what appeared to be problematic was just part of a natural fluctuation, independent of any human agency. If regulations were imposed, they were trumped by rising demand and the powerful interests who profited thereby.

Any resemblance between the debate over recent centuries about our dwindling fisheries and the matter of global warming today is not so coincidental in Brian Fagan's "Fishing: How the Sea Fed Civilization." In fact, the climate, its fluctuations over the millennia and concomitant changes in sea level, have played an underappreciated role, Mr. Fagan says, in the blossoming of fisheries in certain places and times, their extinction in others.

But over the ages nothing has been so constant in these extinctions as human ingenuity and—wherever fishing rises from a subsistence to a commercial enterprise—the profit motive.

The subtitle of "Fishing" rather misleads: Mr. Fagan, an archaeological writer and emeritus professor at U.C. Santa Barbara, devotes nearly half this book to the way fishing was practiced for hundreds of thousands of years in subsistence cultures around the world, beginning with pre-Neanderthal hominids trapping catfish in shallow pools or shrinking rivers. He goes on to survey ancient fishing practices in the East and the West, the Old World and the New, and then the rise and fall of civilizations, the ascendancy of commerce, and such contemporary tools as lines 60 miles long bearing 30,000 baited hooks.

Along the way we find that fishing not only sustained ancient empires and modern nations to a degree we may not have grasped before—the pyramids of Giza, Mr. Fagan notes, could not have been built without hundreds of workers processing thousands of Nile fish each day, both fresh and dried, for laborers—but nurtured them as well.

The cooperative nature of fishing, wherever catches were rich and stable, fostered complex and hierarchical communities long before cities arose. The technologies of boat-building and seamanship seeded exploration. Shells, beads and dried or salted fish sustained long-distance trade networks, and even today, Mr. Fagan writes, fish are "the most traded commodity in the world." And of course preserved fish—nutritious, lightweight, long-lasting—were the primary fuel of



BOUNTY A woman in Shenzhen, China, spreads fish out to dry.

merchant fleets, navies and conquering armies.

No coincidence, then, that civilizations flourished along seacoasts or river systems, and yet we conceive of civilization as primarily an agricultural phenomenon, and we celebrate the farmer as its founder and culture hero. By contrast, fishermen, writes Mr. Fagan, "lived at the obscure margins of society, anonymous, hard-working, and laconic, and largely outside the dramas that interest historians."

An increasingly important overlap between farming and fishing, however, exists in the practice of aquaculture, which is nearly as old as farming, dating back to the Chinese domestication of Amur carp as early as 3500 B.C. The Romans elevated aquaculture to a high art, and indeed "only [farmed fish] could provide the yields needed to feed the growing population." Today Asia is in the forefront again. People there have annually produced more farmed fish than wild since 2008.

Otherwise fish remain our last wild food resource, our sole surviving forager's link to an undomesticated world. Mr. Fagan rightly finds it remarkable that through so many thousands of years the basic technology of fishing—hook, line, net—remained unchanged. These tools were sufficient to destroy several fisheries, most notably the great

North Atlantic herring fishery in the 18th century, and to seriously deplete Atlantic cod stocks. These depredations were aided, Mr. Fagan notes, by phenomena like the North Atlantic Oscillation, a century-scale variation in atmospheric pressure that caused the herring fishery to "literally appear and disappear."

Throughout history (and prehistory) the answer to an extinct fishery has been movement: of villages to new locations, or boats to different bodies of water. Of course cities are less portable, as rising sea levels will likely demonstrate. And the last century's industrialization of fishing, in which a host of new technol-

ally crystallizes into an epic story—one of opportunism, ingenuity, complaisance and denial spanning the breadth of human (even prehuman) experience.

Mr. Fagan holds that this era's global warming will be another contributing factor to what he foresees, within a few generations, as the wholesale demise of fishing. When this happens, he writes, "a significant link with our long history will have been severed."

Aside from the matter of whether then we will have eaten our way out of house and home, the end of fishing will mark the end of a primal unity of vocation and avocation. Despite the danger, low pay and frequent discomfort, fishers typically love their work. Mr. Fagan quotes William Ellis, a missionary in Tahiti, who in 1829 could not help noting that men there "set out on their fishing excursions with an exhilaration of spirit equal to that with which a European nobleman pursues the adventures of the chase."

They can enjoy it, at least, until the adventure is over, until the seven seas are one great desert. Then civilization will be on its own.

*Mr. Carey's books include "Against the Tide: The Fate of the New England Fisherman" and "The Philosopher Fish: Sturgeon, Caviar, and the Geography of Desire."*

In the West, Christian dogma had defined all creatures as there for the convenience and utility of humanity, and the Catholic Church's frequent fast days, where the consumption of meat was proscribed, ensured a constant demand for fish. This made the myth that the sea was inexhaustible—or better yet, that intensive fishing improved and enhanced fish stocks—a more comfortable idea than finitude. Fishers knew better, but these marginalized folk were generally ignored. On rare occasions when restraints were imposed—in 1668 the Massachusetts Bay Colony, for example, banned cod fishing during the winter spawning months—they were sooner or later overridden.

ogies combined to make the practice all too efficient and its vessels global in range, has left the world with no new fisheries to exploit for a population expected to reach nine billion by 2050.

Mr. Fagan's book is sometimes repetitive and has little of the narrative drive of, say, Mark Kurlansky's "Cod" (1997) or William W. Warner's account of Chesapeake Bay watermen, "Beautiful Swimmers" (1976).

This is a different sort of book, more big-picture, more of a scholarly exercise, working dutifully through the catalog of times, places and ways in

which fishers worked their magic and the world grew to what we know it to be today. In lucid, graceful prose, however, "Fishing" eventual-

ly crystallizes into an epic story—one of opportunism, ingenuity, complaisance and denial spanning the breadth of human (even prehuman) experience.

Mr. Fagan holds that this era's global warming will be another contributing factor to what he foresees, within a few generations, as the wholesale demise of fishing. When this happens, he writes, "a significant link with our long history will have been severed."

Aside from the matter of whether then we will have eaten our way out of house and home, the end of fishing will mark the end of a primal unity of vocation and avocation. Despite the danger, low pay and frequent discomfort, fishers typically love their work. Mr. Fagan quotes William Ellis, a missionary in Tahiti, who in 1829 could not help noting that men there "set out on their fishing excursions with an exhilaration of spirit equal to that with which a European nobleman pursues the adventures of the chase."

They can enjoy it, at least, until the adventure is over, until the seven seas are one great desert. Then civilization will be on its own.

*Mr. Carey's books include "Against the Tide: The Fate of the New England Fisherman" and "The Philosopher Fish: Sturgeon, Caviar, and the Geography of Desire."*

# The Song of King Harald Fairhair

### The Half-Drowned King

By Linnea Hartsuyker  
Little, Brown, 431 pages, £16.99

BY TOM SHIPPEY

VIKINGS ARE BIG BUSINESS these days, with the History Channel TV series about to enter its fifth season, and Bernard Cornwell's "Last Kingdom" sequence continuing both in print and on screen. Most modern stories about them, however, concentrate on Vikings going about their business of raiding in the British Isles, Ireland and mainland Europe. Linnea Hartsuyker's novel "The Half-Drowned King" raises the question, what was happening back home in the Viking homelands? Especially in Norway?

She has a great deal of material to work with, for the Icelanders who wrote the sagas and preserved the legends were emigrants from Norway, and the stories of their ancestors were a major preoccupation. Snorri Sturluson (1179-1241) in particular—writer, poet, schemer, politician—wrote a sequence of 16 sagas celebrating the kings of Norway from prehistory almost to his own time. This collection, long familiar to English-speakers as "Heimskringla," is the world brilliantly re-created by Ms. Hartsuyker.

The title character is the ninth-century nobleman Ragnvald Eystein-

sson, who gets his nickname by surviving an attempted murder treacherously arranged by one of the petty princes of Norway: Ragnvald has a sort of a claim to a few acres of land, which makes him a threat. He is only a minor character in Snorri's long narration; the central character of the time for Snorri was King Harald Fairhair, who shows signs of taking over in Ms. Hartsuyker's story as well.

An American novelist puts flesh on the bones of the founding father of Viking-era Norway.

Why Fairhair? Was he blond like Daenerys Targaryen? Or was it a Viking joke? According to Icelandic legend, Harald's unification of Norway was triggered when, as king in the Vestfold in the south of Norway, he attempted to win a bride from another small kingdom. She turned him down, saying she would not waste her maidenhood on someone who ruled such a narrow realm.

Harald's counselors advised him to carry her off by force and teach her a lesson, but he refused, saying she was right. He swore not to cut his hair or shave his beard till he had made all Norway subject to him. Ten years later, when his proj-



RAIDER Head of a Viking, ca. 900.

ect was realized, and at last he got a haircut, his nickname was changed, admiringly, from "Tangle-hair" to "Fairhair."

He deserved the compliment, for Norway even after his time remained

famously uncontrollable. Not only was its population warlike, heathen and independent, the country itself is immensely long and broken by innumerable fjords, each with its patch of habitable land, almost inaccessible except by sea.

In particular, the story of Norway for six generations was the contest between the southern kings of the Vestfold, and the *jarls* (chiefs) who ruled in the north, and also controlled Norway's main source of wealth—the furs and feathers and walrus ivory extorted from the nomadic Sami people.

In Ms. Hartsuyker's story, Harald is still a teenager, gathering strength for his future takeover of the little kingdoms along the west coast of Norway.

Already, though, "tales had spread from Vestfold of his strength at arms. They said that he could best any man with any weapon, and with a sword he had fought off ten bloodied warriors." As for Ragnvald, her hero, he is caught between Harald and

Hakon Grjotgardsson, king of Ha-  
logaland in the northwest. But Ragn-  
vald's own story is focused first on  
vengeance against Solvi of North  
Maer, the "trickster dwarf" who tried  
to drown him; then on retrieval of his  
ancestral property; and, confusing the  
issue (as so often in sagas), rescue of his  
sister Svanhild, married to Solvi at first  
unwillingly, but then loyally.

One might recall Signy of the  
"Volusung Saga," who burns in their  
own hall the husband who captured  
her and killed her family, but then walks  
into the flames to die with him. Happy families in Viking times  
were not like they are now.

Ms. Hartsuyker captures the sense  
of saga times and saga heroes: vio-  
lent but litigious, treacherous but  
honorable, impetuous but crafty.  
Ragnvald, Harald and Hakon all play  
off one another, as do the striking  
Svanhild, her stepmother Vigdis  
and—only just coming into the pic-  
ture—Gyda, whose proud refusal of  
Harald created Norway.

There is much yet to come in  
what the author promises will be a  
trilogy: 10 shaggy years for Harald,  
up to the battle of the longships at  
Hafsfjord. And then, perhaps, the war  
of the half-brothers and the coming of  
Eirik Bloodaxe. Like "Game of Thrones," only more  
unscrupulous.

*Mr. Shippey writes regularly about  
science fiction for the Journal.*

## OPINION

### REVIEW & OUTLOOK

## Tax Reform, If You Can Keep It

**R**epublicans finally unveiled the party's blueprint for tax reform on Wednesday, and Americans who want a faster-growing economy should be pleased. The GOP has offered an outline that will enhance U.S. competitiveness and simplify the code—if the final product isn't diluted by the class-warfare brigades and K Street lobbyists.

The nine-page framework offers the contours worked out by GOP leaders and tax writers in Congress and the Trump Administration, and the goal is to lower rates and streamline preferences. The danger is that the opening offer is near the lower limits of what is needed to lift the economy to a higher growth plane, and Republicans don't have room for concessions to this or that interest group.

The most important news is that the plan would make U.S. businesses more competitive around the globe. The corporate rate will fall to 20% from 35%, which is the highest in the developed world. This is not as low as President Trump's floated 15% or Ireland's 12.5% but would bring the U.S. below the industrialized-world's 22.5% average. This would improve U.S. corporate-tax competitiveness from a depressing 35th out of 35 nations in the Tax Foundation's annual index, which is below even France. (See nearby chart.)

The framework also moves to a territorial model that allows companies to pay taxes where income is earned, which is the global norm. The punishing U.S. system has left \$2.5 trillion parked overseas, and that money will be invited back at a discount with illiquid assets paying a lower rate than cash. The changes will be permanent, which is important as corporations invest with a long tail, and they will be immediate, which means investors won't have to wait to see the benefit of lower rates.

Small businesses with owners who "pass through" income to personal returns would see a top-rate reduction to 25% from 39.6%. This will require some finesse, as tax writers must develop guardrails that prevent lawyers or hedge-fund operators from dumping wages into pass-throughs and paying less than salary folks. Such businesses will pay a slightly higher top rate than corporations, but the latter are taxed twice: once on income, again on dividends or capital gains.

There are other pro-growth elements, such as full expensing for five years, which Congress will likely renew. The alternative-minimum tax is zeroed out, as is the death tax. The left will say that ending the government's undertaker fee is a payout for the children of Bill Gates, but anyone with real money knows to hide wealth in trusts or foundations. The death tax hits people who have amassed some money over a lifetime but not enough to form the Buffett Foundation.

The big disappointment is in individual-tax rates. The good news is the blueprint would fold seven brackets into three—12%, 25%, 35%—and double the standard deduction to \$12,000 for individuals and \$24,000 for married couples. The increased deduction reduces the need for carve-outs that muck up the code, and millions will be able to file on a postcard.

## The Meaning of 'Xi Jinping Thought'

**T**he 19th Congress of the Chinese Communist Party, set to open in Beijing on Oct. 18, is worth watching for two reasons. General Secretary Xi Jinping is bidding to become China's most powerful leader since Mao Zedong, and he may stake his legitimacy on the country's growing influence abroad. Both suggest an expansion of China's political oppression at home and assertiveness abroad.

Mr. Xi may defy Party tradition at this Congress, which falls halfway through his 10-year term in office, and seek to extend his tenure beyond 2022. The last two leaders, Jiang Zemin and Hu Jintao, allowed a successor from a rival political faction to join the Politburo Standing Committee at this stage to prepare a smooth succession. If this Congress fails to put forward a younger cadre or elevates an inexperienced candidate loyal to Mr. Xi, it will confirm that he has rejected the consensus leadership the Party established after the death of Mao.

Mr. Xi may also signal his pre-eminence by rewriting the Party charter. In recent weeks key publications have promoted the importance of "Xi Jinping Thought." Adding that phrase to the charter would put Mr. Xi on the level of Mao, whose thought is second only to Marxist ideology in the Party's guiding principles.

The Congress is also expected to emphasize Mr. Xi's efforts to restore China as a global power as part of his "China Dream" strategy. A new propaganda campaign is praising "Xi Jinping Diplomatic Thought." State television aired a six-part documentary called "Great Power Diplomacy" that showed Mr. Xi being given red carpet treatment in London and Mar-a-Lago, receiving foreign

### The Republican outline is a pro-growth boon, but rates can't rise further.

But the outline threatens an undefined additional rate on high earners to ensure the new code is "as least as progressive" as the current system, which sounds like a talking point from Nancy Pelosi. The top 1% paid almost 40% of all federal income taxes in 2014, according to the Tax Foundation, and these individuals are the most sensitive to

tax rates in deploying their assets. Separating the personal rate from the small-business rate all but guarantees that the top rate will never return to the Reagan low of 28% that has since climbed to about 44% with the ObamaCare surtax on investment income.

All of this is a bow to the class warriors on the left and right, but the punt on rates won't spare Republicans from attacks. The left is already portraying the business-tax cuts and death-tax repeal as giveaways to the rich.

The plan also includes some antigrowth elements that are pure political sops. Case in point is an unspecified expansion in the child tax credit, which the outline says won't be refundable beyond the current \$1,000 but will be by the end of the sausage-making. Refundable credits are a cash transfer to people with no tax liability, and they discourage work. The framework also suggests increasing the income level at which the credit starts to phase out—in other words, offering the payout to more families who need lower rates and rising wages more than they need a subsidy.

Also buried in the details is a \$500 credit for nonchild dependents, which means caring for the elderly. This dispensation will also be expensive, yet anyone who looks after an aging parent or relative knows it's a token that won't defray the costs of even a month of care. This is a lamentable departure from the GOP goal of simplicity, and once enshrined it will live forever—and be quadrupled when Democrats return to power.

The GOP hopes to pay for the plan by reducing preferences and deductions, and the Members must hang tough on eliminating subsidies like the state

and local tax deduction that underwrites high-tax states like California and New York. This will be a rough political fight with GOP Members from Democratic states, but killing the deduction saves \$1.25 trillion over 10 years that tax writers need to finance lower rates.

Republicans can also expect an assault from the Gucci-shoe lobbyists who tried to kill reform in the 1980s. The Realtors are miffed about the higher standard deduction, which means some Americans won't avail themselves of the mortgage-interest deduction. They want to deny the middle-class a tax cut in order to coerce them to use a deduction that lines Realtor pockets. Republicans should threaten to put a cap on the mortgage-interest deduction if the Realtors stay this greedy.

Overall, the GOP has produced a tax-reform outline that can revitalize a weak economic expansion, lead to more new business creation, enhance worker productivity and lift wages. The challenge now is to sell it better than health reform, resist the special pleaders and pass it by the end of the year.

leaders in Beijing, and being praised by foreign intellectuals for his deep thoughts. Foreign Minister Wang Yi says Mr. Xi's thought "transcends centuries of Western international relations theory."

Mr. Xi has consolidated his control over the armed forces in the past year, purging senior generals for corruption and promoting others. At this summer's Army Day parade, he reviewed the troops alone instead of with other senior leaders, as was the norm. At that event a general introduced him as *lingxiu*, a term for a supreme leader that has not been used since the Mao era. Last year he acquired a newly created title of commander-in-chief of the Joint Battle Command Center.

This consolidation of power means that China's immediate future will increasingly depend on the choices of one leader. This suggests that the Party's crackdown on political dissent, which has become ever harsher, is unlikely to ease. Hong Kong can also expect more aggressive control from Beijing.

The question for the world is what consolidated one-man authoritarian rule would mean for China's actions abroad. The Communist Party established norms of succession and the principle of consensus leadership to prevent a repeat of Mao's disastrous rule, which included attempts to undermine neighboring governments. That has paid off in rising prosperity as China focused on economic development and trade with the world.

Mr. Xi is changing that policy to assert Chinese dominance in the Asia-Pacific, and authoritarian rulers tend to stoke nationalism to create political legitimacy. The growing cult of Xi could shake the world order.

## The Merkel Dream and The Macron Reality



POLITICAL ECONOMICS  
By Joseph C. Sternberg

Twice is a trend. French President Emmanuel Macron on Tuesday called for the creation of a European Union finance minister with a pot of tax money to spend. This followed a near-identical proposal from European Commission President Jean-Claude Juncker less than two weeks earlier.

If it happens, this would be the most consequential political development in Europe certainly since German reunification and arguably since the formation of the European Coal and Steel Community, which eventually grew into the EU.

No hyperbole here. The power to tax, and to spend that revenue at will, is a primary characteristic of the modern state. It's not a coincidence that the finance minister is invariably the second-most powerful official in any government.

Make that "most powerful" in an EU with approximately zero capacity to manage its foreign political and military affairs with one voice from Brussels. The new finance minister would wield more authority than anyone else as the main decision maker presiding over the things the EU is actually capable of doing.

And while we're at it, make that "this will be" a consequential event, despite the oft-repeated assertion that the Germans will never allow it. It's going to happen because this is the kind of eurozone German Chancellor Angela Merkel has decided she wants.

The eurozone as originally sold to voters was a form of gold standard with a central bank. Fiscal rules capping annual borrowing and total debt relative to economic output would prevent profligate members from destabilizing the rest.

Those rules were arbitrary and capriciously enforced. There's no economic law saying that an annual fiscal deficit of 3.1% of GDP is a risk to the credibility of your currency but 2.9% is fine. France and Germany routinely violated these strictures, were not meaningfully punished for doing so, and the eurozone hobbled along.

No matter. The exercise was about reassuring voters that the eurozone wouldn't require the fiscal-transfer union that accompanies most monetary unions, which, recall, are generally states with their own budgets alongside their currencies.

Mrs. Merkel threw all that out the window with bailouts of eurozone members in crisis, including Greece repeatedly. Today's debate about fiscal union and debt mutualization obscures the fact that the eurozone already has protean versions of both. Surplus members, especially Germany, have committed to financing the out-of-control deficit spending of weaker members to achieve the political goal of keeping those weaker

members in the club. They merely do so on an ad-hoc basis and after the fact, rather than ahead of time via some coherent budgeting process.

That starts to make Mr. Macron look like a realist. His speech this week on EU reform and integration had a speculative and aspirational quality to it, and this isn't the best use of his political capital while he faces the more pressing task of turning France into a functional country again. But he is basically correct about the institutions the eurozone will need to function if the rule is that no one can ever leave, and realistic enough to make concessions such as a temporary pause on talk of explicit debt mutualization.

Berlin hopes the euro will unite Europe politically. Paris has the only plan that can make it work.

Berlin, on the other hand, starts to look entirely unrealistic in its stated approach to the eurozone: that the club should hold together without any permanent fiscal commitments from surplus members such as Germany. In practice, Mrs. Merkel has been prepared to open the German checkbook. Which is why something resembling Mr. Macron's plan is likely to happen, even if only in fits and starts.

Mr. Macron's plan offers substantial benefits to penny-pinching northern Europeans. They're on the hook to bail out heavy spenders in the south. They might as well gradually shift fiscal authority out of the hands of national governments they don't trust and into the hands of EU-level politicians they can control. This would be the effect of creating an EU finance ministry funded from existing national-government tax revenues, with responsibility for some of the spending such as major public works currently left to national governments.

And as politically toxic as a genuine fiscal-and-debt union might seem in Germany today, this isn't obviously worse than the status quo. Mrs. Merkel doesn't gain politically from having to explain to her voters why she's writing very large checks very suddenly if, say, Italy plunges headlong into insolvency.

Better by far that some other politician or bureaucrat take responsibility for writing smaller checks over longer periods of time.

There is another, better, way: Return the eurozone to its gold-standard-like roots by allowing its laggards and failures to quit an economically implausible monetary union, and redouble the EU's focus on boosting competitiveness through free trade. That, alas, is the real dream, and it's not one Mrs. Merkel shares. Which leaves Mr. Macron to tell her where and how to sign Germany's next check.

## LETTERS TO THE EDITOR

### U.S. Solar Firms Want a Level Playing Field

Regarding your editorial "Solar Power Death Wish" (Sept. 18): Your comments misapprehend the technology and the factors that caused such grave harm to the U.S. cell and module manufacturing industry. To characterize a solar cell/module as a "basic product," while trumpeting how it is installed, is mistaken. The solar cell is the device that generates electricity, and there is nothing "basic" about it.

The technology is the result of decades of complex scientific research that was born in the U.S. It is also part of the trade secrets that members of the Chinese military were indicted by the U.S. government for stealing from an American manufacturer (specifically our co-petitioner SolarWorld), as recently as 2014, so

you ignore the fundamentally illegal lengths that foreign governments have gone to in attempting to control this technology.

You seem to paint this as the act of two companies, but the International Trade Commission itself, in its Aug. 1 prehearing report, acknowledges that almost 30 other U.S. cell and module manufacturers have been driven out of business or suffered grave harm in the past five years.

That is almost 30 U.S. manufacturers, in more than 20 states, representing billions of dollars of investment and thousands of U.S. jobs. There is nothing theoretical about that.

MATT CARD  
Suniva, Inc.  
Norcross, Ga.

### Bernie's Socialism? Expand Medicare Instead

I take some exception to your editorial "Bernie's Socialism Goes Mainstream" (Sept. 15). Bernie's "socialism" is nothing new nor original. Why not just build off the current health-care system? Modify it so that what are now copayments and costs to third parties, etc., become legs of a new Medicare, with all payments to the government with a multiyear phase-in as proposed.

Regarding the cost of medical care overall, the World Health Organization ranked the U.S. below every other First World nation in cost—the highest by far, and among the lowest in quality of care and satisfaction. America ranks 37th in the world, below Australia, Canada, Chile, Columbia, Israel and 31 others. France is No. 1—with a mixed system.

So let's discuss reality. Neither party alone can make the changes we need. I support Sen. Sanders's idea conceptually, but details must be negotiated. Our current system is worth upgrading. A free system? The good senator makes a reasonable opening move.

JERRY NACHISON

Las Cruces, N.M.

As a physician who has practiced for 45 years, I know the single biggest cause of increasing health-care cost is the overwhelming government-induced regulation. It decreases the time the caregiver can spend with the patient. It increases the need to hire more employees to handle the paperwork. It increases the risk of lawsuits, 90% of which are won by the physician, but still cost a great deal of money and time.

These costs are passed on to the patients, as are the physicians excessive malpractice fees. It also increases the number of tests ordered, even if the provider knows they will be negative, to protect themselves from any potential lawsuit.

Single-payer, government-run medical care is socialism, and there is no place for it in America.

RYAN SEARLE, M.D.  
Newburyport, Mass.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## OPINION

# America Makes Ambassadors Of Visitors

By Michael Polt  
And Kim Davis

As the Trump administration revises America's visa system to prevent abuse, one category stands out as deserving of protection: J-1 visas, for "exchange visitors."

This designation covers trainees, interns, exchange students, visiting scholars, au pairs and the like. J-1 visas are time-limited. They often carry a requirement that the visitor return home for a fixed period, typically two years, before coming to the U.S. again. Over the past five years, an average of 325,000 such visas were issued annually.

Aliens who come on J-1 visas take American values with them when they return home.

People on J-1 visas are prohibited from holding permanent jobs in America. Rather, the visas provide an opportunity for cross-cultural education and training. The idea is that when visitors return home, they bring with them the American values they were exposed to during their stay. They become America's de facto ambassadors and advocates abroad.

A good example is the Baltic-American Freedom Foundation, on whose board we both serve. The foundation was created in 2010 to strengthen America's ties with Estonia, Latvia and Lithuania. We have provided nearly 300 young professionals with J-1 internships at private businesses, nonprofits and think tanks. Alumni report an increased understanding of the U.S. economy and political system. Many maintain personal and professional relationships with Americans. One of our former J-1 interns was elected last year to a seat in the Lithuanian Parliament.

The McCain Institute for International Leadership, where one of us works, uses J-1 visas to bring mid-career professionals from around the world to the U.S. for a one-year program. The institute provides placements for the visitors and trains them in ethics, values, leadership and communications. The visa-holders have worked everywhere from Intel to the Miami Herald to the Kansas City, Mo., mayor's office. They return home as stronger leaders with a greater respect for the U.S.

Success stories from the program abound: Urmo Kübar, an Estonian, is now an adviser on civil society to his country's president, Soraya Aziz Souleymane returned home to the Democratic Republic of the Congo and established a nonprofit that works with mining companies to strengthen their social-responsibility programs. Carlos Mayorga, a Colombian, has trained thousands of young people in the principles of entrepreneurship. Other alumni are working to advance freedom, transparency, human rights, women's empowerment, refugee protections, international security, anti-corruption and good governance.

All of them are spreading American ideals in their home countries. The U.S. can't buy this kind of goodwill. But letting foreign visitors spend time in the U.S. helps that support develop on its own. As the White House reworks the visa system, it would do well to recognize that exchange visitors on J-1s are no example of abuse: They are an investment in advancing America's interests abroad.

Mr. Polt, a senior director at the McCain Institute for International Leadership, was U.S. ambassador to Serbia and Montenegro (2004-07) and Estonia (2009-12). Mr. Davis is chairman of the board at the Baltic-American Freedom Foundation.

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# Why Tax U.S. Companies Twice?

By David A. Ricks

When President Trump came to my company's hometown of Indianapolis on Wednesday to lay out his tax-reform plan, it was welcome news. The proposal would cut the corporate-tax rate to 20%, put in place a territorial system and maintain tax credits for research and development. This would go a long way toward leveling the playing field for American workers and businesses competing against their foreign peers.

The current tax code places U.S. companies at a disadvantage and saps the resources they need to create jobs and contribute to economic growth. Nowhere is this more glaring than in the biopharmaceutical industry. Nearly 60% of the most-valuable biopharma research and development occurs in the U.S., according to a 2015 study in the *Journal of the American Medical Association*. At the same time, more than half the world's large pharma companies are based here.

Biopharma research and development is concentrated in the U.S. because of this country's entrepreneurial spirit, strong intellectual-property protections, clear regulations, market-based reimbursements and significant public funding for both health care and medical research.

Yet when a biotech company discovers something big, it too often sells itself to a foreign buyer. Data from PharmaDeals show that between 2007 and the middle of 2016, foreign companies were the buyers in nearly two-thirds of American bio-



ANDREW BROOKS/GETTY IMAGES

pharma cash acquisitions valued at \$1 billion or more. One big reason is that Washington's tax policy allows foreign-based companies to shop at a discount relative to their U.S. peers.

### The GOP plan would end the 35% 'repatriation tax' that makes it harder to compete—and create jobs.

American companies like mine are able to maintain tax bills roughly on par with our foreign competitors by keeping abroad large amounts of our overseas earnings. Whenever we bring capital back to the U.S.—whether to buy another company, build a manufacturing plant or run a clinical trial—that money is subject to the statutory corporate-tax rate of 35%, the highest in the developed

world. Foreign companies, on the other hand, can freely bring their overseas cash to the U.S. to make investments without paying any corporate tax to Washington.

This means every dollar of after-tax foreign profits Eli Lilly brings home buys only about 65 cents of investments. But our foreign pharma peers can bring a dollar to the U.S. and get nearly a full dollar's worth of investment. To our foreign competitors, this "repatriation tax" is effectively a 35% discount.

And it isn't only a problem for pharma. The U.S. is the world's leader in turning all kinds of research into products and services that improve people's lives. But American tax policy encourages foreign companies to scoop up the fruits of this innovation. The current system penalizes American companies that want to invest their global earnings in the U.S., whether in research, product development, mergers and acquisitions, or

anything else. In this way the tax code has contributed to sluggish growth and stagnant middle-class wages.

Republican leaders have the right remedy: First, they plan to lower the U.S. corporate-tax rate to 20%, which is internationally competitive. Second, they want to adopt a modern "territorial" system that taxes income where it's produced—regardless of where the company has its headquarters—to eliminate the disadvantage American firms face today.

My company applauds these proposals, but they could be rendered moot if Congress also adopts well-meaning but poorly designed policies to protect the U.S. tax base. One such idea is a high tax on the "round tripping" of profits through low-tax havens. This rule would essentially add a second tax to most of the overseas earnings of American companies—a tax their global peers wouldn't pay. It would make the biopharma industry an even larger target for foreign acquisition. It would do nothing to alleviate the pressure on U.S. companies to resort to "inversions," that is, mergers with competitors abroad that allow them to qualify as foreign companies for tax purposes. The net result would be a tremendous loss of value and opportunity for American companies and workers, as well as revenue for the federal government.

Tax reform can speed innovation and economic growth, as the White House and congressional Republicans aim to do, but only if it truly levels the playing field for American companies competing in a global market.

Mr. Ricks is chairman and CEO of Eli Lilly & Co.

# The Strain in Spain Could Cause a World of Pain

By Tunku Varadarajan

If the civic vices of contemporary Catalonia are self-delusion and hysteria, the great historical failing of Castile—Spain's traditional heartland—is its political rigidity. When these flaws come together in almighty conflict, as in the current fierce push for Catalan independence, one has the perfect recipe for a calamity—the unraveling of Spain, which could damage the European Union more greatly than Brexit will.

On Oct. 1 the government of Catalonia, one of 17 autonomous regions in Spain, will hold a referendum on independence. The referendum is best described as a form of political hijack. Spanish law prohibits the referendum, and the Spanish Constitutional Court has ruled so explicitly. Spain's Constitution speaks of "the indissoluble unity of the Spanish nation," and no matter how cleverly—or stubbornly—the Catalan separatists spin it, that document doesn't allow for any exercise of "self determination" of the kind the regional government is attempting.

Nor is such a referendum permitted by international law, which confines its grudging grant of a right to self-determination to those colonized people who live under morally abhorrent regimes. Catalans fit that description only in the most fevered separatist imagination. They voted overwhelmingly for the democratic Spanish Constitution that was put in

place in 1978 after the death of Gen. Francisco Franco three years earlier. It wasn't foisted upon them, but was supported by 90% of the Catalan people. That constitution, and numerous subsequent laws adding to it, give Catalonia more autonomy than practically any other national subregion in the democratic world. Its closest competitor in the autonomy stakes is Spain's own Basque region.

There is no democratic deficit, no stifling of the Voice of the People, no inhibition of cultural or economic aspirations, and no political curbs of any kind. Counting European, national, regional and municipal elections, Catalan citizens of Spain have voted six times in the past five years. Catalonia is, by some calculations, the most prosperous part of Spain, yet even as the separatists recite that fact almost catechistically, they fail to acknowledge the price all Spain pays for the national defense and diplomacy that keep Catalonia secure.

They also fail to credit the labor from the rest of Spain that once powered its manufacturing and today enables its vibrant tourism and services industries. They don't acknowledge that Catalonia has received more than its fair share of national capital and investment in the past 75 years, in part as a political sop to a restive region. The separatists also don't mention that they would have to assume around 20% of Spain's national debt were they ever to secede, and surmount a Spanish

veto to be readmitted to the EU.

And yet Catalonia's separatist regional government is going ahead with its second referendum in three years as a form of political insurrection. The first, in 2014, had been ruled unlawful by the courts, but was held anyway as a nonbinding "participation process." The separatists tout

### Catalonia's secession referendum could lead to further conflict, on the street and in the EU.

the fact that 80% of those who voted then did so to secede. They are silent about the turnout: Only 2.3 million of Catalonia's 7.5 million people voted, and the vast majority of opponents boycotted the exercise.

The latest referendum is a more blatant political fraud: Under a law passed in the regional parliament, a simple majority—irrespective of turnout—will suffice to authorize the regional government to declare independence. For some perspective: You need two-thirds of the Catalan Parliament to elect directors of the region's public television. The laws to enable the referendum and independence were, by contrast, passed with a simple majority.

Those who oppose Catalan independence aren't going to show up to

vote on Sunday. The Spanish state will be out in force to discourage participation. Only the die-hard secessionists will vote, so a "majority" for independence is almost guaranteed. What happens next is anyone's guess, but we can be sure that Madrid won't let Catalonia secede. There will almost certainly be violence, given the presence in the secessionist ranks of an adamant hard-left cohort. If matters get out of hand—and the separatists have every political incentive to let them—the EU will confront the closest thing it has ever had to a civil war in a member state.

Will there really be a second Spanish Civil War? Catalonia's separatists have been scrupulously nonviolent—to date—even as the Spanish state has shown admirable restraint in the face of ever-mounting provocation. That peaceful approach could change if the hard core feels cornered. Yet with international pressure coming to bear on the Catalans—especially from Brussels, which cannot possibly tolerate a further fracturing of a fragile union—there will have to be a compromise, brokered by the EU.

Madrid will need to be less rigid in its approach to yet another widening of regional autonomy. And Catalonia will have to accept that it cannot forever live in Wonderland.

Mr. Varadarajan, a fellow in journalism at Stanford University's Hoover Institution, is a former Madrid bureau chief for the Times of London.

# Why I Prefer Watching Baseball



We've arrived at a moment when some choices have to be made. After a lifetime watching America's three main professional sports—baseball, football and basketball—I've decided I prefer baseball.

Starting Tuesday, I'll exclusively devote what's left of my sports-viewing budget to the Major League Baseball playoffs. And not just in the hope that my hometown Cleveland Indians will overcome last year's heartbreaking loss for the ages to the Chicago Cubs.

Set aside the reason most Americans can sing the words to their national anthem is that for generations, every American attending a professional baseball game has stood to look at the flag while someone sings "The Star-Spangled Banner." Many Americans think the last words of the national anthem are "Play ball!"

Baseball is about baseball. The NFL and NBA seem to be about more things than I can process—some of them political, some of them personal.

Baseball has an informal code of on-field conduct, which has held for a hundred years. The NFL doesn't seem to have an enforceable code of anything.

On Sunday, after the New York Giants' wide receiver Odell Beckham Jr. caught a touchdown pass, Mr. Beckham got down in the end zone and imitated a dog urinating on a fire hydrant, which the opposing Philadelphia Eagles (who won) took as mockery of their team.

From Babe Ruth 90 years ago to Aaron Judge now, when you hit a home run, you run around the bases and into the dugout. That's it. No end-zone antics that suggest the sport itself takes a back seat to a personality.

After the Yankees' Mr. Judge hit his 50th home run this week, a record for a rookie, his teammates had to force him out of the dugout to wave to the cheering crowd.

For some years, the persons of the sports press have pushed the idea that demonstrations of high-level athletic skill, the result of uncountable hours of practice, were morally

insufficient. Athletes, the persons intoned, had to "give back" by dedicating their status to solving the nation's endlessly unresolved issues of race, gender and—the inevitable guilt trip they laid on pro athletes—income inequality.

And so last September, Colin Kaepernick, the San Francisco 49ers backup quarterback, reduced the personage's moralistic hectoring of professional athletes to its absurd end by deciding that the pregame national anthem was the place to raise the issue of inner-city policing.

Only the innocent could feign shock that eventually Donald Trump, in his capacity as president of the United States, would go after the kneeling players about the same way you'd hear from a guy sitting in the high seats at a New York Jets game, who by the third quarter is on fumes: "Get that son of a bitch off the field!"

Stepping down to the Trumpian moment, LeBron James tweeted, "U bim!"

Sportswriters sometimes use the phrase "lunch bucket" about a player who is mainly interested in doing his job well without drawing attention to himself. Other than someone like Kawhi Leonard of the San Antonio Spurs, you don't see too many stars in the NFL or NBA described as lunch-bucket guys anymore.

Most future stars of basketball and football are identified while they're in high school. They often play in special leagues and receive constant visits from coaches at Division I universities.

Once inside the university, these players live and practice in gold-

plated facilities. They play on national television and are talked about nonstop by analysts and the political commentators at ESPN. They get famous young. (Though let it be said, 90% of the nonsports NFL and NBA news was made by maybe 10% of the players, until now.)

The road up in baseball is different. Promising teenagers go from high school into baseball's minor leagues. They play for teams in places like Delmarva, Clinton and Greenville. They travel by bus and play before crowds not much bigger than what they had in Little League. They rise from A ball to AA (say, the Trenton Thunder) then AAA teams, which are in places most people have heard of, like Toledo, Fresno or El Paso.

Years spent competing and surviving against other skilled players teaches them they have to learn to be a member of a team before anyone calls them a star.

Some might say baseball isn't political because so many players are from Latin America. But maybe the Latin players are mostly bemused at what the U.S. considers social problems, compared with escaping from Cuba across shark-infested waters or getting out of a dirt-road slum in Nicaragua or the Dominican Republic.

There is an expression in sports: Don't leave it in the locker room. It means you are supposed to save your best performance for the game. With baseball, that's still what you get.

Americans live in a highly polarized country. If people want their sport and its performers to be an affirmation of their politics, feel free. I don't.

DOW JONES  
News Corp

## LIFE & ARTS

### FILM REVIEW

# The 'American Made' Drug Trade

Tom Cruise stars as the pilot who shuttled contraband for both the CIA and the Medellín Cartel

BY JOHN ANDERSON

**AS THE PARENTS** of any unruly child are well aware, boredom is a dangerous thing, and as per director Doug Liman's hyperactive "American Made," Barry Seal is an unruly child. And bored. One of the youngest pilots ever to work for TWA, he'll manufacture turbulence during an overnight flight just to terrify his passengers. He smuggles Cuban cigars across U.S. borders for the cheap thrills (and the money). When the '70s-era CIA comes calling with an even bigger prank-taking reconnaissance pictures of communist outposts in Central America—Barry strolls right on board, eventually becoming a frequent flier of money, drugs and, sadly for him, not enough lawyers.

The real-life Barry Seal—who will become the Medellín Cartel's chief U.S. conduit of Colombian cocaine—is played by a very game Tom Cruise as a smiling rascal who, deep down, really believes that his native charm is the only net he'll need while walking a high wire over a lion cage. As such, Seal is the Tom Cruise character incarnate—we know it, and the actor knows it: At one point, he dons his sunglasses with exactly the same roguish flair he used as Joel Goodson in "Risky Business," a quarter century ago. Joel Goodson aside, Barry Seal may be the most Tom Cruise role Tom Cruise has ever had.

But he also does a rather tricky thing, playing a likable criminal who's really a bad actor. Barry lies to everybody, badly, but especially his wife, Lucy (Sarah Wright), who is kind of, sort of, in the dark about her husband's exploits—though she comes to like the Air-bus-size deposits of cash that start filling her home (from which she has to move abruptly several times). Seal moves from taking pictures for his CIA handler, Schafer (a terrific Domhnall Gleeson), to moving drugs, to moving arms—Soviet-made AK-47s in-



Tom Cruise and Sarah Wright, above;  
Mr. Cruise as Barry Seal, left

fresh, coca-scented air.

The story is told mostly, but not entirely, by Seal himself, often addressing the camera directly—he keeps a video diary, for obvious reasons. If "American Made" were limited to what Seal knew personally, some of the dangling threads in Gary Spinelli's script could be written off. As it is, they hint at stories we'd like to know better. When Barry and Lucy get relocated by Schafer to a small town in Arkansas, into which they start funneling their ill-gotten gains, the sheriff's wife (Lola Kirke, too briefly seen) gets suspicious. Does she feel her status threatened by the arriviste Seals? Is it just envy of the gorgeous Lucy? It's not pursued. Neither is Lucy, really, despite being a potential resource of sex-based political science: When she thinks Barry's being a dope, quitting TWA, disappearing for days at a time, she's ready to throw him out; when he arrives back home with a satchel full of cash, a kind of warm glow seems to envelope her. A smile breaks on her lovely face. No, she's not the most fully realized character. On the other hand, she certainly helps us understand Barry.

Mr. Anderson writes on TV for the Journal. Joe Morgenstern is away.

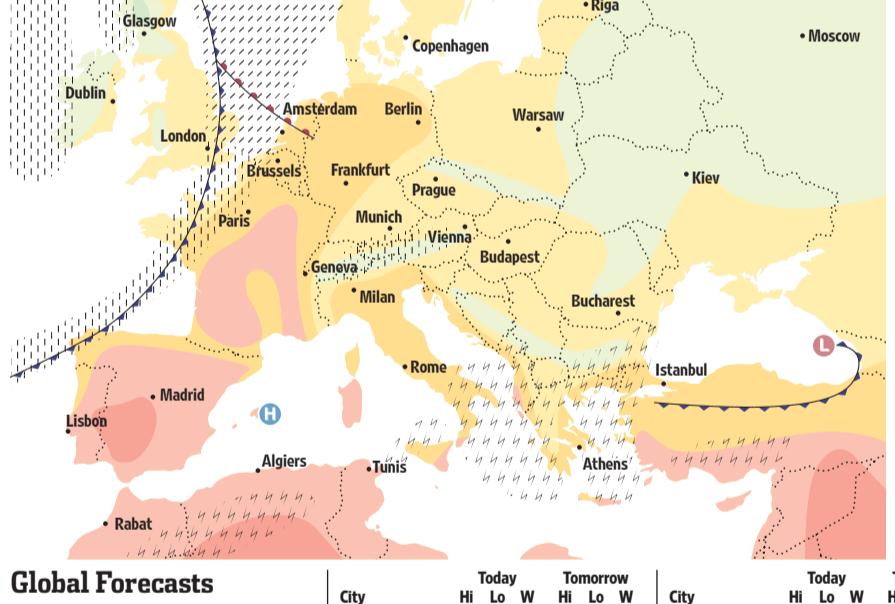
tended for the PLO that were intercepted by the Israelis and sold to the CIA for distribution to the Contras, who are far less interested in fighting than they are in coke from the cartel, which in turn would really like to get those guns. Throughout it all, Barry is "the gringo who delivers."

"American Made" is one of the many children of "Goodfellas," a

true-crime story turned first-person narrative told by a charismatic ne'er-do-well surrounded by dubious characters and tantalizing subplots. None of these offspring, including "American Made," have matched the chilling grandeur of Martin Scorsese's 1990 masterpiece, with its multifaceted characters and visual fluidity. Mr. Liman's film, shot by the Uruguayan

cinematographer César Charlone ("The Constant Gardener") feels very constrained, too reliant on close-ups; when the picture opens up—when Barry makes his first wobbly takeoff from the inept runway built by his Medellín overseers, Jorge Ochoa (Alejandro Edda), Carlos Ledher (Freddy Yate Escobar) and Pablo Escobar (Mauricio Mejía)—it's like a breath of

## Weather



## Global Forecasts

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

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Hi Lo W Hi Lo W

Amsterdam 20 12 t 16 11 pc

Anchorage 10 3 c 9 3 pc

Athens 22 17 t 22 18 t

Atlanta 30 20 s 27 16 pc

Bahrain 39 24 s 1 24 s

Baltimore 23 11 s 21 8 pc

Bangkok 33 25 t 32 25 t

Beijing 26 12 s 27 17 pc

Berlin 20 10 pc 20 12 pc

Bogota 19 9 r 19 9 r

Boise 26 11 pc 17 6 pc

Boston 18 10 s 15 9 pc

Brussels 23 12 t 17 11 pc

Buenos Aires 18 12 c 21 13 c

Cairo 31 21 pc 32 23 s

Calgary 23 8 s 16 5 c

Caracas 32 26 pc 31 25 pc

Charlotte 26 15 pc 25 11 s

Chicago 21 11 s 20 11 s

Dallas 27 18 c 30 16 s

Denver 19 8 c 23 8 pc

Detroit 21 10 sh 19 8 s

Dubai 37 27 s 38 29 s

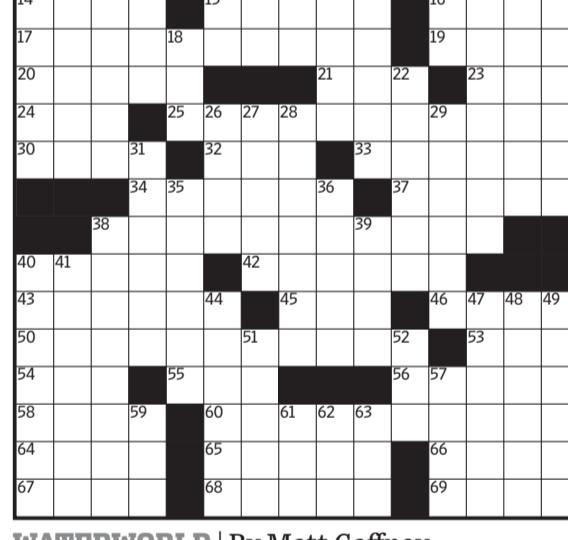
Dublin 15 6 sh 15 13 pc

Edinburgh 16 7 r 14 9 pc

Frankfurt 22 13 pc 19 9 t

## AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



## WATERWORLD | By Matt Gaffney

The answer to this week's contest crossword is **Best Picture-winning movie**.

### Across

- 1 Mexico's president Enrique Nieto  
5 Potential jurors  
10 Explorer Tasman  
14 Cry of sorrow  
15 Soothe  
16 Currency replaced by the euro  
17 He played Smee in the 1991 movie "Hook"  
19 "This my day"

► Email your answer—in the subject line—to [crosswordcontest@wsj.com](mailto:crosswordcontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, Oct. 1. A solver selected at random will win a WSJ mug. Last week's winner: Bart Wojciechowski, Mercer Island, WA. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

20 Nation south of Malta  
21 Where judges rule: Abbr.  
23 Juan's "What?"  
24 Function  
25 She played Rose Sayer in a classic 1951 film, casually

30 Doc's distributions  
32 Business with memberships  
33 Poughkeepsie college

34 Figurative expressions  
37 Many Olympic events

38 He played Commander Dwight Towers in 1959's "On the Beach"  
40 Fathered  
42 "Forrest Gump" actor  
43 Attack, as a tiger might

45 Do better than  
46 Seating for several  
50 He had the famous line in "Jaws": "You're gonna need a bigger boat"

53 Engine sound  
54 Frank's second wife

## PUZZLE CONTEST

22 //, in an alley

26 Eagerly anticipating

27 Proofer's catches

28 Retired, as professors

29 "The tin grin"

31 Scatters

35 Censor for security reasons

36 Church council

38 Where judgment is required

39 Object painted by Magritte

40 Rushed writing

41 Raver's sentence

44 You shouldn't lie down on this

47 "Finally got it!"

48 You should lie down on these

49 They're made with an apology

51 Thrill

52 Cuba libre ingredient

57 Rambler maker

59 Alternative to Russ. or Fr.

61 Tech CEO Whitman

62 Stat that's good when low

63 Wrongdoing

## Previous Puzzle's Solution

DAM	RADAR	PLOW
ELI	PELOSIS	SODA
OBIE	MINEO	ILLI
CAP	UPTIONS	INCLIA
OCEAN	TENT	

AIR	LIFTS	POLAR
STEAL	SATORI	
JAVA	ELECTRONPA	
EXEC	DIEOUT	GEL
TETE	SATON	ELS

## Global Forecasts

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

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Geneva 23 11 pc 21 12 t

Hanoi 32 25 c 31 26 c

Havana 29 22 t 29 22 t

Hong Kong 32 27 t 32 28 sh

Honolulu 32 23 sh 31 23 pc

Houston 31 20 pc 31 18 pc

Istanbul 21 16 c 21 17 sh

Jakarta 33 23 pc 33 25 pc

Johannesburg 22 12 c 25 13 t

Khartoum 24 12 s 22 13 pc

Kansas City 32 20 s 34 19 s

Lima 20 15 pc 19 15 pc

London 19 10 sh 18 14 pc

Los Angeles 31 17 s 28 16 s

Luanda 29 14 s 28 14 pc

Manila 32 26 t 32 26 t

Melbourne 17 9 pc 15 8 pc

Mexico City 22 14 t 22 14 t

Miami 29 25 t 31 25 t

Milan 23 12 pc 23 14 pc

Minneapolis 18 8 pc 21 12 s

Monterrey 28 21 t 28 20 pc

Montreal 16 6 pc 15 6 pc

Moscow 9 6 c 9 -1 pc

Mumbai 32 27 t 32 26 pc

Nashville 26 13 s 25 12 s

New Delhi 36 24 s 35 24 s

New Orleans 32 22 s 31 23 s

New York

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, September 29 - October 1, 2017 | B1

Euro vs. Dollar 1.1777 ▲ 0.27%

FTSE 100 7322.82 ▲ 0.13%

Gold 1285.50 ▲ 0.11%

WTI crude 51.56 ▼ 1.11%

German Bund yield 0.481%

10-Year Treasury yield 2.309%

## IKEA to Acquire 'Gig Economy' Startup

TaskRabbit, a service for odd jobs, could help customers in assembling furniture

BY SAABIRA CHAUDHURI

IKEA agreed to acquire Silicon Valley startup TaskRabbit—the online marketplace that connects people with freelancers willing to run errands and do odd jobs—in a move that combines the trailblazer of the flat pack with one of the so-called gig economy's best-known exemplars.

IKEA said it would use TaskRabbit to make it easier for its existing customers to assemble its shelves, sofas and beds. TaskRabbit earlier this year hired bankers to look for



DAVID PAUL MORRIS/BLOOMBERG NEWS

IKEA wants to improve its digital initiatives. A store in California.

a buyer. Terms of Thursday's deal weren't disclosed.

Founded in 2008, TaskRabbit was an early mover in the

world of on-demand marketplaces, even predating Uber Technologies Inc., which was founded a year later.

IKEA Chief Executive Jesper Brodin said the company intends to learn from TaskRabbit's digital expertise. Retailers and brands globally have been racing to capture shopper data in a bid to personalize their offerings and build customer loyalty. IKEA has been working to digitize its offerings, offering home delivery and click-and-collect options. At the same time, it has opened small, centrally located stores near public transportation that stock a limited range of offerings and are used as collection points. The company's website saw 2.1 billion visits in fiscal 2016, up 9% from the prior year.

"As urbanization and digital transformation continue to challenge retail concepts, we need to develop the business

faster and in a more flexible way," Mr. Brodin said.

A number of services offer IKEA furniture assembly for a fee, including IKEA itself, which charges \$89 to assemble furniture costing up to \$299. It charges more for more expensive furniture. TaskRabbit's services are cheaper, with freelancers in Houston, for instance, offering to deliver and assemble IKEA furniture for as little as \$30 an hour.

While TaskRabbit has grown in recent years, its pace has been slower than that of other startups, with revenue doubling every year in the past three years. The company also must constantly replenish its freelance workforce with people who are reliably available for jobs, and encourage

repeat business from customers who may only rarely need a handyman.

TaskRabbit in April confirmed it was up for sale, saying the company could benefit from being on a larger platform.

On Thursday, Chief Executive Stacy Brown-Philpot—a former Google executive—said IKEA could increase the earning potential of Taskers—those who offer their services on the app—and connect more consumers to a wide range of affordable services.

TaskRabbit, based in San Francisco, is available in 40 U.S. cities as well as London. IKEA said the service could be rolled out to more countries later. The company has raised about \$38 million since it was

Please see IKEA page B2

## Some Investors See Opportunity in Italy

BY MIKE BIRD

With France's and Germany's elections out of the way, investors are gearing up for perhaps Europe's most important vote—Italy's.

For some money managers, the threat of a populist upset in the eurozone's most debt-laden and slowest-expanding major economy is a greater risk than any other election this year.

But that risk, in part, means that Italian government debt offers higher returns than its peers, presenting an attractive bet for some investors.

Italy's parliamentary elections must be conducted no later than May 2018, and some senior Italian lawmakers see them happening just before then.

"Italian politics is a byword for uncertainty, and that's particularly true if you look at the parties involved this time and their policies," said Charlie Diebel, head of developed market rates at Aviva Investors, an asset-management firm. "The potential havoc it can wreak has always made it the biggest of the three elections."

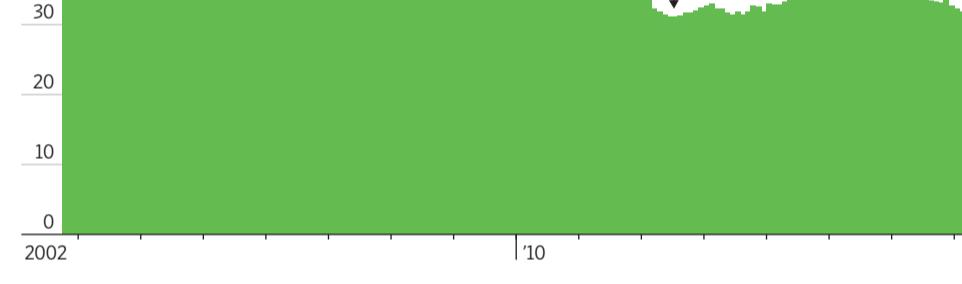
In recent years, global investors have shied away from Italy. Nonresidents own about 32% of Italy's outstanding government bonds, down from 44% in the summer of 2010, before the worst of Europe's sovereign-debt crisis unfolded. That compares with 48% for Germany and 52% for France.

Investors see many problems. Italy's public debt level is nearly 135% of its gross domestic product, compared with a regional average of just below 90%. Domestic banks still haven't really opened their wallets, with a mountain of bad debts still to be resolved.

Then, there is the politics. Opinion polls put the populist 5 Star Movement, which has proposed a referendum on

### Behind the Curve

Foreign investors still hold a smaller share of Italian government debt than before Europe's sovereign-debt crisis.



Yields on Italian 10-year bonds haven't fallen as far as on Portuguese or Spanish debt...

...and economic growth has been slower than for other big eurozone nations\*.

Italy's euro membership as a last resort if Rome can't win fiscal concessions from the European Union, roughly tying with the governing center-left Democratic Party. The idea that populist movements in countries such as Italy, France or the Netherlands can gain power and take their countries out of the eurozone has spooked investors.

In Italy, support for the euro

is low. A poll released by the European Commission on support for the currency union in May found 58% of Italians favored the common currency, the lowest proportion of any eurozone nation.

But none of this has stopped some investors from dipping back into Italian government bonds, as they hunt for yield amid a collapse in returns on everything from Ger-

man government bonds to European junk debt.

The Bank of America Merrill Lynch euro high-yield index, covering corporate bonds rated below triple-B, offers an annual return of 2.3%, barely above the 2.1% offered by 10-year Italian bonds.

"Italy just looks cheap next to other investment-grade credit," said Myles Bradshaw,

Please see ITALY page B2

THE WALL STREET JOURNAL.

## H&M's Profit Falls as Retailer Slashes Prices

Hennes & Mauritz AB said its third-quarter profit declined 20% as the fast-fashion retailer discounted prices and fewer shoppers visited the company's stores.

By Dominic Chopping  
in Stockholm  
and Saabira  
Chaudhuri in London

The company said Thursday it initiated "aggressive markdowns" over the summer after entering its fiscal third quarter with too much stock. H&M said the move helped clear the way for its autumn offerings, though sales have slowed toward the end of this month.

In Stockholm, H&M's shares fell 5.1%.

The downbeat results for the quarter, which ended Aug. 31, underscore the diverging fortunes of H&M and its main rival, Zara owner Inditex SA—which reported upbeat earnings this month—and the Swedish company's slow embrace of online shopping.

H&M is now gaining momentum in online sales, but recent gains aren't making up for reduced traffic at its stores in several markets.

"The competitive landscape is being redrawn, new players are coming in and customers' behavior and expectations are changing, with an ever greater share of sales taking place online," Chief Executive Karl-Johan Persson said Thursday.

For the third quarter, H&M said net profit fell to 3.84 billion Swedish kronor (\$471.2 million). Sales, excluding value-added tax, rose 4.5%, to 51.23 billion kronor. Gross

margin dropped to 51.4% from 54%. Profit missed analyst estimates.

Fast-fashion retailers are under pressure from the move to online sales, which has forced them to invest in delivery and logistics at the same time that price competition is fierce.

H&M, Zara and Associated British Foods PLC-owned Primark are battling each other and a number of small online-only brands that pay little to advertise on Facebook and Instagram and sell directly to consumers. Amazon.com Inc. has also been investing in its own fashion offering, putting further pressure on the industry's profit margins.

In response, H&M is diversifying away from the company's core mass-market H&M brand into higher-price apparel. Last month, it opened the first store for its new Arket brand on London's bustling Regent Street. Other such brands include Cos, Monki and Weekday, although together they make up only an estimated 5% of company sales, according to RBC.

Still, H&M says its online sales are increasing at a rapid pace as it opens in new markets and invests in "click and collect"—buying online and picking up at a store—next-day delivery and returns-to-store services. It has also worked to improve its supply chain and shorten lead times.

Online transactions now account for as much as 30% of sales in some markets, and the company estimates online sales will increase by at least 25% a year.

STREETWISE | By James Mackintosh

## Take Fed's Forecasts With Big Pinch of Salt

The most important message for economists from the Federal Reserve last week was the lowering of rate-setters' long-run forecast for interest rates.

Fed policy makers dropped their average prediction for long-run interest rates from 3% to 2.8%, implying that if the economy were working perfectly, rates wouldn't need to be so high to stop inflation from taking off.

That should be great news for Treasuries, right? Lower yields mean higher prices, after all. Yet investors seem to have ignored the change. Traders focused instead on the prediction of another rate increase this year. The minireflation trade

that was already under way has accelerated, helped by rising hopes of tax cuts. Bond yields have risen, which shareholders took as a cue to rotate out of the soaring technology stocks into weaker sectors more likely to benefit from a stronger economy.

What is known as the long-run neutral rate of interest, the natural rate, or "r\*", has a big influence on how policy makers set rates. It is the rate that should keep inflation steady when the economy is running at full capacity and is key to judging monetary policy. The further rates are below it, the more they boost the economy. And once they reach it, monetary stimulus has been fully withdrawn.

On the face of it the lower

Please see STREET page B2

## Toshiba Seals Chip Deal; Hurdles Remain

BY TAKASHI MOCHIZUKI  
AND KOSAKU NARIOKA

TOKYO—A nearly \$18 billion deal for Toshiba Corp.'s memory-chip unit could strengthen the No. 2 competitor in a fast-growing industry—if the deal survives regulatory and legal hurdles.

Eight months after Toshiba said it wanted to sell part of the unit, it finally signed a contract with a buyer Thursday. The buyer group is led by Bain Capital LLC and will get financing from Apple Inc., South Korean chip maker SK Hynix Inc. and other major technology companies.

If the deal closes by March 31, Toshiba's target date, it is set to bring the troubled industrial conglomerate's balance sheet back into the black.

Several of the companies involved in the buyer group are big customers for the unit's NAND flash-memory chips and are hoping to bolster Toshiba, a distant No. 2 to industry leader Samsung

Electronics Co. The chips are used in a broad range of electronics from smartphones to computer servers.

Seagate Technology PLC, a maker of computer storage products that joined the Bain-led consortium, said need for the chips was growing.

"We must be able to support

these demands," said Chief Executive Steve Luczo.

The deal, if completed, will also create a loose alliance between Toshiba and SK Hynix, which is No. 5 in NAND flash memory, according to IHS Markit. The South Korean company is providing about \$3.5 billion in financing for the Bain

alliance and is taking bonds convertible into a stake of as much as 15% in the Toshiba chip unit.

"The sale was a great opportunity for SK Hynix to catch up in the NAND market and increase its presence in the broader computer chip market," said Satoru Oyama, chief executive of Tokyo-based consulting firm Grossberg. SK Hynix is already second to Samsung in DRAM, another kind of memory chip.

But Mr. Oyama said he saw a high risk of the Bain deal failing to go through because of objections by Western Digital Corp., Toshiba's partner in operating the flash-memory business. He said SK Hynix would want to look for a Plan B, such as talking with others in the market about partnerships.

Western Digital contends it has the right to veto the sale of the chip unit and has brought a case at the International Court of Arbitration. Toshiba says Western Digital doesn't have

Please see TOSHIBA page B2



TOSHIRO OHSHIMA/BLOOMBERG NEWS

Please see TOSHIBA page B2

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	H	P	R	S
Alibaba Group.....A2	Hennes & Mauritz.....B1	Primark.....B1	Roku.....B8	Royal Dutch Shell.....B3
Altria Group.....B3	Hershey.....B3			
Amazon.....B4	Honda Motor.....A4			
Amazon.com....A1,B1,B4	Hoya.....B2			
Apple.....B1,B4	I	Samsung Electronics..B1		
Associated British Foods.....A2,B1	Ikea.....B1	Sanford Bernstein.....A1		
B	Inditex.....B1	Scentre Group.....A2		
Bank of America.....A2	Instacart.....B4	Scottish Investment Trust.....A2		
Beach Energy.....B3	Intu Properties.....A2	Seagate Technology....B1		
Berkshire Hathaway....B5	J	SK Hynix.....B1		
Blue Apron Holdings...B8	Japan Display.....B4	Snap.....B8		
Bollman Hat.....B3	J.P. Morgan.....A2	Stockpile.....B5		
C	K	T		
Carlyle Group.....B5	Kellogg.....B3	Target.....B4		
Chevron.....B3	Kingston Technology..B2	TaskRabbit.....B1		
China Life Insurance...B5	Klepierre.....A2	TCW Group.....B5		
China Pacific Insurance Group.....B5	M	Tesco.....A2		
Costco Wholesale.....B4	Macy's.....A2	Toshiba.....B1		
D	Marks & Spencer.....A2	Total.....A3,B3		
Dell Technologies.....B2	Mazda Motor.....B4	Toyota Motor.....B4		
Denso.....B4	Mitsubishi UFJ Financial Group.....B5	Tullow Oil.....A3		
E	Mondelez International.....B3	U		
Eastman Chemical.....B8	Morgan Stanley.....B5	Uber Technologies.....B1		
Eaton Vance.....A1,B8	N	UBS.....A2		
Eight Roads Ventures B5	Nature's Bounty.....B3	W		
Etihad Aviation Group B3	Nippon Life Insurance B5	Western Digital.....B1		
F	O - P	Whole Foods.....B4		
Fidelity International..B5	Office Depot.....B5	X		
G	Origin Energy.....B3	Xiaomi.....B4		
General Mills.....B3	Philip Morris International.....B3	Z		
		ZhongAn Online P&C Insurance.....B5		

## INDEX TO PEOPLE

C	I	Q	S	T
Carpenter, Seth.....B2	Iannelli, Andrea.....B2	Quarles, Randal.....B2		
D	Ji, Andy.....B8			
Douglas, Tony.....B3	John Williams.....B2	Stanley Fischer.....B2		
G	L	Tan, Adam.....B8		
Garzarelli, Francesco..B2	Limp, David.....B4	V		
Giancarlo, J. Christopher.....B5	M	van Nieuwenhuijzen, Valentijn.....B2		
Gorman, James.....B5	Ma, Pony.....B5	W		
H	P	Watson, John.....B3		
Hogan, James.....B3	Perli, Roberto.....B2	Wirth, Michael.....B3		

## ITALY

*Continued from the prior page*  
head of global aggregate fixed income at asset manager Amundi, who holds a larger share of debt from Italy, Spain and Portugal than indexes would suggest. "The economy is turning round, and it's got potential."

Though Italy's economic growth is slower than that of many of its neighbors, GDP expansion accelerated to 1.5% year over year during the second quarter, its fastest pace in six years.

Andrea Iannelli, fixed-income investment director at Fidelity International, said that on a relative-value basis Italian government bonds offer value.

"They're one of the most liquid government-bond markets in Europe," he said, pointing out that a deep futures market would allow him to hedge risks if volatility rises.

European Central Bank President Mario Draghi's 2012 promise that he would do "whatever it takes" to save the euro sent bonds from southern Europe's troubled economies trading higher since then. But Italian bonds have lagged behind. During that period, Italian 10-year yield spreads against 10-year German bonds have declined by 3.1 percent.

Italy has expanded by a cumulative 7.2% since the inception of the euro in 1999. In comparison, Spain has expanded 40%.

Still, the average interest rate Italy is paying for its debt is at a low of 3%, and the maturities on that debt have been gradually extended, meaning they won't be forced to pay it back in any hurry, said Nomura European rates strategist Ioannis Sokos.

Rather, "we consider political uncertainty and not ECB tapering to be the main threat to Italy's debt sustainability over the coming years," he said in a research note.

ees rather than independent contractors, and get benefits such as minimum wages and paid vacations. Former home-cleaning startup Homejoy Inc. faced multiple lawsuits on this front, which helped lead to its closure.

The deal is expected to close next month. Documents related to a financing round from 2015 suggest TaskRabbit then had a valuation of about \$50 million.

—Stu Woo and Eliot Brown contributed to this article

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## BUSINESS NEWS

# Kellogg CEO Retires After 7-Year Stint

John Bryant's tenure is marked by efforts to overcome sluggish cereal sales in U.S.

BY ANNIE GASPARRO  
AND JOANN S. LUBLIN

**Kellogg** Co. Chief Executive John Bryant will step down next week, making him the fourth head of a major food company to depart in a tumultuous year for the industry.

Throughout his nearly seven years running the cereal-and-snack giant, Mr. Bryant battled sluggish sales as Americans shunned longstanding brands in favor of fresher, more-niche alternatives. Kellogg posted just one quarter of sales growth during his tenure.

"Kellogg is in the middle of a transformation," said Mr. Bryant, who reduced the company's reliance on cereal sales in favor of selling snacks in fast-growing foreign markets.

The shift in consumer



Nature's Bounty chief Steven Cahillane, left, is joining Kellogg to succeed Mr. Bryant, right.

tastes has confounded executives at other big food makers that filled U.S. grocery carts for more than a century. **Mondelez International Inc.**, **Hershey Co.** and **General Mills**

Inc. also announced new chief executives in the past year.

Unlike some of its competitors, Kellogg has chosen an outsider to revive its sales and refresh a stable of products

that includes Frosted Flakes, Pop-Tarts and Pringles. Steven Cahillane, the 52-year-old chief executive of health-and-wellness company **Nature's Bounty** and a former Coca-

Cola Co. executive, will succeed Mr. Bryant, 51.

In an interview, Mr. Bryant said Mr. Cahillane's experience running a company that sells natural and organic supplements will help Kellogg expand its own health-conscious product offerings.

"Steve can hit the ground running on Monday," Mr. Bryant said. Mr. Bryant will remain chairman of Kellogg's board until March, when Mr. Cahillane will add that role. Mr. Bryant, who has worked for Kellogg since 1998, said he is leaving to spend more time with his family.

Kellogg wouldn't say when directors began looking for Mr. Bryant's successor. Mr. Bryant said Kellogg has worked on succession plans with executive-search firm Spencer Stuart for years. Some Kellogg executives passed over in favor of Mr. Cahillane were offered retention packages, Mr. Bryant said.

Mr. Cahillane emerged as a strong contender early in Kellogg's multimonth search for a

new CEO, said a person familiar with the company.

Mr. Cahillane, who joined Nature's Bounty as CEO in 2014, produced "good returns for the investor" partly by bringing in a new management team, a longtime acquaintance of his said. In July, private-equity firm KKR said it was acquiring a majority stake Nature's Bounty.

Kellogg declined to make Mr. Cahillane available for an interview.

About a year into Mr. Bryant's tenure, Kellogg acquired Pringles chips, signaling an effort to focus more on snacks and the potential for growth outside the U.S. The acquisition has served the company well, but its main cereal business has continued to suffer.

Last month, Kellogg said sales in its most recent quarter fell 2.5% to \$3.19 billion, including a 2% drop in North America.

Kellogg has mirrored its peers in cutting costs by laying off employees at its headquarters and closing factories.

## For Kangol Hats, a Costly Move to the U.S.

BY MICHELLE MA

Kangol hats are best known for covering the heads of celebrities like Samuel L. Jackson, Gwen Stefani and LL Cool J. But last year, they generated buzz for landing a new hot spot: an American factory.

**Bollman Hat Co.**, the British brand's American maker, used a Kickstarter campaign to help move production from Guangzhou, China, to Adamstown, Pa., about 100 kilometers from Philadelphia.

The 149-year-old hat maker, which already made some styles in the U.S., hired 20 workers and now makes about a quarter of its Kangol hats in its hometown. At a time when American manufacturers are under pressure to "reshore" their overseas operations to the U.S. and labor costs are on the rise in China, Bollman predicted its move would win plaudits for creating jobs without hurting its bottom line.

"We make decisions with our heads and our hearts," said Chief Executive Don Rongione. The son of a Philadelphia overcoat cutter, Mr. Rongione said his father taught him "the importance of buying and wearing things made in this country."

But the company has struggled to turn a profit on its knitted Kangol hats made in Adamstown. Producing a hat in Adamstown costs 1.28 times more than in China, including international shipping. That is in part because U.S. workers are paid \$15.50 an hour on average, six times what their Chinese peers earned.

Finding American workers as fast and skilled as their Chinese counterparts has also proved challenging. U.S. employees are slower at certain tasks, such as joining the seams at the back of the caps. "Linkers" in Adamstown complete such work on 200 to 250 hats a day, compared with 350 to 400 by Chinese linkers.

"It takes time for you to do a very good, quality hat," said Veronica DeLeon, a 42-year-



Bollman Hat CEO Don Rongione. The company is finding that manufacturing in America is slower and more expensive than in China.

old Kangol machine operator who started as a linker.

To address the skills gap, Bollman has invested in training. Using some of the \$78,450 it received in two grants from Pennsylvania for the initiative, the hat maker brought in four experts to teach new hires how to use the Kangol machines, including two people from England who had worked with the original equipment.

The custom-made machines are particularly difficult to master. Ms. DeLeon said she spent about three months learning how to operate the equipment. But she added: "I love the challenge."

Productivity and efficiency have improved over time, but Bollman continues to have a hard time finding candidates. Two linking positions remain open. "You don't find people with these skills in the mar-

ketplace," Mr. Rongione said.

Harry Moser, president of the Reshoring Initiative, an organization that promotes bringing manufacturing jobs back to the U.S., says Bollman's hiring challenges are specific to company, and

countered hurdles, particularly around hiring and high production costs.

Todd Shelton, an East Rutherford, N.J.-based clothing manufacturer, brought production of his eponymous brand's classic all-American styles to

interested in manufacturing is "a massive concern" for Mr. Shelton. Manufacturing workers "can't just zone out on Facebook" but are committed to a task all day. "It's a difficult job," he said.

Higher labor costs, meanwhile, have pushed some labels to increase their use of technology. When making products in the U.S., "you're going to have to invest in automation," said Michael Araten, chief executive of K'Nex Brands L.P.

Mr. Rongione said the company met with robotics consultants but couldn't find suitable hat-making equipment.

Bollman is employee-owned through a stock-ownership plan. Last year, the company was unable to make a contribution to the plan, and its 260 employees received no cash from profit-sharing.

### Producing a hat in Adamstown, Pa., costs 1.28 times more than in China, Bollman says.

wouldn't necessarily be faced by other firms moving operations to America. Last year, reshoring and foreign direct investment led to a net gain of 27,000 manufacturing jobs, according to data compiled by the Reshoring Initiative.

Companies that have shifted to American factories, however, say they have entered the U.S. from China in 2006. In 2012, he decided to move all manufacturing in-house.

Recently, when looking for an entry-level sewing operator, he wasn't able to find a viable candidate. After a three-month search, he eventually redistributed the work among existing employees.

The lack of skilled workers

interested in manufacturing is "a massive concern" for Mr. Shelton. Manufacturing workers "can't just zone out on Facebook" but are committed to a task all day. "It's a difficult job," he said.

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## Chevron Promotes Engineer To CEO

BY BRADLEY OLSON

**Chevron** Corp. on Thursday named Michael Wirth as its next chief executive, choosing an engineer experienced at finding efficiencies and cutting costs as the energy company copes with a prolonged period of lower oil prices.

Mr. Wirth, 56 years old, a Chevron lifer who has overseen the company's vast network of refining and pipeline assets, will become chairman and chief executive on Feb. 1, succeeding John Watson.

Mr. Watson, 60, has led Chevron through a tumultuous era defined by high and low prices, and one in which the company made several multi-billion-dollar investments that surged over cost expectations.

The ascendance of Mr. Wirth follows a pattern at big oil companies as they adapt to an oil glut and corresponding slump in prices brought about by the U.S. shale boom. **Exxon Mobil** Corp., **Royal Dutch Shell** PLC and French oil giant **Total SA** are all run by former refining chiefs.

The five largest Western oil companies slashed spending 30% in the last three years, or about \$50 billion, as oil prices fell by more than half from \$100 a barrel. With much of Big Oil's cost-cutting already done, success in a new era of plentiful supply will be defined by keeping costs down, operating efficiently and focusing on developments that can pay off quickly.

Finding new oil at any cost is no longer a primary objective. The move to executives with experience in finding efficiencies and reining in costs reflects a profound shift in thinking from optimism to a kind of pessimistic realism, said William Arnold, a former energy banker and Shell executive who teaches at Rice University.

The optimists, a swaggering, big-dreaming group of risk takers who wouldn't blanch at drilling six straight dry holes as long as the seventh found oil or gas, are being replaced by disciplined, pragmatic engineers, he said.

"The new leaders with this capacity are there to protect the balance sheet," he said.

Chevron began the succession process earlier this year when it appointed Mr. Wirth vice chairman. Mr. Watson and Mr. Wirth will spend the next four months meeting key leaders around the world, ensuring an orderly transition, Mr. Watson said in an interview Thursday. He added that Mr. Wirth was chosen for many reasons that extend beyond his experience as an operations specialist. "Mike is broader than that," Mr. Watson said. "He was selected because of his track record of accomplishment and his breadth of leadership."

A Chevron spokesman said Mr. Wirth wasn't available to comment.

## BUSINESS WATCH

ETIHAD

### Airline Looks to CEO To Chart New Course

Abu Dhabi's **Etihad Aviation Group** named a new chief executive on Thursday to navigate a strategic shift after hefty financial losses from investments in other airlines.

Tony Douglas is joining Etihad from the U.K.'s Ministry of Defense, where he was responsible for buying and supporting equipment for the country's armed forces. He has held several roles in the aviation industry, including CEO of Heathrow Airport. He succeeds James Hogan, who left the company this year.

—Nicolas Parasie

PHILIP MORRIS

### Company's Focus Shifts to Smoke-Free

**Philip Morris International** Inc. is reorganizing its geographic regions and executive

ranks—including naming a new chief financial officer—in efforts to propel the company's shift away from cigarettes.

The tobacco company has previously announced plans to focus on what it calls "smoke-free" products and less on cigarettes amid volume declines. Several major tobacco companies have sought to roll out new, electronic tobacco-heating devices that they say are healthier alternatives to traditional smoking, but feel more like puffing on a real cigarette. The companies have pursued the direction as the once-explosive growth of e-cigarettes recedes.

Finance Chief Jacek Olczak will be appointed chief operating officer, responsible for global strategy and "the delivery of results for combustible and reduced-risk products," the company said Thursday.

Martin King, president of Philip Morris's Asia region, will become CFO. Mr. King joined the company in 2003 from Philip Morris USA, now a subsidiary of

**Altria Group** Inc.

The company added that it would operate in six geographic regions, up from its current four. The Eastern Europe region will be split off from the Middle East and Africa. The other segments will include the East Asia and Australia region, and the South and Southeast Asia region.

—Ezequiel Minaya

ORIGIN ENERGY

### Lattice Energy Unit Sold for \$1.24 Billion

**Origin Energy** Ltd. is selling its conventional oil and gas production business for US\$1.24 billion to cut debt and focus more on exports of chilled coal seam gas to Asia that lawmakers have blamed for worsening eastern Australia's energy shortages.

Origin said it would sell its

Lattice Energy unit to **Beach Energy** Ltd. after ditching plans for an initial public offering.

"While Lattice Energy was ready to be a successful independent listed

entity, the sale to Beach represented the most attractive option to deliver value to Origin shareholders," Origin Chief Executive Frank Calabria said.

Beach, which has a market value of 1.55 billion Australian dollars (US\$1.22 billion), said it

would fund the deal for Lattice through a mix of new shares and debt. The Adelaide-based company wants to raise A\$301 million via a partly underwritten entitlement offer.

—Mike Cherney and David Winning

DANIEL ACKER/BLOOMBERG NEWS

Marlboro maker Philip Morris named a new chief financial officer.

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## TECHNOLOGY

WSJ.com/Tech



Amazon executive David Limp displayed new versions of the company's Alexa-enabled smart speakers in Seattle on Wednesday.

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

# AI to Echo Around the House



You might know Echo as an Amazon Inc. talking speaker that answers to the name "Alexa." This fall, it is also becoming an alarm clock, a TV remote, a speakerphone, a smart-home hub, a kitchen intercom—even an interactive buzzer for family game night.

At its Seattle headquarters Wednesday, Amazon let 10,000 Echos bloom, introducing a half-dozen new products to persuade families to put Alexa in a lot more places throughout the home (and even beyond it).

For Amazon, the mission isn't just to win over Echo holdouts with new uses for its talking artificial intelligence, but also convince the millions of people who already bought in that one Echo isn't enough. It's the most aggressive effort I've seen from any tech giant to colonize the home, the biggest part of our lives not already dominated by smartphones. Amazon is signaling that its Alexa strategy goes beyond letting you reorder Cheerios and toilet paper, toward hooking you into more of its own services.

It's also using its early lead in the smart-speaker space to ratchet up competition

against Apple and Google going into the high spending season that starts in September and cools back down after Christmas.

The Alexa onslaught begins in the bedroom with the \$130 Echo Spot, a spherical alarm clock that displays information, streams video and lets you command Alexa from beneath the covers. Then there's the \$35 Echo Connect, which turns an existing phone line into a much smarter speakerphone. (Say, "Alexa, call Stanley," and she'll dial for you from your existing home number.)

A new version of Amazon's Fire TV streaming box packs in the latest Wi-Fi and picture enhancements (4K and HDR) with a remote for \$70. For \$10 more, it comes bundled with a small Echo Dot speaker that lets it take commands from Alexa. You can already reach Alexa via the remote, but perhaps Amazon thought pressing a button was too much effort. (Can an Echo recliner be far off?)

The Fire TV's price is particularly noteworthy compared with Apple's newly released Apple TV 4K, which matches most features—but starts at \$180.

Amazon also split its original Echo speaker into two

versions. The flagship Echo, now \$100, is bit more squat and—in a brief test—seems to sound better than its predecessor. The \$150 Echo Plus, which resembles the original, incorporates gear you'd need to control a smart home. It ships with a white Philips Hue bulb (ordinarily \$15) to get you started. Both new speakers ship in October, ahead of Apple's \$350 HomePod Siri-powered speaker, which is due in December.

But that wasn't all: Alexa's coming to BMW cars next year. And Amazon made colorful light-up Echo Buttons (yes, buttons) that connect wirelessly with an Echo speaker to let you play buzz-in style games—two for \$20. "Can I have 'Amazon Everywhere' for \$200, Alex?"

The launch event felt as though Amazon execs held a massive brainstorm about every place they could stick Alexa, then greenlit every idea. David Limp, Amazon's senior vice president of devices, assured me he'd actually said no to a lot.

Yet a spray-and-pray approach also reflects the unique challenges Amazon faces in its push into the home. Many of these devices introduce microphones, cameras and screens into intimate

places like the bedroom. The products could fail if they get the details wrong. The otherwise adorable-looking Echo Spot, for example, doesn't have a mode that lets it perpetually show the time. (At least, it doesn't yet.) Instead, it displays news and "tips" from Amazon. Who wants an Amazon billboard by their bed? There's also a camera built in for video chats—but do you have to remember to "mute" your Spot every night before bed?

And the usefulness of Alexa in the home ultimately depends on people upgrading all sorts of appliances, locks and lights with "smart home" internet connectivity. Until now, that's appealed mostly to geeks willing to put up with complexity, annoying installation and the risk of hacking.

Alexa works with 1,100 devices, according to Amazon, and the Echo Plus is designed to ease people into the smart-home world. Mr. Limp told me Amazon put a lot of effort into simplifying the set-up experience. Ask Alexa "discover my devices," and she'll do the rest. She's not just a member of the family—she's also a personal shopper, a DJ, a video-store clerk...and, now, a handyman.

# Japan Display's New Product Draws Interest From Apple

By TAKASHI MOCHIZUKI AND YOKO KUBOTA

Apple Inc. has expressed interest in buying advanced liquid-crystal displays from Japan Display Inc. for some iPhones next year, people knowledgeable about the matter said, a sign the technology has life despite competition from a newer type of display.

Japan Display said last month that the advanced displays, which it calls Full Active, would account for more than 70% of its business in panels for smartphones and other smart devices in its fiscal year ending March 2019. Japan Display has said in a regulatory filing that Apple accounted for about 54% of its revenue in the year ended March 2017.

Asked at a Tuesday news conference about customers for the Full Active displays, Kazutaka Nagaoka, chief of Japan Display's mobile unit, said clients so far were mostly Chinese handset makers including Xiaomi Inc., which he said used the panel for its Mi Mix 2 phone. He declined to discuss potential clients from other regions.

People at companies that work with Japan Display said interest about Full Active LCDs has also come from Apple. That is why the display maker is predicting rapid uptake for Full Active, they said. Apple declined to comment.

It is too early to say what kind of iPhones Apple might unveil next year and what displays they would use. The company typically plans years in advance for future iPhone models, but doesn't commit to designs until around March the year a new phone launches, according to people familiar with the development process.

Components and features can continue to change as the manufacturing process ramps up.

Analysts expect Apple and other smartphone makers to shift gradually to newer organic light-emitting diode, or OLED, screens, in part because it is easier to make curved or angled screens using OLED and because the newer technology may offer displays with more contrast.

However, cost and supply issues are likely to slow any transition, analysts say.

Japan Display argues that its improved LCD screens can match or exceed some of

OLED's current advantages at lower cost. In Full Active, the bezel or border space around each edge of the screen has been trimmed to 0.5 millimeters, the company says, compared with as much as several millimeters on older LCDs.

Japan Display is also working on a version of Full Active that it says would match the OLED technology in allowing for curved screens.

Apple's iPhone 8 series, introduced this month, uses liquid-crystal displays, while its new iPhone X uses an OLED screen. Some technology reviewers and buyers have criticized iPhone 8 as being too similar to older models.

Mr. Kashio said components of the iPhone X's OLED display cost about \$110 a unit, about twice the price for a liquid-crystal display.

The iPhone X's OLED display is made by a division of Samsung Electronics Co.—an uneasy situation for Apple because Samsung is a rival in the consumer-device market.

*Clients for the advanced displays have mostly been Chinese companies.*

Japan Display says it plans to start mass-producing OLED screens in the year beginning April 2019.

Meanwhile, it is counting on Apple and other smartphone makers to buy its liquid-crystal displays.

Japan Display's reliance on Apple puts it in a position that has proved problematic for other suppliers.

Apple can be a boon for suppliers because it makes more than 200 million iPhones a year, but when it changes components, shares of its suppliers can take a hit.

Imagination Technologies Group PLC supplied Apple with technology to process graphics in iPhones, but shares of the British chip designer fell more than 70% in intraday trading in April when it said Apple would stop using Imagination within 15 months to two years. Imagination agreed last week to be bought by a China-backed investment firm.

—Tripp Mickle contributed to this article.



Apple accounted for 54% of Japan Displays' annual revenue.

# Toyota Sets Up Electric Venture

BY ADRIENNE ROBERTS

**Toyota Motor Corp.** said Thursday it is setting up a venture with **Mazda Motor Corp.** and automotive supplier **Denso Corp.** to develop electric-vehicle technology, part of a strategic shift by the car maker into fully electrified engine-powered cars and trucks.

The new company, called EV Common Architecture Spirit Co., is the latest tie-up between Toyota and Mazda, which formed an alliance in 2015 and last month unveiled plans to jointly build a \$1.6 billion plant in the U.S.

Toyota is leading the charge, taking a 90% stake in the new EV venture, which

will help it create a common architecture for fully electric powertrains that can be used in vehicles ranging from minivans to SUVs and light trucks such as pickups.

Denso and Mazda will each take 5% stakes.

The Japanese auto maker said that while electric vehicles "have yet to find widespread market acceptance," auto makers need to respond to "widely varying demand for vehicles around the world," which requires major capital investments and time.

Toyota has long focused on gas-electric hybrids and futuristic fuel-cell-powered cars in its efforts to boost fuel efficiency, but recently said it

would seek to commercialize all-electric vehicles. The auto maker said Tuesday it would start production of its first American-made electric-gas hybrid engines at its Buffalo, W.Va., engine factory.

Last year, Toyota President Akio Toyoda signaled the company was shifting from its previously lukewarm stance on fully electric vehicles by personally taking the helm of an executive team to speed development of EVs.

The 40-person company—consisting mostly of engineers—will be based in the Japanese city of Nagoya, not far from the headquarters of Toyota and Denso, an affiliate in which Toyota owns 25%

outright and closer to one-third through Toyota group companies.

The formation of the new venture comes amid a recent shift among auto makers to outdo one another in their embrace of a bigger future role for EVs, which currently account for less than 2% of total sales in the U.S.

Volvo sent a shock wave through the industry in July when it said all new models from 2019 will be either fully electric or hybrid.

Just last week, Daimler AG said it would invest \$1 billion in its Alabama manufacturing operations and start production of a fully electric sport utility vehicle.

# Instacart Near Deal in Canada

BY DAVID GEORGE-COSH AND GREG BENINGER

Grocery-delivery startup **Instacart Inc.** has refrained from rushing expansion beyond the U.S., unlike many other startups valued at more than \$1 billion. But **Amazon.com Inc.**'s surprising acquisition of **Whole Foods** has changed those plans.

Instacart is close to a deal to partner with Canada's largest grocer, **Loblaw Cos.**, to launch its service there in the coming months, the startup's first international foray amid increasing competition, according to people familiar with the matter.

The deal will allow Instacart to begin delivering groceries from Loblaw stores in Toronto and then expand nationally throughout the grocer chain over the next year, one of the people said. Instacart already has delivery deals with well-known U.S. retail chains, including Whole Foods,

**Costco Wholesale Corp.** and **Target Corp.**, where the startup relies on contract employees to pick and bag groceries and then deliver them to customers' doorsteps.

Instacart, which operates in 38 U.S. states, had considered expanding into Canada for the past three years. Then Amazon's Whole Foods deal in June jolted the food retail industry and accelerated Instacart's talks with three national grocers, including Loblaw, according to another person familiar with the matter.

It isn't clear what impact the Amazon acquisition will ultimately have on Instacart's Whole Foods partnership. Whole Foods also is an investor in Instacart—meaning the startup is an unlikely bedfellow with Amazon.

Instacart will face strong competition in Canada. Amazon plans to roll out its one- and two-hour Prime Now membership delivery service into Canada later this year.

Earlier this month, Metro Inc. announced it would focus on online grocery delivery in Quebec, where it will fulfill orders using dedicated teams at 10 stores across the Canadian province.

Toronto-based Loblaw, Canada's biggest grocer by revenue, has taken a relatively cautious approach to its e-commerce plans. The company currently offers a grocery pickup service at more than 100 stores across the country. The company has more than 2,400 locations and booked 46.4 billion Canadian dollars (US\$37.19 billion) in revenue during its most recent fiscal year.

Instacart's entry into Canada is expected to weigh on other grocers such as Empire Co. as well as the domestic arms of stores such as Walmart Stores Inc. and Costco Wholesale Corp., which all have explored shipping online grocery orders to Canadian doorsteps.

# GoPro Shoots for A Reset

BY YOREE KOH

**GoPro Inc.** is betting on two new devices to differentiate itself from the fast-advancing camera technology found in smartphones, and to help it reclaim profitability.

At a product unveiling Thursday, the action-camera company announced the Hero 6 Black, a refreshed version of its flagship camera aimed at adventure seekers.

The Hero 6 Black is packed for the first time with a custom processor created specifically for GoPro. It sells for \$499, about \$100 more than its previous version.

The camera, though, also highlights the challenges GoPro faces as it competes for consumers who increasingly shoot their lives on the smartphones readily available in



The Hero 6 Black for the first time has a custom processor.

their pockets. For instance, the Hero 6 Black will be able to shoot in 4K at 60 frames a second, the same capabilities as the iPhone 8.

To differentiate itself, GoPro also announced Fusion, a long-awaited 360-degree spherical camera it's been teasing since last year.

While other 360-degree cameras have hit the market in recent years, GoPro is banking on features such as OverCapture, which will allow consumers to capture every angle

at once and choose later which perspective they want to share via the GoPro app.

The Fusion is available for preorder at \$699, with shipments starting in November. However OverCapture and filters that can manipulate footage's perspective, won't be available until next year. The product launches come as GoPro is trying to rediscover its footing after a rough year that included supply-chain snafus, an embarrassing recall and layoffs.

GoPro Inc. is betting on two new devices to differentiate itself from the fast-advancing camera technology found in smartphones, and to help it reclaim profitability.

## FINANCE & MARKETS

# Fidelity Makes Bet on Stock App

By AKANE OTANI

A Fidelity-backed venture-capital fund is betting on a startup that aims to persuade children and young adults to buy pieces of big-name stocks at their local retail chain.

**Stockpile Inc.** said it raised \$30 million in so-called Series B funding—its latest round of fundraising—led by **Fidelity International Ltd.**'s proprietary investment arm, **Eight Roads Ventures**. Palo Alto, Calif.-based Stockpile enables investors who may not be able to afford to buy stocks that trade for hundreds of dollars a share to own fractional shares in more than 1,000 companies and funds.

It is the latest show of support for Stockpile, which in 2015 drew in \$15 million of funding with the help of investors including "That '70s Show" alumnus Ashton Kutcher.

The company made its debut in retailers including **Kmart** and **Office Depot Inc.** in the fall of 2015, selling gift cards that allowed recipients to buy fractions of big-name stocks such as Apple Inc., Coca-Cola Co. and **Berkshire Hathaway Inc.** After registering the gift card with Stockpile, the recipient becomes an investor—albeit, possibly, a very small one.

A gift card worth \$50, for



Max Shriner, 10, has used Stockpile to buy fractional shares of Microsoft, among other firms.

the moment, he said, is probably Take-Two Interactive Software Inc.—the distributor of videogames including "NBA 2K18," "Sid Meier's Civilization VI" and "BioShock." After expressing an interest in stock investing, Max started receiving fractional shares purchased online from Stockpile in return for helping his parents out with chores around the house.

"I think investing in the stock market will help kids later in life," Max said, adding that he thinks more people should begin investing earlier on in life. "Sometimes when adults start investing, they don't even know what to do."

Stockpile, which is registered as a broker-dealer, credits its unconventional approach with its customer base, two-thirds of whom it says are under the age of 35.

"It goes to show you that millennials and other young people want to invest," Stockpile's founder and chief executive, Avi Lele, said. "They just historically haven't been able to at a young age because you need money and knowledge, both of which are in short supply when you're young."

Venture-capital firms Mayfield, Arbor Ventures, Hanna Ventures and Wang Ventures also participated in Stockpile's latest round of funding, according to Stockpile.

## Morgan Stanley Not Ready For Robots

By LIZ HOFFMAN

**Morgan Stanley** Chief Executive James Gorman doesn't think the robots are coming for his firm just yet.

Far from a world where Wall Street firms lay off huge portions of their staffs and replace them with supersmart computers, Mr. Gorman, speaking at a Wall Street Journal event Wednesday, said humans will still have a large role at the firm far into the future.

"Where judgment, trust, emotion play a big role...it's hard to imagine humans not being at the core of that," he said. "People talk about 'digital' like it just arrived. It makes no sense to me at all."

Morgan Stanley, with its large investment bank and wealth-management business, has been cool on the idea that robo advisers, which use algorithms to give investment advice and manage people's money, will upend the brokerage business that generates about half of Morgan Stanley's revenue.

Mr. Gorman is betting that most of the firm's 3.5 million clients will still want to talk to a live adviser, especially for



GULIA MARCH/BLOOMBERG NEWS

CEO James Gorman is cool on robo advisers replacing humans.

questions on complex topics such as estate planning and taxes. While technology can facilitate that relationship—through video chats, digital access and electronic trade processing—it won't replace it, he says.

Still, Morgan Stanley is piloting a robo adviser, which will be rolled out later this year, as a low-cost option for clients with smaller, simpler portfolios. About 2% of the firm's wealth assets, about \$40 billion, are in accounts smaller than \$100,000, Mr. Gorman said.

Digital offerings "will not destroy large financial advisory firms," he said. "The more sophisticated the [client], the more they will need a human being in their relationships." He said Morgan Stanley will keep a large number of financial advisers because "our clients want them."

Mr. Gorman, who has run Morgan Stanley since 2010, said the Federal Reserve should raise interest rates, warning that "there's too much easy money" as a result of the central bank keeping rates low.

But he said he doesn't worry too much about bubbles. "People keep telling me the market closed at an all-time high, and I say 'so what?'" he said.

"If you're in a growing economy at the same [price/earnings] multiples, shouldn't the market close at an all-time high every day?" Mr. Gorman said.

When asked about the sharp rise in bitcoin prices, he didn't call it a bubble or a fraud like other bankers and fund managers have recently.

"It's obviously highly speculative, but it's not something that's inherently bad," he said.

A deal may not materialize, the people cautioned.

The two Japanese firms are among several Asian financial giants to explore investments in the U.S. asset-management industry, known for its relatively thick profit margins and consistent revenue.

While most investment firms are under pressure to lower fees, fixed-income managers such as Los Angeles-based TCW

## Carlyle Is in Talks To Sell TCW Stake

**Carlyle Group LP** is in talks to sell a stake in bond manager **TCW Group Inc.** to bidders including Japan's **Nippon Life Insurance Co.** and **Mitsubishi UFJ Financial Group Inc.**, according to people familiar with the matter.

By Sarah Krouse,  
Justin Baer  
and Miriam Gottfried

The private-equity firm, which bought 60% of TCW from French bank Société Générale SA in 2013, has been exploring the sale of at least part of its stake for months. MUFG, as it is known, emerged as a potential buyer of the \$200 billion asset manager after discussions with Nippon were already under way, the people said. Other American and European firms subsequently expressed interest, they said, though it is unclear how serious those talks are.

A deal may not materialize, the people cautioned.

Managers at TCW view Nippon, one of Japan's largest insurers, as a long-term investor that would likely give them more control over the firm's future than other possible buyers, the people said.

Nippon also is a known quantity to the Los Angeles bond manager; its Nissay Asset Management sells TCW funds to its clients.

## The CFTC Hires SEC Official for Clearing

By GABRIEL T. RUBIN

WASHINGTON—The Commodity Futures Trading Commission has hired a longtime Securities and Exchange Commission official as its director of clearing, a top post overseeing clearinghouses and major derivatives-market participants.

Brian Bussey, currently associate director for derivatives policy at the SEC, will start at the CFTC on Oct. 16. He comes to the regulator as it grapples with how to overhaul rules for swap trading that were instituted during the Obama administration to better reflect how markets function. Swaps are contracts in which two parties agree to exchange payments based on fluctuations in interest rates or other benchmarks.

Mr. Bussey's appointment marks a rare occasion: a senior official leaving the SEC for the CFTC, often considered the younger sibling of the powerful market regulator. It is more typical for CFTC staffers to move to the SEC. Mr. Bussey's new position at the CFTC was previously held by his boss at the SEC, Deputy Director of Trading and Markets Gary Barnett.

The CFTC's Division of Clearing and Risk is crucial to two top goals for Chairman J. Christopher Giancarlo: revising swap-trading rules to give market participants more flexibility in where and how they execute trades, and ensuring

Brexit has thrown the U.S.-EU supervisory arrangement into doubt.

that an agreement with the European Union on clearinghouse supervision remains in place. Clearinghouses are entities designed to help prevent a marketwide collapse by ensuring either party in a derivatives transaction gets paid if the other side falters.

Brexit has thrown the U.S.-EU supervisory agreement into doubt as the EU considers forcing London-based clearinghouses that do a large chunk of business in euros to move to the Continent. The agreement, reached last year, allows U.S. entities such as CME Group Inc. and Intercontinental Exchange Inc. to do business with European banks while adhering to U.S. regulatory standards.

"Under Chairman Giancarlo's leadership, the CFTC is tackling the most pressing issues facing our derivatives markets with the aim of fostering open, transparent, competitive and financially sound markets, both domestically and internationally," Mr. Bussey said in a statement to The Wall Street Journal. "I look forward to assisting in that effort."

"Brian's reputation for professional excellence is well known in the financial regulatory community," Mr. Giancarlo said in an email. "He will be a great addition to the commission."

The SEC has repeatedly delayed finishing swap rules mandated by the 2010 Dodd-Frank regulatory-overhaul law, while the CFTC raced ahead, finalizing most of its rules by 2014. The CFTC has jurisdiction over most of the \$483 trillion swaps market, though the SEC regulates the roughly 10% of the market composed of security-based swaps.

The SEC has released proposals for all major rules governing swaps mandated by Dodd-Frank, but very few of them are at the point of requiring compliance.

## Online Insurer Jumps in Debut

By CHUIN-WEI YAP  
AND JOANNE CHIU

Shares of China's first online-only insurer rose strongly in its market debut in Hong Kong, with **ZhongAn Online P&C Insurance Co.** providing a boost to what has been a muted year for initial public offerings there.

Attracting investors was the appeal of a company at the booming confluence of business and technology.

Its shares rose 9.2% above its offer price Thursday to close at 65.20 Hong Kong dollars (US\$8.35) amid an otherwise lackluster trading day for Hong Kong stocks. The Hang Seng Index finished down 0.8%.

ZhongAn is Asia's largest-ever financial-technology offering and one of Hong Kong's biggest IPOs this year. The company planned to raise \$1.5 billion and have an initial market value of \$11 billion.

The deal saw big investor demand, with the Hong Kong public-offer portion receiving orders 393 times the 10 million shares that were initially sold.

That underscores the trendy appeal of ZhongAn's low-cost products and roster

of powerful backers.

Chinese billionaires Jack Ma and Pony Ma, who respectively lead tech companies Alibaba Group Holding Ltd. and Tencent Holdings Ltd., are co-founders.

ZhongAn offers insurance, mostly via mobile platforms to a young and affluent demographic, for incidents such as flight delays, cracked smartphone screens and drone crashes.

Overall, China's insurance sector is projected to expand significantly in coming years because relatively few people have policies.

ZhongAn's products have proved a hit with the world's largest digital-payments market. The company's gross written premiums, a measure of insurance revenue, were four times 2014's level last year. However, the unprofitable firm has warned of "significant net losses" for 2017 because of heavy growth-related costs.

Some analysts say ZhongAn poses a risky bet for investors. The company's market cap is more than quadruple its book value, said Chi-man Wong, head of research at China Galaxy International Securities.

Meanwhile, some warn of the potential for significant

cannibalization should ZhongAn's key distributors enter into competing businesses.

The company's biggest shareholders include Alibaba affiliate Ant Financial Services Group, a large fintech company widely perceived as being able to provide the platform and customer reach to fuel ZhongAn's growth.

As investors flocked to ZhongAn shares Thursday, traditional insurers saw stock declines.

**China Life Insurance Co.** and **China Pacific Insurance Group Co.** fell 1.7% and 2.5%, respectively. **Ping An Insurance Group Co.**, which holds a stake in ZhongAn and whose chairman also co-founded ZhongAn, shed 2.6%.

ZhongAn's technology-driven growth potential should not be compared with that of traditional insurance companies," ZhongAn Chief Financial Officer Francis Tang said in a statement to The Wall Street Journal.

The online insurer's launch eclipsed other recent financial offerings. **Guotai Junan Securities Ltd.**, one of China's largest such firms, closed little changed in April and has risen only modestly since.

**Postal Savings Bank of China Co.**,

the country's sixth-largest lender by assets, also didn't pop in its debut and is now trading down slightly below its IPO price.

ZhongAn's debut augurs well for other imminent tech-

nology listings in Hong Kong, which has fallen behind New York and Shanghai in money raised by IPOs in 2017 after several years at the top.

—John Wu contributed to this article.

ZhongAn executives mark the company's listing in Hong Kong.

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ZhongAn's debut augurs well for other imminent tech-

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—John Wu contributed to this article.

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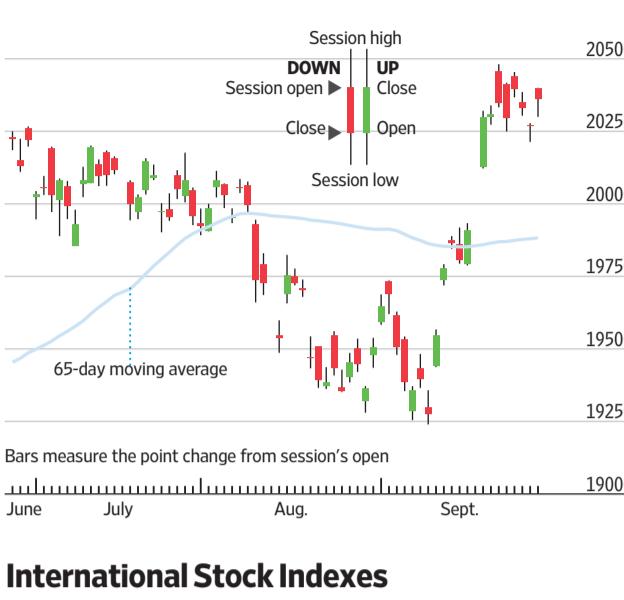
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## MARKETS DIGEST

### Nikkei 225 Index

**20363.11** ▲ 96.06, or 0.47%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

June July Aug. Sept.

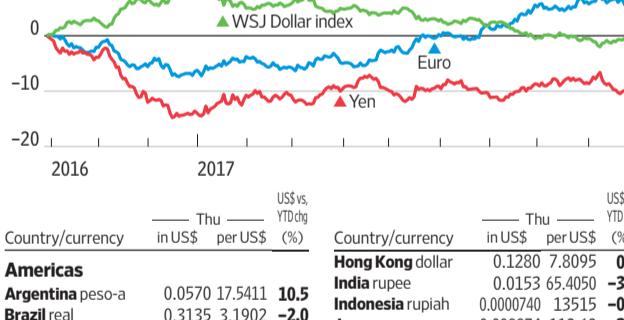
### International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	YTD High	% chg
<b>World</b>	<b>The Global Dow</b>	2896.77	6.47	<span style="color: green;">▲ 0.22</span>	2386.93	2910.53	14.6
	<b>MSCI EAFE</b>	1964.82	11.31	<span style="color: green;">▲ 0.58</span>	1471.88	1965.99	14.5
	<b>MSCI EM USD</b>	1072.94	-5.63	<span style="color: red;">-0.52</span>	691.21	1078.06	35.1
<b>Americas</b>	<b>DJ Americas</b>	606.30	0.48	<span style="color: green;">▲ 0.08</span>	503.44	606.43	12.2
Brazil	Sao Paulo Bovespa	73626.00	-170.71	<span style="color: red;">-0.23</span>	56828.56	76419.58	22.2
Canada	S&P/TSX Comp	15622.91	13.25	<span style="color: green;">▲ 0.08</span>	14468.03	15943.09	2.2
Mexico	IPC All-Share	50124.56	-44.57	<span style="color: red;">-0.09</span>	43998.98	51772.37	9.8
Chile	Santiago IPSA	4030.54	7.56	<span style="color: green;">▲ 0.19</span>	3120.87	4035.40	25.0
<b>U.S.</b>	<b>DJIA</b>	22381.20	40.49	<span style="color: green;">▲ 0.18</span>	17883.56	22419.51	13.3
	<b>Nasdaq Composite</b>	6453.45	0.19	<span style="color: green;">▲ 0.003</span>	5034.41	6477.77	19.9
	<b>S&amp;P 500</b>	2510.06	3.02	<span style="color: green;">▲ 0.12</span>	2083.79	2511.75	12.1
	<b>CBOE Volatility</b>	9.61	-0.26	<span style="color: red;">-2.63</span>	8.84	9.61	31.6
<b>EMEA</b>	<b>Stoxx Europe 600</b>	386.36	0.74	<span style="color: green;">▲ 0.19</span>	328.80	396.45	6.9
	<b>Stoxx Europe 50</b>	3157.39	1.01	<span style="color: green;">▲ 0.03</span>	2720.66	3279.71	4.9
Austria	<b>ATX</b>	3307.47	15.78	<span style="color: green;">▲ 0.48</span>	2362.15	3320.44	26.3
Belgium	<b>Bel-20</b>	4001.31	14.50	<span style="color: green;">▲ 0.36</span>	3384.68	4055.96	11.0
France	<b>CAC 40</b>	5293.77	11.81	<span style="color: green;">▲ 0.22</span>	4342.64	5442.10	8.9
Germany	<b>DAX</b>	12704.65	47.24	<span style="color: green;">▲ 0.37</span>	10174.92	12951.54	10.7
Greece	<b>ATG</b>	754.76	18.12	<span style="color: green;">▲ 2.46</span>	560.34	859.78	17.3
Hungary	<b>BUX</b>	37191.65	-52.65	<span style="color: red;">-0.14</span>	27595.54	38554.44	16.2
Israel	<b>Tel Aviv</b>	1421.04	2.19	<span style="color: green;">▲ 0.15</span>	1346.71	1490.23	-3.4
Italy	<b>FTSE MIB</b>	22587.67	-34.52	<span style="color: red;">-0.15</span>	15923.11	22668.97	17.4
Netherlands	<b>AEX</b>	533.39	2.30	<span style="color: green;">▲ 0.43</span>	436.28	537.84	10.4
Poland	<b>WIG</b>	63729.77	156.28	<span style="color: green;">▲ 0.25</span>	46674.28	65611.21	23.1
Russia	<b>RTS Index</b>	1125.56	-1.38	<span style="color: red;">-0.12</span>	956.36	1196.99	-2.3
Spain	<b>IBEX 35</b>	10328.50	-40.40	<span style="color: red;">-0.39</span>	8512.40	11184.40	10.4
Sweden	<b>SX All Share</b>	580.77	1.22	<span style="color: green;">▲ 0.21</span>	489.12	598.42	8.6
Switzerland	<b>Swiss Market</b>	9112.16	13.58	<span style="color: green;">▲ 0.15</span>	7585.56	9198.45	10.9
South Africa	<b>Johannesburg All Share</b>	54994.35	-219.72	<span style="color: red;">-0.40</span>	48935.90	56896.89	8.6
Turkey	<b>BIST 100</b>	102651.10	1432.80	<span style="color: green;">▲ 1.42</span>	71792.96	11050.75	31.4
U.K.	<b>FTSE 100</b>	7322.82	9.31	<span style="color: green;">▲ 0.13</span>	6676.56	7598.99	2.5
<b>Asia-Pacific</b>							
Australia	<b>S&amp;P/ASX 200</b>	5670.40	6.10	<span style="color: green;">▲ 0.11</span>	5156.60	5956.50	0.1
China	<b>Shanghai Composite</b>	3339.64	-5.63	<span style="color: red;">-0.17</span>	2998.48	3385.39	7.6
Hong Kong	<b>Hang Seng</b>	27421.60	-220.83	<span style="color: red;">-0.80</span>	21574.76	28159.77	24.6
India	<b>S&amp;P BSE Sensex</b>	31282.48	122.67	<span style="color: green;">▲ 0.39</span>	25765.14	32575.17	17.5
Japan	<b>Nikkei Stock Avg</b>	20363.11	96.06	<span style="color: green;">▲ 0.47</span>	16251.54	20397.58	6.5
Singapore	<b>Straits Times</b>	3227.14	-9.01	<span style="color: red;">-0.28</span>	2787.27	3354.71	12.0
South Korea	<b>Kospi</b>	2373.14	0.57	<span style="color: green;">▲ 0.02</span>	1958.38	2451.53	17.1
Taiwan	<b>Weighted</b>	10296.45	-30.23	<span style="color: red;">-0.29</span>	8931.03	10631.57	11.3

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

Country/currency

US\$ vs. in US\$ per US\$ (%)

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# MARKETS

## Yuan Falls Again on Policy Shift

BY SAUMYA VAISHAMPAYAN

The Chinese yuan continued to drop against the U.S. dollar Thursday, extending a reversal in fortune this month that shows how vulnerable the currency remains to policy changes from Beijing.

The yuan fell 0.5% against the dollar Thursday, bringing its declines over the past three weeks to 3.1%—nearly half of the gains the Chinese currency had previously made versus the dollar this year.

Despite a solid start to the month, the yuan has dropped 1.1% against the dollar in September, putting it on course for its first monthly fall since April. One dollar bought 6.67 yuan in late-afternoon Asian trading Thursday.

The yuan's downturn has come at a sensitive time for the Chinese authorities. The Communist Party is gearing up for a twice-a-decade congress in October that will help mold China's power structure in coming years. Many investors had expected the yuan to give up some



Special-force police officers performed Wednesday at a rally for the coming Communist Party congress.

of its gains this autumn, but only after that event was over.

Two key factors lie behind the yuan's decline since it hit a 17-month high against the dollar on Sept. 8.

Soon after the yuan hit that high, the People's Bank of China ended measures it had earlier put in place to support the yuan, including a two-year-old rule that made it more expensive for traders to bet against the currency. A stronger yuan makes China's exports less competitive.

"It was quite an obvious turnaround in PBOC policy," said

Ken Cheung, senior Asian foreign-exchange strategist at Mizuho Bank in Hong Kong.

Around the same time, the U.S. dollar started rebounding in global currency markets. The ICE Dollar Index, which measures the U.S. currency against six others, has risen 2.2% since Sept. 8.

The dollar's recovery gained steam after Federal Reserve officials indicated they still expect to raise interest rates one more time this year and three times in 2018, despite recent weak inflation readings. The Republican

### Reversal

How many yuan a dollar buys\*



\*Scale inverted to show the recent decline in yuan.

REUTERS

Note: Through 10:40 a.m. Thursday in New York

Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

plan for overhauling the U.S. tax code, released Wednesday, has added to the dollar's advance.

Despite its September waning, the yuan remains up 4.2% against the dollar this year; at its peak on Sept. 8, that gain was 7.5%.

"It's very obvious that the authorities are trying to slow down that appreciation," said

Andy Ji, Asian currency and rates strategist at Commonwealth Bank of Australia in Singapore.

Since the yuan doesn't trade freely, direction from Beijing has a large impact on its value. The central bank publishes a reference rate for the yuan each morning, also known as the fix, based in part on the value at the close of the previous trading day. The yuan is allowed to trade in a band around that rate.

The yuan's gyrations show how difficult it is for the central bank to wrangle investors' expectations for the currency. In recent days, domestic traders have started driving the yuan weaker once trading begins in the onshore market. The authorities, in turn, have sought to slow that move by guiding the yuan to stronger-than-expected levels against the dollar in the next day's fix.

"That's the problem with managing" the yuan, said Mr. Ji. "So much is dependent on what policy makers are trying to achieve, and there's so much second-guessing."

## Stocks Drift Amid Tax Talk

BY RIVA GOLD AND MICHAEL WURSTHORN

Rising shares of chemical companies and miners supported the S&P 500 on Thursday, but trading activity was muted.

The S&P 500 edged up 0.1%

as investors gauged the likelihood that Republicans would pass their proposal to overhaul the tax code, analysts said.

The Dow Jones Industrial Average added 40.49 points, or 0.2%, to 22381.20. The Nasdaq Composite Index closed nearly unchanged.

"It's likely we'll see some of that churning in a directionless market while the specifics of the [tax] legislation are debated," said Mike Allison, an Eaton Vance portfolio manager.

The materials sector in the S&P 500 was up 0.6% in afternoon trading, as several chemicals companies and mining firms notched gains of more than 1%. Eastman Chemical was one of the leaders, up 2.8%.

Among health-care stocks, drug company AbbVie was ahead 4.9% in late trading after it resolved an intellectual-property lawsuit with Amgen regarding AbbVie's arthritis drug Humira. Amgen rose 0.1%.

Shares of tech and financial firms were little changed Thursday after they helped lift indexes a day earlier.

Elsewhere, the Stoxx Europe 600 index rose 0.2% to 386.36. Japan's Nikkei Stock Average added 0.5%, while Chinese markets faced selling pressure ahead of a week-long break. The Shanghai Composite Index fell 0.2% and Hong Kong's Hang Seng Index dropped 0.8% to a six-week low.

## Roku Shares Surge in Trading Debut, an Upbeat IPO Signal

BY CORRIE DRIEBUSCH AND MAUREEN FARRELL

Roku Inc. shares climbed sharply in their trading debut Thursday, a welcome sign for the stalled technology IPO market.

Shares of the company, which makes streaming-media devices and software, rose 53% to \$21.45 in midday trading, bringing the company's valuation to just over \$2 billion.

The stock was priced late Wednesday at \$14 a share, the top end of the expected range, to raise about \$219 million in its initial public offering.

A solid trading debut is a

welcome reprieve for the tech IPO market, which has been quiet and suffered a pair of big stumbles in the shares of Snap Inc. and Blue Apron Holdings Inc. That recent poor performance has led some bankers to price deals more conservatively, said one banker who has worked on recent IPOs—though not on Roku's.

Roku's stock jump on its first day of trading has some analysts and deal makers breathing a sigh of relief. Both Snap and Blue Apron shares are down in the double-digits on a percentage basis from their IPO prices earlier in the

year. Still, a first-day bump doesn't cement a company's early days as a public firm as a success; Snap's shares, for example, jumped 44% on their first day of trading.

Snap and Blue Apron's declines have cast doubt on the valuations of some Silicon Valley startups, and bankers and lawyers expect the number of tech IPOs in 2017 to be among the fewest since the financial crisis. That comes even as publicly traded tech companies have outperformed the broader stock market this year.

Roku, meanwhile, has spent much of the past two years



Roku's logo is displayed Thursday at New York's Nasdaq market.

transforming its business from one that generated revenue largely from hardware to one that gets a more significant portion of its top line from ads on its streaming services featuring content from Hulu, Amazon.com Inc., Netflix Inc. and Alphabet Inc.'s YouTube, as

well as from revenue-sharing deals with these companies.

In 2016, Roku generated nearly \$400 million in revenue, and its so-called media and licensing segment accounted for more than a quarter of that, according to the company.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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## Oil Prices Receive a Helping Hand



The shape of the futures curve is bullish for prices of crude.

month—a situation called contango.

The fact that commercial crude and refined-product inventories surged to a record in the past three years while contango existed isn't a coincidence. Futures curves can act like the tail wagging the dog. By making physical crude cheap relative to futures, contango subsidizes stockpiling. Record inventories drive down prices.

At an extreme, contango

creates a guaranteed profit for anyone able to store oil since they can simultaneously sell a distant futures contract and keep the difference minus storage costs.

But low prices have a way of curing low prices: Consumers can afford more while producers cut back future supply. Lately major oil exporters have helped by voluntarily curbing supply.

The upshot of Thursday's backwardation isn't only that

it reflects a tighter market, though—it creates an incentive for oil traders to dump physical barrels and buy futures instead. Less inventory and more futures buying are good for prices.

Between July 2014 and July 2016, generally a period of contango, the International Energy Agency reported that commercial crude and refined-product inventories grew by 439 million barrels to over 3.1 billion. By July 2017 that had fallen by 89 million barrels.

The shift from contango to backwardation could push oil prices higher still because it could attract more passive investors, who can profit from buying and rolling over futures contracts as they expire. Under contango, they lose a bit of money every month, all else being equal. Before the recent flood of money into passive commodity investments, backwardation was more common.

The futures market has a story to tell and it is music to producers' ears.

—Spencer Jakab

### OVERHEARD

## U.S. State Versus Drug Industry

One U.S. state is trying to do something about rising drug costs.

In a little-noticed request last week, the Massachusetts Medicaid system said it wants the right to refuse to reimburse for some drugs that have "limited or inadequate clinical efficacy." And it gives a good reason: Prescription drug costs have grown 13% a year since 2010. Both should make investors nervous.

Under current rules, the state is required to cover any drug for which the manufacturer participates in the federal Medicaid rebate program, which means it is getting the lowest available price. State Medicaid systems spent a combined \$57 billion on prescription drugs in 2015, before those rebates are included.

Spending on the Massachusetts system amounts to 40% of the state budget. Spending could grow in coming years, as federal payments from the Affordable Care Act's Medicaid expansion wind down.

There's no guarantee that the Centers for Medicare and Medicaid Services will grant this request, and any implementation of new rules wouldn't happen overnight.

Investors should still be following the story closely. Most at risk are smaller firms with limited product offerings. Then there's the risk that other states could follow suit.

The drug industry is extremely effective at fighting back against government policies that hurt its profits, and it will have its say during the public comment period before any decisions are made.

But state health systems can't handle a 13% annual growth in drug spending. The weight of that math will eventually cause even the strongest lobbying efforts to buckle.

—Charley Grant

## H&M's Old Formula Needs a New Look for the Online Era

H&M needs more than a better online platform; it needs a radical restyling.

The Swedish fashion retailer isn't selling enough clothes. Constant-currency sales rose 4% in the summer quarter, according to results published Thursday. That implies a roughly 5% decline in same-store sales, given the still-punchy pace of store openings.

Having consistently planned for faster growth than it has achieved, H&M finished its spring quarter in May with far too much inventory. It tried to clear the backlog with chunky markdowns than normal in its summer sale. This reduced the oper-

ating margin to 9.6%, from 12.8% in the same three months last year. The inventory position at the end of August was better than in May, but still no better than it was a year ago. The shares fell 5% in Thursday morning trading.

Chief Executive Karl-Johan Persson talks as if technology is the solution: H&M is integrating its physical and online stores, developing faster delivery options, using "advanced analytics" to better predict sales, and digitizing inventory management.

True, H&M was slow to recognize the power of online fashion retailing, and now needs to catch up with fast-growing online players

such as ASOS, Zalando and Amazon, which is taking clothing increasingly seriously.

Mr. Persson accepts this, but not yet that H&M needs to reallocate capital spending away from store openings if the necessary investments aren't to jeopardize its big dividends. For all his talk of change, he still expects to open 385 stores this year, net of closures. The U.S. and China have each received over 40 net new stores this year, despite being the two markets shifting most rapidly online.

Yet it may be even more important, in the long run, that H&M reinject some

glamour into its clothing designs and those stores that do still attract customers. Even with a state-of-the-art multichannel platform, the company can no longer hope

to dominate the clothing industry's distribution machine as it did in the glory days of bricks and mortar. That leaves its brands as its key assets—by far the largest of which remains H&M. On this project, Mr. Persson is worryingly quiet.

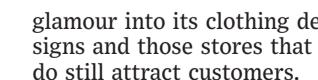
With its global scale and net cash position, the company has the foundations to mount the necessary turnaround. Whether it has the will is another question; Mr. Persson needs to be much bolder.

As long as H&M the brand looks neglected, H&M the company may continue to disappoint.

—Stephen Wilmot

### Threadbare

H&M's operating margin



Notes: Financial years through November.

Data for 2017 is for nine months through August. Source: FactSet

THE WALL STREET JOURNAL.

When the moon  
hits the sky like  
a big glass of  
wine, that's a  
pizza pairing  
**WS**



# OFF DUTY



The superior  
subcompact?  
Dan Neil on the  
2018 Toyota  
C-HR  
**W3**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, September 29 - October 1, 2017 | **W1**

## Get Down Tonight

This winter, the dowdy, downy puffer goes glam enough to take on the town. Practicality and warmth, meet chic



### READY FOR ITS CLOSE-UP

Jacket, \$5,930,  
Dress, \$1,200, and  
Necklace, \$555,  
*Miu Miu*, 212-641-2980;  
Earrings, \$60,000,  
*Fred Leighton*,  
212-288-1872;  
Blanket, \$8,000,  
*pologeorgis.com*;  
Unattributed Chair,  
\$3,500, *High Style Deco*, 212-647-0035.  
Fashion Editor:  
Rebecca Malinsky

BY ALEV AKTAR

**T**HE HUMBLE DOWN coat has gone haute. Goosed by the demand for warmth and comfort from women unwilling to suffer for fashion, designers have reinvented the cold-weather staple with the same glamorous intent they use for a silky blouse or drop-dead evening gown. There's been a shift away from cloth and fur coats, as evidenced by the fall collections: These new femme-fatale puffers have been lavished with luxurious touches, from fluffy fur collars to arty prints, that make them as sophisticated as any Chanel jacket.

For years women have resigned themselves to wearing the drab commuter coat with its stodgy silhouette and unflattering channel stitching—a sort of

insulated tube with arms. The move away from that generic puffer, universally prized for its lightweight warmth yet pitied for its deeply unsexy style, is welcome. "Puffer coats used to be all about function and less about fashion, but brands like Balenciaga, Vetements, Public School, and Moncler have changed that," said Tracy Margolies, chief merchant at Saks Fifth Avenue. "They are offering us versions that are more designed, well-tailored and novel when rendered in the colors and fabrics of the season."

Indeed, the pleasingly plump new puffers have shed that serial conformity and shapelessness that made anyone wearing one resemble a vertical sleeping bag. Many of the newest iterations are seamed to accentuate the body, providing a womanly shapeliness in place of utilitarian boxiness. These coats stand out in the crowd instead of blending into it.

Take Sacai's dressy parka, a texture-rich mashup of nubby wool and neat nylon trim—stylish for day but glam enough for a night out. "The idea was to hybridize a ski jacket and elegant tweed jacket into one that could be worn while you ski and also in the city," said Tokyo-based Sacai designer Chitose Abe in an email.

In a similar vein, Thom Browne's sunny yellow puffer vest features haberdashery details: double-breasted buttons and a natty notched collar with contrast trim. "I wanted to work in the same way I do when making a traditional tailored piece of clothing," said Mr. Browne, who also designs the Moncler Gamme Bleu premium down line for men.

Miu Miu founder Miuccia Prada, meanwhile, festooned her sporty ski coats with lavish fox-fur collars, a look other designers are echoing with both faux and

Please turn to page W2

## OFF DUTY

# THE CHIC PUFFER COMETH



**BOW DOWN** Jacket, \$5,000, *Chanel*, 212-355-5050; Dress, \$595, *nili lotan.com*; Earrings, \$80,000, *Stephen Russell*, 212-570-6900

Continued from page W1

real pelts. "These updated styles with fur elements add novelty," said Mario Grauso, president of the tony Canadian department store chain Holt Renfrew. If you're willing to pay more for outerwear that isn't a cookie-cutter basic, you might relish such flourishes. Mr. Grauso said his customers also gravitate to unexpected color options and fabrics.

Want more than a cookie-cutter basic? You might relish such flourishes.

Affordably priced brands from Zara to Theory are playing with proportions and finishes to prettify their puffers. Designers of the new coats are also trying to make them more flattering to steer clear of any Stay Puft Marshmallow Man connotations. "Not looking bulky is definitely a consideration," according to Jac Cameron, co-founder and creative director of AYR, a New York-based line.

For AYR's hip-length polyfill puffer cut from a soft, yet sturdy Japanese navy satin, for example, Ms. Cameron added a funnel collar that "draws the eye up," to put less emphasis on the body. (It's an attractive option, too, for women prone to neck shivers.) A slimmer sleeve, she said, contributes to the overall impression of sleekness.

Of course, down coats were invented to satisfy necessity, not vanity. The fluffy plumage beneath a waterfowl's feathers boasts the best warmth-to-weight ratio of any fill, making it ideal for subzero climes.

One of the first known puffers was developed by Eddie Bauer in 1936, after he nearly died of hypothermia on a fishing trip. The intrepid manufacturer went on to outfit the first Americans to summit Mount Everest in 1963. (Eddie Bauer's original jacket can be seen in the unflashy flesh in "Expedition:

**Satin Wrapper**  
"Hip-length puffers are trending slightly better than longer versions," said Saks Fifth Avenue's Tracy Margolies. *Jil Sander Coat*, \$4,190, *Totokaelo New York*, 206-623-3582

**Boss Tweed**  
Instead of the predictable parka silhouette, Sacai designer Chitose Abe adapted a blouson shape for her sophisticated wool tweed and alpaca puffer. *Sacai Coat*, \$3,120, *Dover Street Market*, 646-837-7750

**Navy Zeal**  
Sure, it's cropped but this polyfilled puffer provides insulation and warmth. "Pair it with a pencil skirt and knee-high boots," says AYR's Jac Cameron. *Snowdrift Jacket*, \$395, *ayr.com*

**Bohemian Toile**  
Belgian designer Dries Van Noten collaged arty prints—a landscape toile and bold geometrics—for this notched-collar puffer. *Dries Van Noten Coat*, \$2,450, *bergdorffgoodman.com*

**Little Pink Riding Hood**  
This sweet rosy puffer from Moncler, the Italian brand known for its down-filled jackets, will assuredly keep you toasty in any deep freeze. *Nerium Jacket*, \$1,810, *Moncler*, 646-350-3620

**Trimly Tailored**  
This dapper, double-breasted puffer vest comes from designer Thom Browne, who reinvented another tailored look—the tuxedo—as a puffer, complete with tails. *Coat*, \$4,200, *Thom Browne*, 212-633-1197

Fashion from the Extreme," an exhibit at the Museum at FIT that runs through Jan. 6. Designer Demna Gvasalia's supersize cherry red down jacket from his 2016 Balenciaga debut is also on display.)

The puffer didn't leave the mountain for midtown until American designer Norma Kamali created her sleeping bag coat in 1973. Suddenly, stylishly swaddled women were out in force in full, padded coverage.

By the aughts, the winter workhorse had gone so mainstream it became mundane. Innovation arrived in the form of cropped, lightweight "down sweaters," packed with a less-is-more down known as "high-loft." Soon, Uniqlo's Ultra Light Down jackets—gorgeously hued and under \$80—were roosting everywhere. Canada Goose's Hy-Bridge Lite styles weigh under a pound; Patagonia's Micro Puff

Hoody is an alternative to down with its PlumaFill synthetic insulation. "Lightweight down outerwear has evolved into an everyday item," says Lee Turlington, chief product officer at Canada Goose.

While this kind of puffer, no longer as stylish as it once seemed, may suffice for those in warm regions, longer ones are needed for chillier climes. For some 20 years, Jane Freiman Schanberg, a home-design blogger in

New Paltz, N.Y., wore fur coats, but she hasn't retrieved them from storage since converting to puffers back in 2010. Patagonia's Fiona is "my favorite coat of all time," said Ms. Schanberg. Yet she is thrilled with the idea of glamorous puffers, since the "older ones made you look like the Michelin Man."

As for her furs? "Obsolete," she said. "Bury me in my fur coat. It's not good for anything else."



**EXCEPTIONS TO THE UNCOOL RULE** Left: *Altuzarra Coat*, \$3,295, *Saks Fifth Avenue*, 212-753-4000. Above: *Sacai Coat*, \$3,120, *Dover Street Market*, 646-837-7750; Earrings, \$90,000, *Stephen Russell*, 212-570-6900

## PARKA VIOLATIONS

Not everyone loves the feather-filled coat, which can be ugly and unwieldy at the most inopportune times. Five women recount the moments when their puffers let them down

**IN THE ANNALS** of unflattering outerwear, Dr. Karen Sobel's black ankle-length down coat ranks pretty high. In fact, the offending item is so drab that her 72-year-old mother forcibly retired it. "She must have asked 50 times, 'Can we go coat shopping?'" said Dr. Sobel, an anesthesiologist who lives in Haddonfield, N.J. "I said, 'No, I'm good.'"

This summer, a smart gray North Face parka was delivered. "My mother said, 'You have no option, you are not returning this.'

Chicagoan Sarah Ward couldn't wait to ditch her olive-drab puffer. "It was so ugly, I was embarrassed by myself," said the founder and executive director of SkyART, the

city's free visual arts program for kids. "It's a dog-walking coat."

After weathering the 2015 polar vortex, she donated it to charity. "I made a conscious decision to get rid of it so I'd never wear it again."

Robin Kurzer has a complex relationship with her toasty maxi coat. "I've been trapped in it before," said the Madison, Wis.-based copywriter, blaming its tricky 44" zipper. "It's like being eaten by a pillow."

Only a compactor could have helped stylist Elysze Held, who recalls wrestling with her down coat at a Diane von Furstenberg show a few years ago. She rolled it into a shiny ball and kept trying to stuff it some-

where to the chagrin of her seatmates, said Ms. Held, who lives in New York and South Florida. "I didn't take one show photo."

There's always room in Manhattanite Sasha Charnin Morrison's closet for another glam puffer. The CBS Watch! magazine style director owns eight, including a silver North Face parka and an H&M velvet cocoon. She's on the waiting list for a ninth: Norma Kamali's camo-print sleeping bag coat. Her last one swiped an entire table of plates, glasses and cutlery to the floor in a upstate restaurant, circa 1990. "I was concerned the pancake syrup had stained the perfect matte finish," said the puffer fanatic.—A.A.

## OFF DUTY

RUMBLE SEAT DAN NEIL



# 2018 Toyota C-HR: Time to Think Little Picture

**WHEN IT COMES** to crossovers, one pill makes you larger and the other makes you small.

This short pants is the new Toyota C-HR, which qualifies as a subcompact crossover. Its overall length is about a foot less than its famous sibling, the RAV4, and it's a half-foot lower at the roof, on very nearly the same wheelbase (103.9 inches). The C-HR's primary target is Honda's best-selling HR-V, which is an absolute stone-cold value, as the Toyota people know well.

Toyota says that "C-HR" stands for Coupe High-Rider, which henceforth will be my pony name.

Based on the company's universal small-car guts (the Toyota New Global Architecture) and assembled in Arifiye, Turkey, the CH-R joins a Hobbit knife-fight already in progress, among wee trucklets Mazda CX-3, Honda HR-V, Nissan Juke, Chevy Trax, Kia Sportage and Subaru XV Crosstrek. So much adorable blood on the floor.

The C-HR is not the fastest, most useful or strongest in this swelling fleet. To call it peppy is to damn it with fair praise. The C-HR's particular charm is charm itself—the tartness, the cheek, the amplitude of attitude flickering across its small surface.

You want to see a car vanish before your eyes? Park a Trax next to a C-HR. Poof goes the Chevy.

According to Toyota, the C-HR's design inspiration was the phrase "distinctive diamond." Uh-huh. "The iconic gemstone evokes universal notions of luxury, attractiveness, sophistication and strength." Talk to me, Harry Winston.

In any event, Toyota went to ridiculous lengths (and costs, I bet) to wring this subtly faceted shape out of a mass-production environment. Observe the fineness of the body-panel stampings, the barely-there light lines that chase themselves across the fuselage. This styling requires all the body panels, each with deep curving drafts and finicky lines, to be in perfect registration, even the gas-cap hatch.

It's sometimes said that good design costs nothing. Yeah, no. Look at those bulging two-piece taillight assemblies. How much does a railcar of those cost, I wonder? What's notable to me is that the C-HR's elaborate tooling didn't push up the retail price in the U.S. The C-HR starts at \$22,500 in XLE trim or \$24,350 in well-furnished XLE Premium. This is hell of a lot of car-craft for that price. Perhaps that's why they are



TOYOTA

built in Turkey.

There are other costs. The extra-fast roofline constricts rearward visibility, so a backup camera with LCD display in the rearview mirror is standard equipment. Cargo capacity is surprisingly dinky: 19 cubic feet behind the second row-seats.

What's notable is that the C-HR's elaborate tooling didn't push up the car's U.S. retail price.

The roofline also collides with the upsweeping beltline at the top of the rear doors, where the door handles are cleverly concealed. All in all it's a dramatic way to obliterate rear-side visibility. Meanwhile, looking out from the rear seats is like peeking out a storm drain. This is just another way this car lives on Rue Sans Famille.

If the C-HR has limited sightlines, it's bristling with other faculties. Toyota's Safety Sense P package includes a pre-collision system with pedestrian detection, forward collision warning and automatic emergency braking; rear backup camera; lane-departure alert and lane-keeping

assistance; automatic high beams; and all-speed dynamic radar cruise control. Toyota claims the C-HR is the only minnow in the pond to the latter system.

Under the exhibitionist body work resides a mild-mannered Toyota widget: a naturally aspirated 2.0-liter four with supersmart valve-ware (144 hp and 139 pound-feet) winding up a CVT transmission and front-wheel drive. With 0-60 mph acceleration of around 9 seconds, the C-HR has no problem keeping up with city traffic, as long as that city isn't Los Angeles.

The C-HR blithely plagiarizes the Nissan Juke (2011), whose pioneering weirdness and indifference to utility helped spawn all these small fry in the first place. But whereas the feisty Juke rewards driver engagement, the C-HR is fairly withholding. The e-assisted, speed-variable steering is serviceable but numb as a well-digger's bum. The independent suspension is firm rather than taut, favoring ride quality over sporty handling. The 18-inch alloy wheels brashly displayed at the four corners are there mostly for reasons of awesomeness.

And it remains a mystery to me how to love a car with a continuously variable transmission. Toyota says their system has evolved to increase responsiveness and reduce noise and engine droning. Yes, but. The fuel-saving algorithms built into the engine control would very much prefer my acceleration curves were shallower. The logic not-so-subtly intervenes to soften throttle response, which only tends to draw out the now-quieter drone. Oy.

The ruby-red test car, in XLE Premium trim, was shrewdly appointed for the demographic: a 7-inch touch screen hosts audio functions including wireless music streaming from devices to appeal to connected millennials. Lots of ports and plugs. Projector-beam headlamps blaze from the squinty front light assemblies. These have Auto on/off. Dual-zone climate control, remote-keyless entry, the aforementioned 18-inch wheels round out the niceties.

Alas, if you want the snappy white roof like the one on our ruby-red tes-

ter—it kind of perfects the design, graphically—you will have to scratch up another \$500 for the "R-Code" package. Money well robbed, in my view.

Part of this job is judging the vox pop, and the polling on the C-HR has been wildly positive. All

kinds of people and a wide range of ages. And I'm standing there, like, really? It doesn't look like it's having an allergic reaction to you?

I'm, yes, allowing for cognitive and behavioral biases—the shock of the new; people's general unwilling-

ness to walk up and say, "Hey feller, wanted to tell you, that is one stupid-looking car! Have a nice night."

Still, the C-HR kept ringing up second looks. Interesting.

When is less more? When it's adorable.

**BOUCHERON**  
PARIS

QUATRE

FIRST JEWELLER OF THE PLACE VENDÔME

In 1893, Frédéric Boucheron is the first of the great contemporary jewellers to open a Boutique on the Place Vendôme



### 2018 TOYOTA C-HR XLE PREMIUM

**Base price** \$24,350

**Price as tested** \$26,794

**Powertrain** Front-transverse mounted, naturally aspirated 2.0-liter DOHC inline four with variable-valve timing; continuously variable transmission with simulated six-speed sequential-shift mode; front-wheel drive.

**Power/torque** 144 hp at

6,100 rpm/139 lb-ft at 3,900 rpm

**Length/height/width/**

**wheelbase** 171.2/61.6/

70.7/103.9 inches

**Curb weight** 3,300 pounds

**EPA fuel economy**

27/31/29 mpg, city/highway/combined

**Cargo capacity** 19 cubic feet (behind 2nd row)



## OFF DUTY



### Plank Goodness

One part wing chair, one part Donald Judd sculpture, Sue Skeen's settle bench in oak, ash or Douglas fir stylishly updates a classic old-English form with the addition of puzzle-like arms and rounded feet. Sue Skeen Plank Settle Bench by the New Craftsmen, from \$7,240, [thenewcraftsmen.com](http://thenewcraftsmen.com)



### Frond Ambition

Inspired by the branching patterns of ferns and palms, Irish designer Ciara O'Neill crafted a pendant light of textured book cloth and corrugated polypropylene—strong, heat-resistant and fully recyclable—that has a distinctly Scandinavian mien. Frond Pendant Light, from \$380, Ciara O'Neill, 44-77-5609-2568

### Coffee Mates

Whether you drip or filter, this heavyweight coffee mill in solid copper or brass will let you hand-prep your coffee beans in style. Cyprus-born, Britain-based designer Michael Anastassiades streamlined the nearly foot-tall totemic form by developing it with an internal ratio cylinder, not a handle; the fourth-generation workshop of Carl Auböck in Vienna produced it to exacting standards. Coffee Grinder, about \$2,000, [sigmarlondon.com](http://sigmarlondon.com)



# The Top 10 Brit List

The standout pieces from the 2017 London Design Festival

BY SARAH MEDFORD

**T**HE BRITISH capital provided an uncharacteristically sunny backdrop for last week's 15th annual London Design Festival, the citywide event highlighting handsome innovations and fresh-to-market ideas. Stealing the foreground this year was an unusually strong cast of global creators who infiltrated the U.K. talent show in myriad, un-

missable ways. Shanghai-based Stellar Works dyed its bent-wood chairs with indigo; Almira Sadar put Slovenian crochet needles to work on extra-nubbly baskets and throws; and Provençal Cecile Daladier scarred the surfaces of her flower pots with dried herbs—harvested just outside her studio door—to create ghostly, otherworldly works of art. In all, the offerings felt more like joyous passion projects than commercial endeavors. Here, our nods for best in show.



### Salt Right

South African designer Christopher Jenner's sculptural salt cellar has a softly curving crystal bowl and a pukka-wood top that opens with the pull of a finger to reveal a spade-shaped silver spoon—and plenty of room for the white stuff. Christopher Jenner Salt Cellar by E&Co Ltd, \$600, [Elkington & Co.](http://ElkingtonCo.com), 44-114-286-0504



### Tile for the Camera

This playful, Instagrammable take on traditional geometric cement tile is scored on its aquamarine surface with a classic cube pattern, then hand-glazed to block out random facets of the design—resulting in a crazy-quilt effect. Creatively position the squares to bring it out. Huguet Mallorca Rialto Cement Tile from Remedios Collection, about \$160 per square yard, [info@huguetmallorca.com](mailto:info@huguetmallorca.com)

### Napper's Delight

Checking the boxes for both "stylish" and "comfortable," Space Copenhagen's roomy oak lounge chair has an airy, not bulky, presence thanks to its spindle back and slender, patinated-brass arm rails. The well-positioned neck cushion makes it a sleeper hit, too. Space Copenhagen Gleda Chair, \$4,169, [benchmarkfurniture.com](http://benchmarkfurniture.com)



### Sweeping Statement

British woodworker Geoffrey Fisher makes manly-looking brushes from coppiced English ash (trees that are cut back to encourage forest growth). Hand-carved and fetchingly bristled in polyester, the brushes whisk away dust, pet hair and other small annoyances. Hand Brush, \$45, [Geoffrey Fisher](http://GeoffreyFisher.com), 888-266-1737



### Squishful Thinking

For a line of stoneware plates and cups, composites of randomly mixed colored clays are molded under pressure to turn out squiggly patterned, one-of-a-kind tableware. Splatware Plate by Granby Workshop and Assemble, about \$43, [kickstarter.com](http://kickstarter.com)

### Turned Corners

Aluminum sheet metal, simply folded, results in a work table with the grace and logic of a paper airplane. Indian designer Ajay Shah fiddled for three years before hitting on this form, which is now produced in a Mumbai workshop in five colors. Ajay Shah The Table That Almost Wasn't by Rubberband, about \$2,235, [rubberbandproducts.com](http://rubberbandproducts.com)



### Trunk Show

In this linen fabric, pale stripes alternate with greenery that evokes the trimmed trunks of palm trees. Ideal for floor-length curtains, covering a blousy sofa or upholstering the walls of a bedroom you might laze about in on a languid Sunday afternoon. Palmetto Linen, about \$233 per yard, [Tissus d'Helene Ltd.](http://TissusdHeleneLtd.com), 44-20-7352-9977



## EVOLUTION

# CARRY ON DRINKING

A staple of midcentury American entertaining, the glass caddy gets a makeover worthy of contemporary cocktail culture



**THEN** One byproduct of the post-WWII exodus from cities: Style-cramping apartments yielded to comparatively sprawling ranch homes, giving more people freedom to entertain guests. "The American housewife, who had been a wife, mom and housekeeper, now had the additional responsibility of hostess," said New York-based event designer Bronson van Wyck. "Why should she risk embarrassing and stack a bunch of drinks on a teeter-

ing tray when she could cruise around the room with a secure and chic cocktail caddy?" The saucy servers added a layer of theater to the drinking ritual and frequently outshone the spirits. Frosted glasses and 22-karat gold motifs conveyed status; more casual glassware involved Blendo, a dip-dye technique whose pigment faded near the vessels' rims, which were finished in gold. Midcentury Drink Caddy, \$36, [chairish.com](http://chairish.com)

**NOW** While the caddies of the past could be gaudy, today's superior cocktail ingredients and small-batch craftsmanship warrant glassware that lets you see the drink clearly, and an inconspicuous caddy to hold it in place. The Rare Whiskey Presenter Set fittingly fetishizes and protects your tipple. "The base is made from seven cross pieces of solid brass," says Christopher Gentner, a Chicago-based metal smith who designed

the aged-brass caddy with his partner, glass designer Felicia Ferrone. "This was a technical element so when you lift it up, the bars support the glasses and make it nearly impossible to knock [a drink] over." The four scotch glasses subtly taper at the top, allowing imbibers to focus on the aroma first and the flavor second. Rare Whiskey Presenter Set, \$460, [shoporne.com](http://shoporne.com)

—Miranda Agee

## OFF DUTY

ON WINE LETTIE TEAGUE



# The Best Pizza Wine? Not the One You Think

**FOR ALL THE YEARS** I've spent consuming pizza and wine, I've rarely pondered what combination works best. A pizza wine was whatever bottle I happened to have on hand. And yet with so many serious pizza joints popping up around the country in recent years, I wondered if pizza and wine pairing warranted a second look.

Of course "pizza" can mean many things: white or red, Sicilian- or Chicago-style, not to mention all the possible toppings. How could the same wine that goes with a mushroom pizza pair with, say, a clam pie? Yet when I talked to food and wine professionals as well as passionate pizza amateurs, only one said he chose his wine according to type of pie. The thinking more often factored in season and mood, or the price of the pizza. (The cheaper the pizza, the cheaper the wine.) And the choice was invariably red.

Glenn Vogt, managing partner and owner of RiverMarket Bar and Kitchen, a restaurant with its own wood-fired pizza oven in Tarrytown, N.Y., bases his choice on geography. "I've always fallen back on the idea that you drink wines of place," he said. Since pizza originated in Naples, Italy, Mr. Vogt often opts to drink a (red) wine from the same region (Campania). That means "a great Aglianico," though he's also a fan of Chianti with pizza. Then again, he also drinks white Burgundy with pizza, but not because of a particular pairing philosophy. "I just love white Burgundy," he said.

Kyle Kelly, wine director of Al Forno in Providence, R.I., famed for its pizza, is also a fan of Chianti as a pairing, but chooses the "straight-forward, traditional" kind, not a Chianti with any additional Cabernet or Syrah. For Marc Malnati, proprietor of famed Chicago deep-dish chain Lou Malnati's Pizzeria, the wine of choice is Cabernet Sauvignon, especially Caymus Vineyards Cabernet. Isn't that a rather rich wine? I asked. "I think the sweetness can offset the acidity of the tomatoes," Mr. Malnati replied.

Some wine professionals admitted they don't drink wine with pizza at all. "Since I work in wine, I drink beer with pizza. It's a relaxation



SARAH FERONE; F. MARTIN RAMIREZ/WALL STREET JOURNAL (PIZZAS); BOTTLES

thing," said Sara Sparks, sales manager of Astor Wines & Spirits in New York. Ms. Sparks added that choosing beer is often an act of self-defense. "A lot of pizza places have bad wine lists," she said. When Mario Carlino, proprietor of Divina Ris-

possible pizza wines to taste, I included an equal number of whites and reds. For reasons both budgetary and cultural, I focused specifically on Italian wines, though I also included a sparkling rosé from France because I happened to have it on hand, as well as a Tempranillo and a Malbec, at the behest of a wine store salesman who insisted they were "perfect pizza wines."

I found friends willing to eat lots of pizzas and taste multiple wines over the course of a week. We had mushroom and pepperoni, sausage and Sicilian, white and red pies—a different mix each night—but each time we had a pizza margarita on hand as the "control pie."

The Tempranillo and the Malbec the salesman noted as prime pizza partners were among the first wines we tasted. Although everyone loved the rich and concentrated 2014 Pesquera Ribera del Duero Tinto (\$33), we agreed it was too complex, "too

interesting" for pizza. The 2015 La Posta Pizzella Malbec (\$15) from Mendoza, Argentina, was too jammy and sweet, notwithstanding the serendipity of the Pizzella name.

Though produced by two of my favorite Chianti producers, the two Chiantis were a surprisingly poor match. The 2015 Fattoria di Felsina Berardenga Chianti Classico (\$17) and the 2015 Castello di Volpaia Chianti Classico (\$17) turned out to be too high in acidity and lacking in fruit to withstand the acidity of the tomato sauce. The 2014 Arnaldo-Caprai Montefalco Rosso, a Sangiovese-Sagrantino-Merlot blend from Umbria, proved a much better match because it was more juicy and bright, and at \$20 a bottle also fit my pizza price model.

The two Dolcettos we tried were largely forgettable—a bit too simple and light—though a few other Piedmont wines worked quite well. The 2015 Vietti Tre Vigne Barbera d'Alba

(\$17) was quite flexible and pairable thanks to a lively acidity and bright berry fruit. An earthy 2015 Produttori di Barbaresco Langhe Nebbiolo (\$17) proved a perfect match to the mushroom pizza, though it was pretty flat with the Sicilian and the pepperoni. Like the Tempranillo, it was much better by itself, as was a Barbaresco from the same winery, the 2013 Produttori del Barbaresco Barbaresco (\$33) that I'd splurged on to see if a more complex wine might be an even better fit with the pizza. It was not, but it was quite delicious, with soft tannins and opulent aromas of dark fruit and earth.

Pizza was no friend to our Italian red sparkling, the snappy and dry 2015 Zanasi Lambrusco "La Grasparossa" (\$13); it pretty much killed the fruit in the wine and made it taste tinny. But the Lucien Albrecht Crémant d'Alsace, a rosé sparkling wine from France, proved a surprise winner. It had fruit but also acidity and beerlike bubbles, though the cultural purists discounted it because it came from France.

Also surprisingly, the white wines were a success, almost regardless of grape or origin or even type of pizza. "This Gavi can go in all kinds of directions," my friend Jane said of the 2016 Il Poggio di Gavi (\$16), full bodied but marked by a firm minerality. Aromatic, luscious but well balanced, the 2016 Terredora di Paolo Falanghina (\$16) from Campania proved Mr. Vogt's point regarding wines from the region where pizza was born. And the 2016 Tenuta delle Terre Nere Etna Bianco (\$22), a field blend from Sicily, had a pleasing minerality that was a brisk counterpart to all the cheese.

Based on our findings, might pizzeria owners be compelled to rewrite their wine lists to include more Gavis, Falanginas or even Pinot Grigios? Probably not. Diners seem to be as set in their ways when it comes to what they drink with pizza as they are on matters such as thin crust vs. thick. As my friend Rich said, "I drink red wine with pizza because I like red wine." Should he wish to expand his options, he can consult the list below.

► Email Lettie at [wine@wsj.com](mailto:wine@wsj.com).

## OENOFILY // WINES THAT MAKE EXCELLENT PIE PAIRINGS



### 2016 Tenuta delle Terre Nere Etna Bianco \$22

An old-vine field blend of various Sicilian white grapes made by Etna maestro Marco de Grazia, the Etna Bianco is a perfect bianco pizza partner—though it does pretty well by a pizza rosso as well.



### 2016 Il Poggio di Gavi \$16

This vibrant white from the Cortese grape is made in the Rovereto zone of the Piedmont. Round, medium-bodied, it seems to gain in richness with pizza. Particularly good with a mushroom-sausage pie.



### 2014 Arnaldo-Caprai Montefalco \$20

The bright and juicy character of this lively red Sangiovese-dominant blend from superstar Umbrian producer Arnaldo-Caprai makes it ideal for just about any type of pie, especially a classic pizza margarita.



### 2015 Produttori di Barbaresco Langhe Nebbiolo \$17

Aromas of red fruit and earth and a soft, approachable character plus lively acidity make this basic Nebbiolo from the famed Barbaresco cooperative in Piedmont a dynamic pizza match.



### 2016 Mastroberardino Lacryma Christi del Vesuvio Bianco \$16

For those who think the wine should match the food's place of origin, this earthy, medium-bodied white with a mineral edge from a venerable Campania producer fits the bill.

## SLOW FOOD FAST: SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

# Roast Lamb With Farro Salad and Eggplant



**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.

**WHEN CHEF** Julia Sullivan moved home to Nashville after eight years in New York City, the local food scene was booming. "There were lots of new restaurants in warehouses with exposed bricks and beams and poured cement," she said. "We wanted something different." Six months ago, she and her business partner, Allie Poindexter, opened Henrietta Red in a bright, white space with a wood-burning oven, cozy banquets and a marble bar.

This recipe, Ms. Sullivan's final Slow Food Fast contribution, shows her light touch and propensity to please. A medium-rare rack of lamb is cut into easy-eating chops. An herby farro-cucumber salad anchors the plate. And roasted eggplant dolloped with spiced yogurt makes a luscious, smoky side. The dish is refreshing but also hearty enough to satisfy Southern appetites. "We are in Nashville," Ms. Sullivan said. "This is our answer to steak and potatoes." —Kitty Greenwald

**TOTAL TIME:** 40 minutes **SERVES:** 4

- |   |   |  |
|---|---|--|
| <b>1 rack of lamb (about 3 pounds)</b> with 12-15 chops | <b>1 tablespoon red-wine vinegar</b>            | <b>Greek yogurt</b>                                |
| <b>Kosher salt and freshly ground black pepper</b>      | <b>½ tablespoon light brown sugar</b>           | <b>2 teaspoons cumin seeds, toasted and ground</b> |
| <b>4 garlic cloves, minced</b>                          | <b>2 medium eggplants, cut into 1-inch dice</b> | <b>3 cups cooked farro</b>                         |
| <b>Zest and juice of 2 lemons</b>                       | <b>3 tablespoons extra-virgin olive oil</b>     | <b>3 cups sliced cucumbers</b>                     |
| <b>3 tablespoons Dijon mustard</b>                      | <b>1 cup labneh or whole</b>                    | <b>¼ cup mint leaves, roughly torn</b>             |

**1.** Preheat oven to 450 degrees. Season lamb liberally with salt and pepper. In a small bowl, whisk half the garlic together with lemon zest, mustard, vinegar and brown sugar until sugar dissolves. Coat lamb with marinade and shake off excess. Place lamb in a roasting pan and roast on oven's center rack until medium-rare, or a meat thermometer inserted at thickest point reads 125 degrees, 25 minutes. Let meat rest at least 10 minutes before carving.

**2.** Meanwhile, toss eggplant with salt and 2 tablespoons olive oil. Spread eggplant out on a

medium roasting tray and add a splash of water to wet pan's base. Bake eggplant until brown and completely soft, about 20 minutes.

**3.** In a medium bowl whisk yogurt together with 1 tablespoon olive oil, cumin and remaining garlic. Season with salt. Toss farro, cucumber, mint, dill and lemon juice together in a large bowl. Season with salt.

**4.** Slice rack of lamb into chops. Divide farro among 4 plates or spread over a platter. Arrange chops over farro. Serve eggplant alongside lamb with a dollop of yogurt on top.



**TASTE MAKERS** Handfuls of mint and dill freshen the farro-cucumber salad, and a generous dash of cumin warms up the garlicky yogurt sauce.

## OFF DUTY

# Leisure Class

A few of the grand estates on England's Norfolk coast are field-testing new ways to lure visitors, from glamping sites to amply inviting restaurants



**MANOR REBORN** The 18th-century Holkham Estate now encompasses two cafes, a gift shop and several accommodations including a gastropub with rooms.

BY KATE MAXWELL

**I**t was early on a summer morning in the walled garden at Wiveton Hall, a Jacobean estate on a marshy stretch of the north Norfolk coast, and Desmond MacCarthy was worrying about his salad leaves. Already nudging 90 degrees, the mercury was breaking English records, and Mr. MacCarthy, Wiveton's owner, feared that his leaves, destined for the estate cafe, would wilt.

You can bet the 17th-century merchant who built Wiveton Hall, a Dutch-gabled manor home whose flint-stone coat sparkles in the sunlight, didn't concern himself with such fripperies as vegetable husbandry. But up and down England, the custodians of ancient houses, the agricultural estates of which were either sold off centuries ago, or whose output no longer covers their staggering maintenance costs, are being forced to come up with creative ways to keep the tiles on the roof. Wiveton Hall's crayon-colored cafe—which serves slender asparagus with fried eggs on sourdough for breakfast; succulent crab-and-mayonnaise sandwiches at lunch, and is invariably full to its turquoise rafters—is one.

A perpetual headache for their highborn owners, this financial struggle is a boon for travelers, who are being given ever more access to sprawling stately piles—of which there is an abundance on Norfolk's so-called Royal Coast, a three-hour drive northeast of London. Desmond MacCarthy's program of "agricultural diversification," as the practice is known, is extensive. As well as the cafe, there are pick-your-own strawberries and accommodation in chocolate-box cottages and a field of fully furnished bell-tents. My family and I glamped for two nights, roasting marshmallows over our fire pit, while a barn owl glided overhead and a hedgehog thumped through the undergrowth.

Mr. MacCarthy's latest initiative is a maize maze, which his son, Edmund, had been tasked with scything. In Wiveton Hall's West Wing, which offers accommodations in four of its bedrooms, Desmond and I tiptoed around the ground floor, previously a ballroom, hoping not to wake the guests above. For Mr. MacCarthy, letting out portions of his

home is a necessary evil. "In a few years there'll probably be nine families here [at Wiveton Hall]," he said, mournfully. "It'll be like Dr. Zhivago." For now, Mr. MacCarthy's new status as a reality TV star is helping to keep the wolves from the door. Last year, he, along with assorted staff and his 102-year-old mother, Chloe, who still lives on the estate, became the subject of the BBC's "Normal for Norfolk" series about the family's efforts to maintain Wiveton Hall.

A few miles up the coast, Holkham Hall is a stately home on another scale, and it, too, is in the midst of a diversification drive. An 18th-century Palladian estate, Holkham encompasses 25,000 acres of land, 100 times that of Wiveton Hall, but tourism overtook farming in the revenue stakes long ago. I half-expected a giraffe or elephant to emerge from the sweeping, savannah-like parkland (instead, herds of fallow deer roamed). Elsewhere are swaths of woodland, grand fountains, soaring statues and ornamental lakes. Built by the 1st Earl of Leicester in the mid-18th century, Holkham Hall continues to be home to the Leicester family and is open three days a week between April and October; visitors can tour the grounds daily. You can peer inside the original, soaring kitchen, where copper pots gleam on the shelves; marvel at the collection of manu-

We tiptoed around the ballroom, careful not to wake the guests above.

scripts that predate the Magna Carta and poke around the Long Library, where the current Earl of Leicester, Thomas Coke, likes to work on his laptop opposite a lion mosaic dating from the 2nd century B.C., a souvenir from an ancestor's European tour.

Since my last visit to the honey-stone Holkham estate, over a decade ago, a number of follies and cottages have been turned into elegant accommodation for visitors. We stayed in the Ancient House, its many ornate chimneys rising from a crenulate roof. Its Beach Café has been given a Scandi-style makeover, while a Field-to-Fork exhibit exploring the 18th-century innovations in

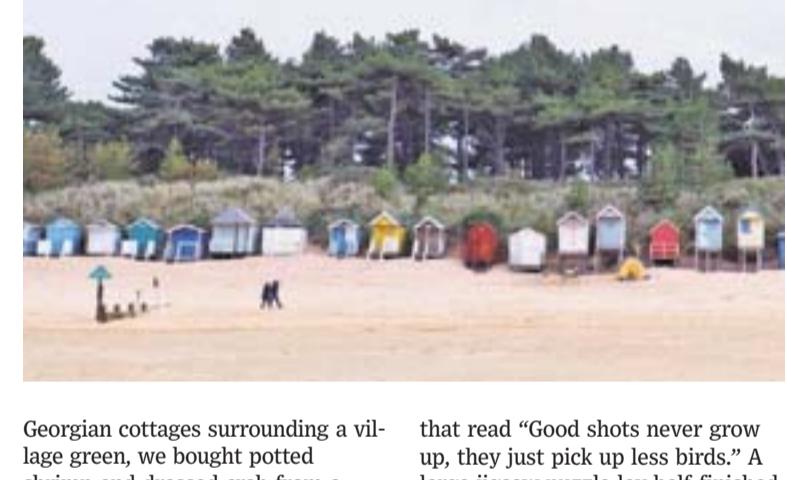


**ESTATE OF PLAY** Clockwise from top left: Norfolk's Gunton Arms pub, on an 18th-century deer park; Desmond MacCarthy, a gentleman farmer-cum-innkeeper; Wells-next-the-Sea, part of the Holkham estate.

livestock breeding and agricultural pioneered by the 1st Earl of Leicester opened this year. Stable blocks have been reimaged as co-working spaces as well as a studio for London jeweler Monica Vinader; her gold pendants hang in the gift shop.

All these efforts combine to appeal to the increasingly sophisticated visitors who "want an experience that's a bit more than an egg-and-cress sandwich made by the farmer's wife," said David Horton-Fawkes, Holkham's estate manager. Still, Holkham's greatest asset remains its coastal nature reserve, a 4-mile, white-sand beach backed by dunes and pine forest planted by the 3rd Earl of Leicester in the 19th century. The beach spans such a width that you can feel, at low-tide, as if you're crossing the desert, and stroll for an hour before reaching the water's edge.

On a sunny Friday evening, locals and their Labradors and Londoners like my family and me crammed the picnic tables outside Holkham's pub-with-rooms, the handsome, brick-and-flint Victoria Inn. The cooks source the menu almost entirely from the estate: top scorers were the Holkham beef burgers and the chargrilled bacon I ate at breakfast the next morning. There's stiff competition for food in these parts. A 15-minute drive away, in Burnham Market, a collection of ivy-clad



Georgian cottages surrounding a village green, we bought potted shrimp and dressed crab from a fishmonger whose accent could pass for an earl's, and picnicked beside the ice-cream-colored huts of Wells-next-the-Sea, another wide, sandy beach on the Holkham estate.

I don't think the Queen lies awake at night worrying whether the gardener has remembered to water the vegetables at her Norfolk estate, Sandringham. Still she, too, throws open its grand doors to visitors between April and November, before traveling there herself for the Christmas holidays. I had expected the ground-floor rooms to which visitors are admitted to be lobotomized of personal details; instead, Sandringham offers an oddly intimate look at royal life (we were assured that, except for the carpets, the rooms are unchanged when the Queen stays). In the sitting room, we spotted a needlepoint cushion, given to the Duke of Edinburgh,

that read "Good shots never grow up, they just pick up less birds." A large jigsaw puzzle lay half-finished on a side-table. The Queen, we were told, is an enthusiastic puzzler, and encourages the staff to participate, but woe betide anyone who gets a piece wrong.

An Englishman's home is his castle—so goes the adage. At Sandringham, it's the other way around: Gilt and crystal chandeliers notwithstanding, this royal retreat feels like a home. But if I were the Queen, I'd break with protocol, flip the calendar and decree that summers and autumns, rather than winters, be spent at Sandringham. Swallows careening over the marshes; beaches flecked with pastel huts and crab shacks; the evening light gilding everything and everyone—it's not hard to see why Desmond MacCarthy, the Earl of Leicester and the other titled homeowners of north Norfolk cling so keenly to their money-pit piles.

### THE LOWDOWN // STATELY HOME-HOPPING ON ENGLAND'S NORTH NORFOLK COAST

**Getting There** There are no direct trains, so rent a car. You'll need one to explore north Norfolk. It will take you around three hours to drive from Heathrow—take the M25, A11 and A1065.

**Staying There** Wiveton Hall's West Wing sleeps nine people and is available to rent by the week; its three cottages accommodate between four and six (*from about \$685, wivetonhall.co.uk*). A short walk from the cafe, six bell-tents have stoves and double beds with crisp white sheets, and share an immaculate shower block (*about \$185 per night, two-night minimum, amberbelltents.co.uk*). The 20 rooms at Holkham's Victoria Inn sport an elegant country look (*from about \$240, holkham.co.uk*). Each of Holkham's four historic lodges, deep within the estate, sleeps two (*from \$120, minimum two nights, barefootretreats.co.uk*). Just opened near Burnham Market, the 12-room White House on Sussex Farm



has a bold interior with mainly British fabrics and wallpapers. Rooms are available on a B&B basis, or you can rent the whole house (*from about \$140, stayatthewhitehouse.co.uk*).

**Touring There** If you haven't had your fill after Wiveton Hall, Holkham Hall and Sandringham, consider three more stately historic homes to visit in north Norfolk. For starters, Houghton Hall, another Palladian home, was built for Britain's first prime minister, Sir Robert Walpole. Dating back to the 17th-century, Felbrigg Hall encompasses a stunning walled garden and 520 acres of parkland to explore. And redbrick Blickling Hall lies on the ruins of Anne Boleyn's birthplace; her headless ghost is said to appear on each anniversary of her beheading (May 19).

► For restaurant recommendations in north Norfolk, see [wsj.com/travel](http://wsj.com/travel)



**WING MAN** One of the four guest rooms in Wiveton Hall's West Wing.

# MANSION

*Flexibility is the key to stability.*

—John Wooden

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

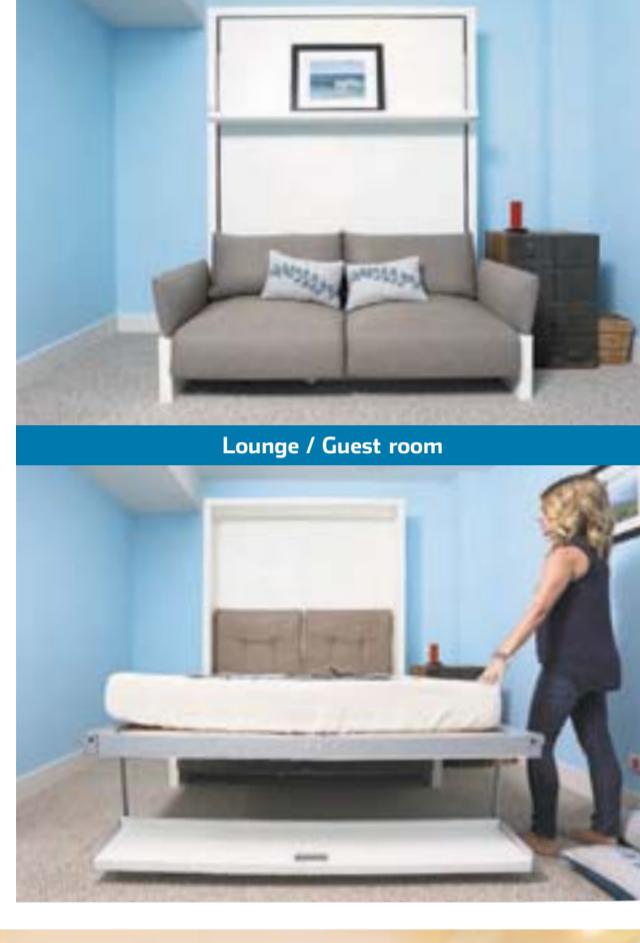
Friday - Sunday, September 29 - October 1, 2017 | W7

## A Floor Plan Afraid of Commitment

Real-estate agents and home builders see a resurgence in demand for bonus spaces that serve multiple purposes—from man cave to master bedroom to music room.



Library alcove / Dining space



Lounge / Guest room



BY CECILIE ROHWEDDER

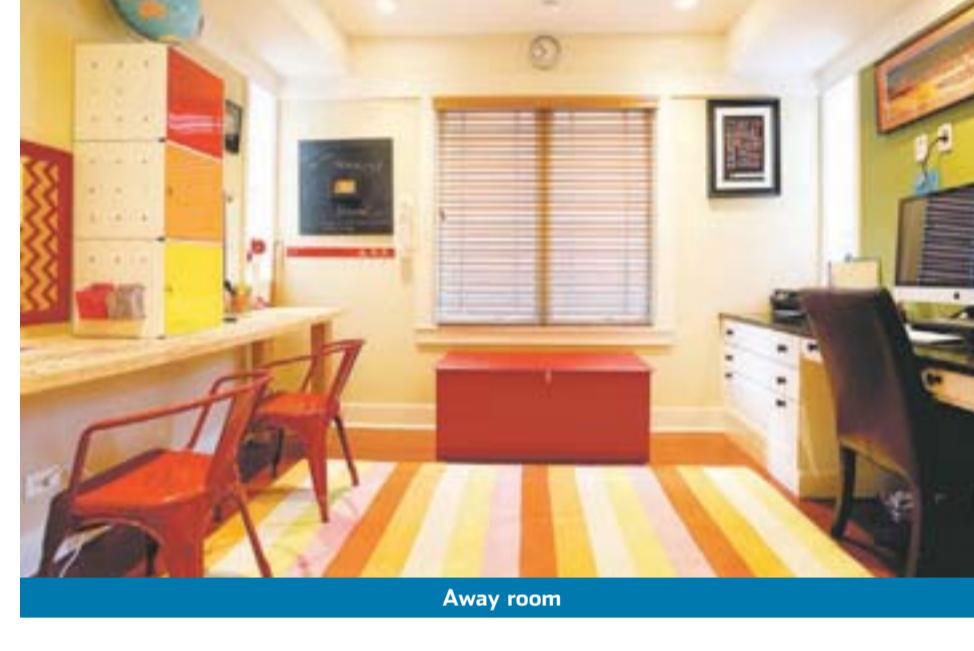
SOMETIMES, THE UPSTAIRS SUITE in Mike Stolarski's home in North Augusta, S.C., is an office. Sometimes it's a TV room, or an entertaining

space for friends. Once a year, it's a bedroom rented to golf fans in town for the nearby Masters Tournament. And in the future, it might become a game room, so there's space for a pool table.

When building their 4,200-square-foot, three-bedroom home, Mr. Stolarski, and his wife,

Tracy, kept their options open. The design drew inspiration from a charming, 1892 bed-and-breakfast in Charleston, S.C. But their home had to accommodate 21st-century lifestyles, so they asked the architect to include undesignated flex

Please turn to page W12



Away room

KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (5)

**BONUS POINTS** In their Libertyville, Ill., home, Lisa Steinke and Matt Dannenfeldt, above, use an alcove off the living room as both a library and extra dining space, top left. A quiet space off the living room, bottom right, is called an 'away room,' where the children do their homework. A sofa converts into a bed for overnight guests. The couple bought the home in 2012 for \$750,000.

## DEVELOPERS SAY: 'BONJOUR, MONTREAL'

Cranes bloom across the Canadian city's skyline as prices rise, homes sell and new luxury developments come on the market; a \$200 million Four Seasons project to feature hotel rooms, residences, shops and restaurants.

BY LEIGH KAMPING-CARDER

FOR THE FIRST TIME in years, Montreal is a seller's market.

Homes, particularly luxury condos, are selling in unprecedented numbers. Prices are inching upward. And Canada's second-largest city—long considered underdeveloped compared with Toronto and Vancouver—is seeing a burst of high-end development thanks to a booming economy and increased interest from Chinese buyers and empty nesters.

A record-setting 13,764 homes sold in the Montreal metro area in the second quarter of 2017, an 8% increase over the same period a year ago, according to the Greater Montréal Real Estate Board. Condo sales jumped 17% to 4,487—a record for the second quarter in a row—and the median sales price increased 3% to 245,084 Canadian dollars, or \$196,312.

Please turn to page W8



VALERIA BISMAR FOR THE WALL STREET JOURNAL

ON THE RISE Real-estate sales are setting records in Canada's second-largest city, and much of the gain is at the high end.

**HOUSE OF THE DAY**  
[wsj.com/houseoftheday](http://wsj.com/houseoftheday)



Berkeley, Calif.  
A modern home  
for art and music



New Canaan, Conn.  
A home inspired  
by Philip Johnson



Orange County, Calif.  
A California property  
with 430 lemon trees

CHRIS PUTTER/OPEN HOMES PHOTOGRAPHY

DURSTON SAYER/HOUZHAN LAWRENCE

THE BOUTIQUE REAL ESTATE GROUP

THE BOUTIQUE REAL ESTATE GROUP

## MANSION

# DEVELOPERS SAY: BONJOUR, MONTREAL

Continued from page W7

Much of the gain is at the high end: Sixty-five condos priced over C\$1 million, or \$801,000, sold in the first half of 2017, a 51% increase compared with the first half of 2016, according to Sotheby's International Realty Canada. At developer Daniel Revah's latest project, Le 1420 Boulevard Mont Royal, about 1,000 potential buyers registered on a teaser site in just over a month after pre-sales started in the spring, he said. The average asking price for the development's 200 apartments tops C\$1 million, or \$801,000, with penthouses asking C\$5.5 million, or \$4.41 million—high prices for Montreal.

Cranes are blooming across downtown. And more expensive projects are being built with gyms, indoor pools, built-in retail space and other perks designed to lure affluent families and downsizing baby boomers.

Sonia Ah-Kye, a 35-year-old anesthesiologist, and her husband Christopher Aguba, a 35-year-old application analyst, paid \$1.05 million for their three-bedroom apartment in late 2015, excited to live steps from restaurants, shops and their workplaces. But when the couple learned a baby was on the way, "all our priorities changed," Ms. Ah-Kye said. So they listed the 2,300-square-foot unit for \$1.24 million in March—about 18% more than they paid. They have since rejected several offers, content to wait for the right price, Ms. Ah-Kye said.

A historically French-speaking city, Montreal can feel more like Europe than North America. Old Montreal's twisty brick streets and brasserie patios evoke Paris. Street signs are in French. One of the skyline's most distinctive features is the green dome of St. Joseph's Oratory of Mount Royal, an imposing Catholic monument.

The city's history also explains its relative lack of real-estate development. In the 1970s, the rising popularity of the Quebec separatist movement, which supports the French-speaking province's independence from majority English-speaking Canada, prompted an exodus of English speakers and businesses, many of whom relocated to Toronto, enshrining that city as Canada's financial capital.

The movement has waxed and waned over the years. Recently, residents and businesses faced uncertainty in the lead-up to the 2014 provincial election, as the incumbent Parti Québécois, which ran candidates promoting separation,



**FRENCH TWIST** With its old twisty brick streets and brasserie patios, parts of the historically French-speaking city can feel more like Europe than North America. The green dome of Saint Joseph's Oratory of Mount Royal, top left; the Rio Tinto Alcan Planetarium near the Olympic Stadium, top right.

was up 37% in the first quarter of 2017 versus the same period in 2016, according to the Canadian Mortgage and Housing Corporation.

Air China launched the city's first direct flight to China in 2015 with its non-stop route to Beijing, and in February Air Canada introduced a direct flight to Shanghai. And attention has turned to Montreal after provincial governments imposed a 15% foreign-buyer tax on residential sales in Toronto and Vancouver.

One of the city's most ambitious projects under construction is the Four Seasons Hotel and Private Residences Montreal. "There's a bit of a void in the marketplace" at the ultraluxury end, said Andrew Lutfy, chairman of Carboneo, the developer.

The \$200-million development will include 210,000 square feet of luxury retail and dining, 166 hotel rooms and 18 residences ranging from 2,886 to 6,910 square feet and priced from about \$2.8 million to \$12 million—what local real-estate professionals say would be a record price for the public sale of a Montreal condo.

With its contemporary look, the project's appeal skews slightly younger than other luxury projects, with potential buyers ranging from 45 to 65 years old, building officials said.

In 2017, real-estate investor and developer Andre Diamond closed on the \$5.99 million purchase of 14 planned apartments in an under-construction tower in the downtown luxury shopping district known as Golden Square Mile. He then combined the units—all on one side to capture views of Mount Royal—into six: One three-bedroom, two two-bedrooms, two duplex three-bedrooms and a single-level



**IN THE BLACK** Sonia Ah-Kye and Christopher Aguba listed their unit for 18% more than they paid.



**SELLING BUT STAYING** Stephen Kucer and Rona Katz are selling their home, left, for \$1.28 million.

penthouse spanning 2,100 square feet. Mr. Diamond chose elements like free-standing tubs with skyline views to appeal to buyers accustomed to Miami-style finishes. He left the duplexes and penthouse raw to court choosy shoppers. The units range from \$1.02 million to \$2.18 million.

Still, real-estate professionals don't predict the

kind of frenzy that has taken hold of other cities. Bidding wars are occasional; open houses typically don't attract round-the-block lines.

"The upward pressure on the price in Montreal is much more modest when compared with the same dynamic in Toronto and Vancouver," said Sotheby's president and CEO Brad Henderson.

"Are you going to have a

bubble? No, unlikely. But the market is strong," said Amy Assaad of Royal LePage Heritage, who is listing Ms. Ah-Kye's home.

Stephen Kucer, a 57-year-old engineer at a building-products manufacturer, and Rona Katz listed their house in February for \$1.27 million.

The couple moved into the 3,200-square-foot home about 15 years ago, but their

two daughters are grown and their son might move out next year. The family rarely uses the formal living and dining rooms or extra bedrooms, said Ms. Katz, 56, a digital-content manager.

Still, they will likely stay in Montreal. "The Montreal Canadiens haven't won the Stanley Cup in a couple years," he said. "But there's always hope."

## MANSION

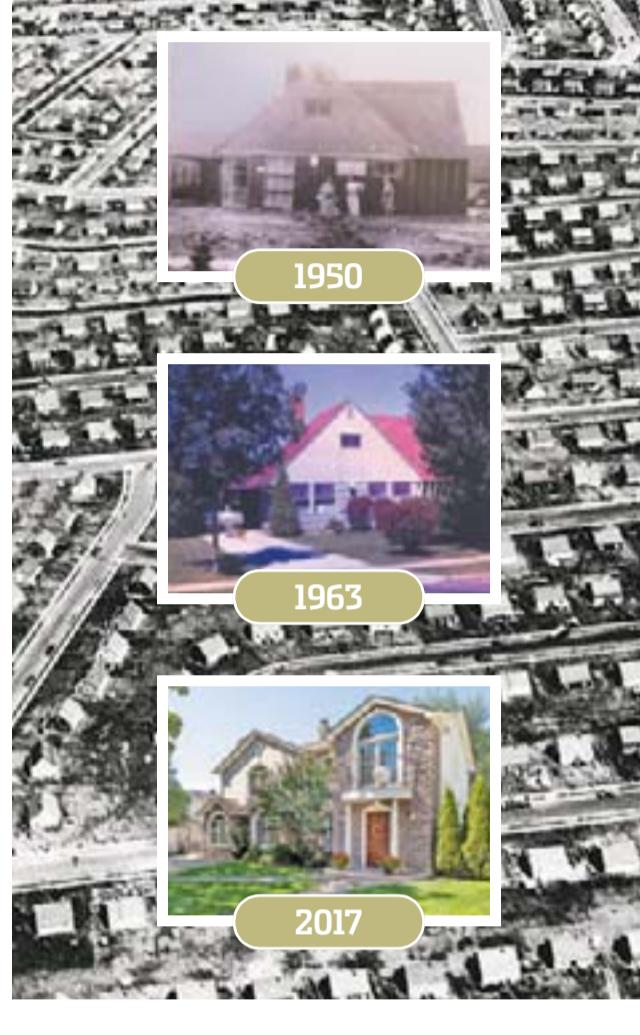
### THE MARKET

# America's Iconic Suburb, 70 Years Later

Many of the mass-produced homes in Levittown, N.Y., have been gutted, redone, expanded or even razed



**TIME CHANGE** Jeff and Becky Moran bought their Levittown home for \$154,000 in 1994 and spent another \$200,000 on improvements in 2006. Above, the open-plan living room. Top right, the home through the years. Below right, the kitchen and Ms. Moran.



BY AMY GAMERMAN

**WHEN NEWLYWEDS** Jean and William Heacock moved into their new 800-square-foot home in 1950, it had four small rooms, a carport and a built-in television—just like every other house on its street in Levittown, N.Y., America's first planned suburb.

Today, that Levitt ranch home has morphed into a 2,700-square-foot Mediterranean-style villa with a wrought-iron balcony and a stone and stucco facade, thanks to a 2006 gut renovation by its current owner, Jeff Moran. Terracotta tilework and 7-foot sandstone columns decorate the living room, and there are three new bedrooms upstairs, including a master suite with a cathedral ceiling. The total cost of the remodel was about \$200,000—or 25 times the home's original \$7,990 list price.

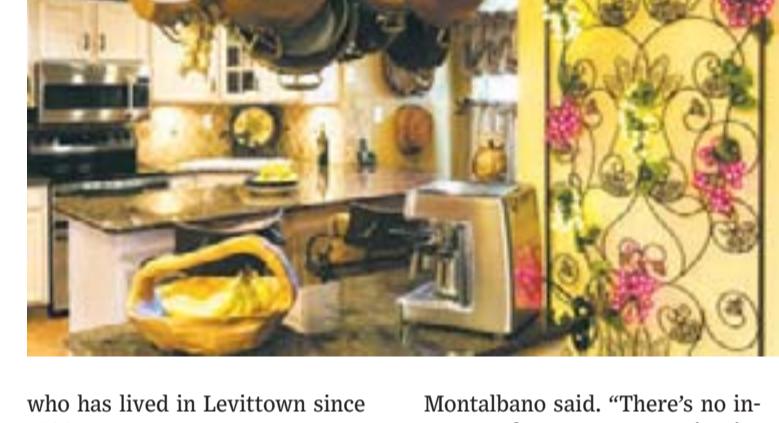
"We took the house down to the studs. I wanted to be more comfortable, I wanted to upgrade," said Mr. Moran, 65, who works for the state government. He said that

he and his wife, Becky, a 61-year-old teaching assistant, became the home's third owners when they bought it for \$154,000 in 1994.

When Ms. Heacock and her husband took a nostalgic drive through their old neighborhood eight years ago, she didn't recognize her old home until she spotted the fire hydrant out front, a familiar landmark. "It's amazing," said Ms. Heacock, who is now 90. "You can hardly see the original house there—it's completely encased in the new house."

Seventy years ago, the first families moved into Levittown, N.Y.—a community of mass-produced homes built on a 6.9-square-mile chunk of Long Island once planted with onions and potatoes. Between 1947 and 1951, Levitt & Sons built 17,477 homes there. Since that time, most of Levitt's modest cookie-cutter houses have been remodeled and expanded beyond recognition.

"In the past seven or eight years, the prices have really skyrocketed," said Dara Crawford, a real-estate agent for Century 21



who has lived in Levittown since 1988.

"A lot of the houses are still on the original footprint, just gutted and completely redone," she said. "The family up the street knocked down the house and rebuilt it at 2,800 square feet—it's orange stucco, with a heated saltwater pool."

Average home listing prices in Levittown have risen 5.4% in the past year, despite a 14.4% increase in supply, according to Realtor.com. (News Corp, owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.) The average list price of the 117 homes currently on the market is \$455,000, with about 5% of the listings priced over \$600,000.

A dilapidated Cape Cod-style house on Corncrib Lane was recently demolished to make way for a new four-bedroom spec house, with construction to begin this fall. It is now under contract for \$720,000, according to Chris Montalbano, an associate broker and partner in Realty Connect U.S.A., who represents the developer.

"The market is so vibrant now, we sold it based on the plans," Mr.

Montalbano said. "There's no inventory for new construction in Levittown—the buyers in this particular situation wanted to stay and keep their kids in the schools."

Levittown was the first of four planned suburban communities created by developer William Levitt. With affordable housing in short supply, Levittown touted a vision of quiet streets and well-kept lawns, along with new schools, swimming pools and shopping districts. Levittown would later spring up in Pennsylvania, New Jersey and Puerto Rico.

The developer's marketing targeted service members returning from World War II. Veterans could buy the homes with no money down—but only if they were white. Levitt's restrictive covenants prevented sales or rentals to African-Americans. Those restrictions were later struck down.

The Nassau County community's proximity to New York City, as well as its affordability and schools, are drawing a diverse mix of home buyers now, according to Shehriar Islam, a real-estate agent with Coldwell Banker who moved to Levittown from Queens in 2015. "I'm a microcosm of what's going

on with other buyers," Mr. Islam said. "When you go to open houses, 95% of the buyers are from the New York boroughs—it's much more diverse than it was seven years ago."

Other families have lived in Levittown for generations. Kevin Magnus, a 51-year-old former clerk at the New York Stock Exchange, bought his childhood home from his father in 2000.

"The house had plenty of potential—I came back here and blew this thing up," said Mr. Magnus, who spent a decade and over \$150,000 remodeling the house with his wife, Kathleen, 49.

They expanded the home from two bedrooms to five, put in a new kitchen, added a porch, and built a backyard gazebo with its own bar and television. When the Magnus's youngest daughter graduated from high school, they decided to sell. After seven days on the market and multiple bids, the home went into contract for \$670,000. "They gobbled it up," said Ms. Crawford, who had the listing.

"It's a good community—we have a lot of friends in Levittown," said Mr. Moran, who occasionally finds an onion growing in his backyard.



**RECENT SALE** Kevin Magnus bought and remodeled his childhood home, which is now under contract for \$670,000.

### PRIVATE PROPERTIES

## Georgia Quail-Hunting Estate Asks \$25 Million

A Georgia quail-hunting estate that has been owned by the descendants of one of the founders of Western Union for well over a century is seeking \$25 million.

Called Millpond Plantation, the property is on the National Register of Historic Places. It covers 3,267 acres in Thomasville and includes a 26,000-square-foot, 10-bedroom Spanish Revival mansion. There is also a "manager's house," two 2,000-square-foot guest cottages, a variety of other homes for employees, a barn and a dog kennel, said listing agent Ben McCollum of the Wright Group in Thomasville. To aid in the hunt, 30 trained bird dogs, seven horses and four mules are included.

The sellers are Tod Sedgwick, 68, a former ambassador to the Slovak Republic, his three siblings and a first cousin. Their great-grandfather, Jephtha H. Wade, the grandson of one of the founders of Western Union, began buying acreage in the late 19th century to form a 10,000-acre estate, Mr. Sedgwick said. Mr. Wade completed the mansion in 1908.

In the 1960s, the property was divided into three parts and left to various family members. Mr. Sedgwick, his siblings and cousin bought the acreage and house currently for sale from relatives, he said. Public records show that in 2004, the house sold for \$875,000 and surrounding acreage for just under \$14 million.

Millpond Plantation is in a region known as the Red Hills,

which spans an area north of Tallahassee, Fla., up to Thomasville. Characterized by a grassy, hilly landscape, it is known for a number of quail-hunting estates and old-fashioned traditions, such as hunting via mule-drawn carriage.

Millpond is a few minutes from Thomasville, which Mr. Sedgwick characterized as a "friendly small town."

He said the family is selling because the property costs over \$1 million a year to maintain and they doubt the next generation can take it on. A conservation easement prohibits subdividing the property.

The move to sell has "been a very emotional decision because we're all very attached to the place," Mr. Sedgwick said.

—Katy McLaughlin



## MANSION

### ANNOTATED ROOM

# A Design in Search of a Homeowner

This condo in New York's One57 building was designed to lure a buyer; a three-way sofa maximizes views



**EVAN JOSEPH IMAGES**  
**NEW YORK INTERIOR DESIGNER** Jamie Drake was hired to create a luxurious living room for nobody in particular.

His client was Extell Development Co., the company behind One57, an exclusive Manhattan condo building that overlooks Central Park. To lure prospective buyers, Extell asked Mr. Drake, of New York-based Drake/Anderson, to design and furnish a roughly 4,200-square-foot model apartment. The budget: over \$1 million.

"They wanted something geared toward a global market," said Mr. Drake, "something sophisticated and urban, but not so bland that it would be boring."

Located on the 58th floor, the three-bedroom, 3½-bath-room apartment's main feature is the view of Central Park, Mr. Drake said.

The project took about three months, after which a buyer paid \$24.5 million for the apartment, with most of Mr. Drake's furnishings included, according to the developer. Here are some of the elements in the living room. Prices are approximate and vary based on size and materials.

—Beth DeCarbo

#### 1. HAVE A SEAT

To anchor the roughly 30-by-40-foot room, Mr. Drake designed a "capacious sofa" that faces three ways: toward the TV, Central Park, and a cocktail/conversation area in the foreground.

The sofa was upholstered by Peruvian Touch with Romo fabric.

**Price:** \$24,300

#### 2. LIGHT TOUCH

To illuminate the seating area, Mr. Drake chose three matching crystal-rod floor lamps. The classic design of these

Dennis Miller Associates fixtures is low-key so they won't distract from other furnishings.

**Price:** \$4,800 each

#### 3. SOFT LANDING

Two upholstered Montaigne chairs, designed by Mr. Drake and sold through Theodore Alexander, face the conversation area and feature gilded wood legs.

**Price:** \$3,450 each

#### 4. DROP-OFF SPOTS

For color contrast, two bronze drum tables from DLV De-

signs are placed toward the ends of the sofa.

**Price:** \$5,800 each

#### 7. CORNERED

A piano anchors the south side of the room as a message of how entertaining could take place here. "Coney Island," a 2009 Larry Poons painting, hangs behind the piano. It measures almost 9 feet long and was selected to create a "visual destination in the corner," Mr. Drake said. The painting and an abstract sculpture were borrowed from Danese/Corey, a Manhattan gallery. The artwork wasn't included in the sale.

**Price:** \$125,000 for the Poons painting

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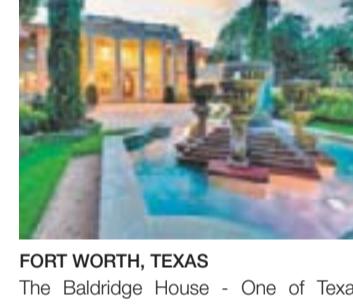
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## MANSION

# A FLOOR PLAN AFRAID OF COMMITMENT

Continued from page W7

space equipped with ample square footage, electrical and plumbing for multiple uses now and in the future.

The Stolarskis—she's 56 years old and he's 47—own a medical-services company, Premier Shockwave, and moved into their \$1.4 million home in January.

Home builders and designers are seeing a resurgence in demand for flexible-living spaces, also called bonus rooms or multipurpose rooms. In ultracompetitive real-estate markets, flex rooms that serve multiple purposes appeal to buyers looking to trade up for more space but unable to afford the extra square footage.

At the same time, younger home buyers see flex rooms as a way to customize their homes. And baby boomers, hoping to age in place, are asking for flex rooms that could someday be a main-floor master bedroom or a suite for live-in health aide.

Forward-looking home designers now plan for all those stages.

"I ask clients how long they see themselves living in the house," says Dan Sater, whose Bonita Springs, Fla., firm designed the Stolarskis' home. "I talk to them about spaces that may have a changing purpose over time and create the provisions so they can easily be changed." If a future function requires a wall to be removed, for instance, Mr. Sater ensures it isn't a structural wall to begin with. Mr. Sater's own home includes a multipurpose room that the family uses as a music room. Just in case, Mr. Sater installed enough wiring to turn it into a second home office or guest room if needed by aging parents.

Of the 20 top-selling floor plans on houseplans.com, 13 include bonus rooms, even though only 14% of all the plans on the overall site have designated bonus or flex rooms. Flex rooms are typically located off the entry hall, near the main living space and a bathroom, so they can easily morph into bedrooms down the road. Sometimes, a flex space is located above the garage to be used as a home theater, in-law suite or bunk room for grandchildren—or all of them in succession.

Leaving the label off the space helps with sales and resale, they say, because it lets buyers assign their own.

"When you name it 'dining room,' they will always see it as a dining room; they will never get it out of their mind," says Mark Matthis, co-owner of House Plan Gallery, a home-design firm in Hattiesburg, Miss. "We have found that labeling this type of area as flex space on our floor plans best allows homeowners to decide how a particular space can be used to fit their specific family's needs."

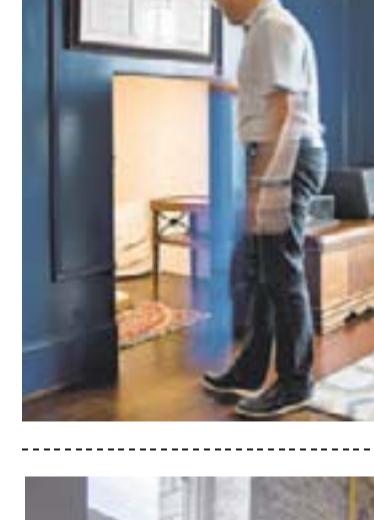
In their Libertyville, Ill., home, Lisa Steinke and Matt Dannenfeldt wanted a dining room—just not all the time. When they bought their four-bedroom, 2,500-square-foot house for \$750,000 in 2012, they were drawn to a library alcove off the main living area that could fit all of Ms. Steinke's books but become a dining space if there were too many guests to fit in the eat-in kitchen.

Ms. Steinke, a 44-year-old novelist, and Mr. Dannenfeldt, 43, who owns a logistics company, also like another space in their home that the architect, Sarah Susanka, calls the "away room." It's a 9-by-12-foot ground-floor retreat off the main living area where the couple's three children go to do homework. For occasional guests, the room has a built-in wall bed and small closet. In the powder room across the hall, a pocket door hides a shower.

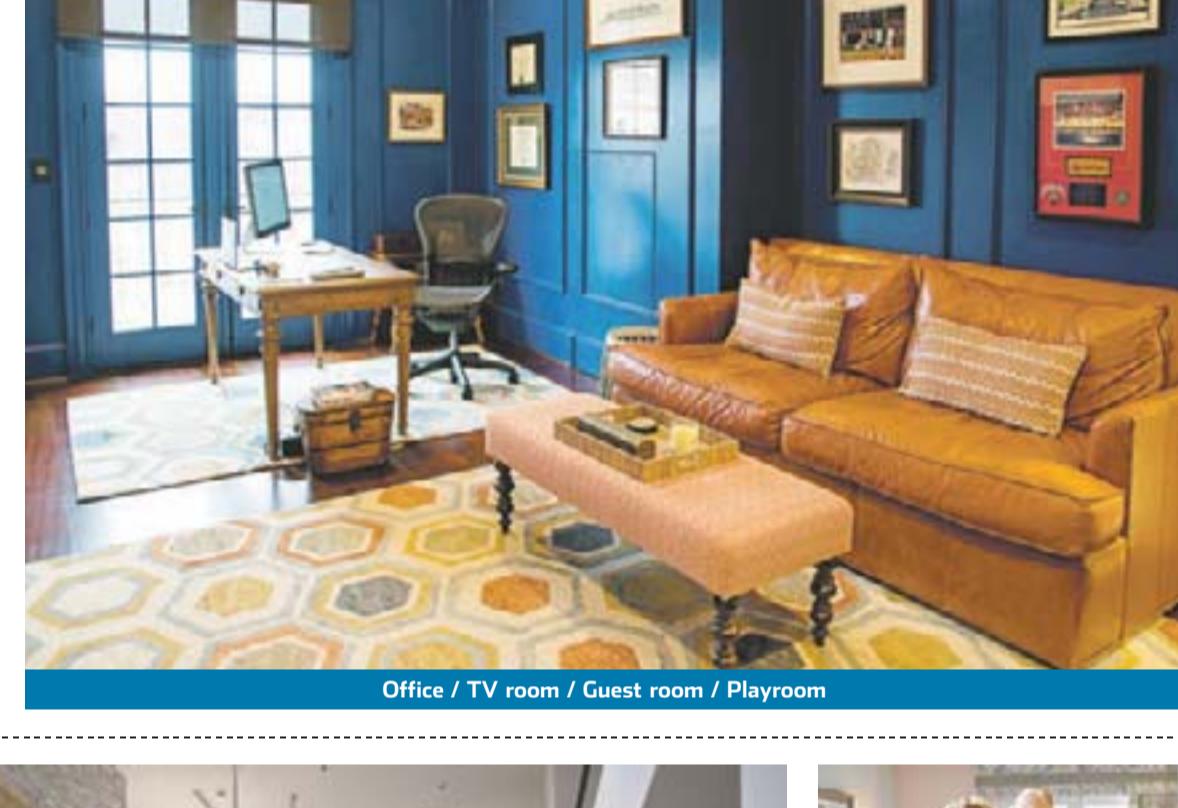
"We all have spaces in our homes that are rarely used, such as a guest bedroom or formal dining room," says Ms. Susanka, architect and author of a book series called "The Not So Big House." "I love spaces that do double duty."

The couple is planning to move back to California, Ms. Steinke's home state, where their daughter wants to attend college. The family has listed their Libertyville home for \$950,000, and marketing materials tout the home's main-floor flex room and its potential for "maximizing room space through flexible options."

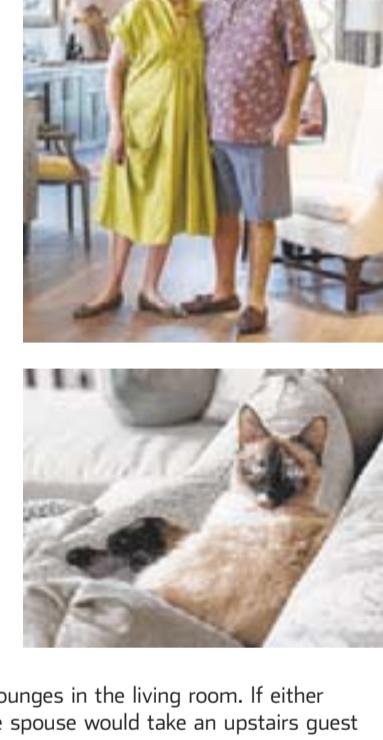
Daryl Weil, 67, persuaded her husband, a 76-year-old former newspaper executive, to change their lifestyle and surroundings before they were too old to enjoy them. They chose to remain in Paradise Valley, Ariz., but traded their traditional-style home of 25 years for a light-filled, contemporary



**VERSATILITY** Tracy and Mike Stolarski, top left, on the porch of their home in North Augusta, S.C., above. Upstairs, the home has a space that serves as an office and TV room, below. A closet is available when guests stay over, left and there's even a hidden storage compartment used mainly as play space for nieces, below left.



RAYMOND MCCREA JONES FOR THE WALL STREET JOURNAL (5)



**FORWARD THINKING** Daryl and Chip Weil, top right, at their new home in Paradise Valley, Ariz. Above, one of the cats lounges in the living room. If either spouse became ill one day, a live-in caregiver would move into what is currently Ms. Weil's home office, below left, and the spouse would take an upstairs guest room, below right. Doorways are extra wide to enable the use of a wheelchair, and the home has a built-in elevator, below center.



Home office / Caregiver's quarters



Guest room / Master bedroom



MARK LIPCZINSKI FOR THE WALL STREET JOURNAL (6)

house—with rooms that are ready to change functions in the future.

Constructed by Scottsdale, Ariz.-based builder Cullum Homes, the Weil house is configured so that if either spouse became ill one day, he or she could move from the first-floor master bedroom to an upstairs guest room. A live-in caregiver would then move into what is currently Ms. Weil's home office, which has a full bathroom. For now, the Weils live only with their two cats, Bobby and Pearl, but they made additional arrangements for aging at home, including an elevator and extra-wide doorways to accommodate a wheelchair. Including modifications, which added \$400,000 to the cost, the couple paid \$3 million to build the 4,400-square-foot,

five-bedroom house and moved in late last year.

"I was thinking about getting older and the maladies one looks toward," says Ms. Weil, a retired interior designer. "I have been forward-thinking with the design."

Cullum Homes project architect Lindsay Cullum Colwell says the firm is incorporating flex spaces in homes throughout the luxury development, called the Village at Mountain Shadows. An optional daylight basement, its website says, gives homeowners the flexibility "to add a game room, wine cellar, children's play area, additional bedrooms, home gym or extra storage."

Flexibility helps young homeowners who are unsure of a growing family's needs. When Jacob and Rita Barker from Greenville,

S.C., started looking at house plans in 2014, Ms. Barker was pregnant with their third child, James, and the couple didn't know how the kids would want to room. Would sisters Madeline and Eliza share a bedroom? Would the children want a play room or play in their own rooms? Would their preferences change as they grew up?

The Barkers chose a floor plan by Home Patterns, a home-design firm in Hastings-on-Hudson, N.Y. The owner, Brooks Ballard, says he includes a flex room in 80% of the plans he sells online.

"A few years ago, people started to not want to pay for a formal living room, but builders still wanted to build the square footage," he says. "The flex room is the room that has replaced the formal living

room."

In the Barkers' 3,100-square-foot, five-bedroom home, an upper-level playroom might someday turn into a bedroom if the girls want more privacy. Mr. Barker, a marketing strategist at Clemson University, and Ms. Barker, a 38-year-old environmental lawyer, use the ground-floor flex room as their master bedroom to be near their 15-year-old dog, Marley, who has trouble climbing the stairs. The original master bedroom upstairs is currently used as the girls' dance studio in their \$350,000 house, says Mr. Barker, 43.

"Especially for us as a young family, building a house for the first time, not really knowing where life was going to take us, flexibility was huge," he says.