

THE WALL STREET JOURNAL.

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DJIA 22340.71 ▲ 56.39 0.25% NASDAQ 6453.26 ▲ 1.15% STOXX 600 385.62 ▲ 0.4% 10-YR. TREAS. ▼ 23/32, yield 2.309% OIL \$52.14 ▲ \$0.26 GOLD \$1,283.40 ▲ \$13.60 EURO \$1.1745 YEN 112.82

What's News

Business & Finance

The SEC is investigating an allegation by PepsiCo's former top lawyer that the company fired her in retaliation for the way she handled an internal probe into potential wrongdoing in Russia. **A1**

◆ Uber is shutting down its U.S. auto-leasing business, months after discovering that losses per vehicle were deeper than had been thought. **B1**

◆ Hain reached an agreement with an activist investor that calls for sweeping board changes and opens the door to a possible sale. **B1**

◆ Apple hit a production snag with components crucial to its new iPhone X's facial-recognition system, adding to shortage concerns. **B1**

◆ Bombardier shares dropped 7.8% after the Canadian company was hit by a double jolt of bad news. **B1**

◆ U.S. stocks rose, buoyed by financial and technology shares. The Dow closed up 56.39 points at 22340.71. **B12**

◆ Google started overhauling millions of search results in Europe in a bid to comply with an EU antitrust decision. **B3**

◆ Exxon and Petrobras agreed to pay \$1.1 billion for rights to offshore oil drilling in Brazil. **B3**

◆ Roku's IPO priced at \$14 a share, valuing the company at about \$1.3 billion. **B11**

◆ Carlyle is in talks to sell a stake in bond manager TCW to bidders including Japan's Nippon Life and MUFG. **B10**

◆ Baxter said it lost production days in Puerto Rico that will delay shipments of two already scarce products. **B3**

World-Wide

◆ Trump and GOP leaders proposed sharply reducing tax rates on businesses and many individuals, kicking off a major legislative push to overhaul the tax code. **A1**

◆ Health insurers appeared likely to offer ACA plans in all U.S. counties next year, despite fears of last-minute exits. **A1, A4**

◆ Germany's finance chief is leaving after a vote that handed the conservative bloc its worst loss since 1949. **A6**

◆ Iraqi Kurds backed independence in a vote that sparked a backlash from Baghdad and neighbors. **A7**

◆ Moore's win in Alabama's GOP Senate primary was a warning shot to incumbents up for re-election in 2018. **A3**

◆ Puerto Rico's hospitals are grappling with widespread power losses and dwindling supplies. **A3**

◆ The administration plans to assess the ability of refugees to assimilate when deciding whether to admit them, a report says. **A3**

◆ A House panel is probing travel by Trump officials after a report that the HHS chief used private jets. **A5**

◆ A basketball bribery probe has prompted questions as to whether the alleged activity violates federal law. **A5**

◆ Mattis criticized Iran and Russia for continuing to arm and support Taliban fighters in Afghanistan. **A7**

◆ Died: Hugh Hefner, 91, Playboy magazine founder who helped lead the sexual revolution. **B1**

CONTENTS Markets B11-12
Business News... B3-6 Opinion A15-17
Capital Account... A2 Sports A14
Capital Journal... A4 Technology A4-5
Crossword... A13 U.S. News A2-5
Head on Street: B12 Weather A12
Life & Arts... A11-13 World News A6-9



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President Donald Trump spoke about tax reform on Wednesday at the Indiana State Fairgrounds.

Key elements of the GOP tax proposal

FOR INDIVIDUALS

- ◆ Replaces seven brackets with three or four, and a top rate at or between 35% and 39.6%
- ◆ Almost doubles standard deduction for many households
- ◆ Eliminates state and local tax deductions

FOR BUSINESSES

- ◆ Cuts corporate rate to 20% from 35%
- ◆ Imposes one-time tax on stockpiled foreign profits
- ◆ Establishes a 25% rate for 'pass-through' businesses such as partnerships

Trump Backs Steep Cuts In Tax Rates

By RICHARD RUBIN
AND SIOBHAN HUGHES

WASHINGTON—President Donald Trump and GOP leaders proposed sharply reducing tax rates on businesses and many individuals, kicking off a major legislative push to overhaul the nation's tax code this year.

The ambitious framework released Wednesday by party leaders sketched out a range of tax changes—including lower taxes on corporate profits, incentives for business investment, fewer and lower individual income tax brackets and the end of estate taxes—that Republicans said will boost economic growth and benefit middle-income families.

Under the Republicans' plan, the corporate tax rate would fall to 20% from 35%. And the top rate on individuals could drop to 35% from 39.6%.

Manufacturers, large-company executives, retailers and conservative groups issued supportive statements, showing a breadth of support for

the GOP ideas, particularly in the business community. Real-estate agents, local governments and charities, who all stand to lose, voiced concerns, offering a preview of some potentially powerful opposition.

Democrats criticized the plan as a giveaway to the rich because a number of the proposed changes, including lower business tax rates and a repeal of the estate tax, would disproportionately benefit the top sliver of rich households.

The proposal leaves many questions unanswered, including how the government will tax the nation's highest earners. Please see TAXES page A2

Decoding the Plan

- ◆ Greg Ip: The GOP's tax-overhaul drive marks a risky about-face on deficits..... A2
- ◆ Charting the big changes and many unknowns..... A2
- ◆ Laura Saunders: A look at likely winners and losers under the proposal..... B1

SEC Investigates Firing of Top Pepsi Lawyer

Former general counsel

alleges her 2012

ouster was retaliation,

which company denies

ter and internal documents.

Maura Smith, who was PepsiCo's general counsel from May 2011 to June 2012, oversaw outside lawyers hired by the company to dig into business practices at Wimm-Bill-Dann, a big Russian maker of dairy products and juices that PepsiCo spent about \$5 billion to acquire in 2011, the documents show.

Federal securities regulators are investigating an allegation by PepsiCo Inc.'s former top lawyer that the company fired her in retaliation for the way she handled an internal probe into potential wrongdoing in Russia, according to people familiar with the matter.

The Securities and Exchange Commission is looking at allegations that Ms. Smith was ousted because her work on the probe ranked others at PepsiCo, peo-

ple familiar with the matter said. The inquiry is at an early stage and is focused on the circumstances of Ms. Smith's dismissal, the people said, and may not lead to any enforcement action.

"PepsiCo did not engage in any retaliatory conduct and any allegations to the contrary are untrue," the company said. "The company is cooperating with the SEC investigation." PepsiCo said Ms. Smith's departure was not related to "any dispute or disagreement" over the internal investigation.

When PepsiCo announced Ms. Smith's departure in 2012, the company said she was resigning to pursue other opportunities. Her separation agreement, signed four months after her exit, entitled her to nearly \$6 million in cash payments, regulatory filings show. The agreement prevents the company and Ms. Smith from disparaging one another.

Some people familiar with Ms. Smith's tenure at PepsiCo described it as stormy and

Please see PEPSI page A9

Playboy Founder Hefner Dies at 91



IMAGE OF WORLDLINESS: Hugh Hefner, the founder of Playboy magazine who revolutionized publishing and helped usher in the sexual revolution, died Wednesday at the age of 91. **B1**

By Andrew Ackerman,
Joe Palazzolo
and Jennifer Maloney

The region is among the most exposed to 2017's brick-and-mortar rout

BY VALERIE BAUERLEIN

To understand the ripple effects of the collapse in traditional retail, look no further than Elmira, N.Y.

The city, perhaps best known as the hometown of American fashion icon Tommy Hilfiger, is more exposed to the national retail carnage than almost anywhere else in the U.S.

Elmira and the surrounding Chemung County, whose economy depends on a sputtering mall, have lost hundreds of retail jobs over the past five years, earning a ranking as one of worst markets in the U.S. when measured by percentage of retail jobs lost, according to the Bureau of Labor Statistics. Sales-tax collection

has plunged as stores have closed, forcing deep cuts to police and other services.

"It was your Mayberry. You leave your door open and not worry about anything," says Joe Pisacki, 56, who quit his native Elmira after a layoff and moved to Myrtle Beach, S.C., for a job managing sales at a party balloon company. "It's not that way now."

For decades, Elmira was a quintessential manufacturing boomtown. Factory workers here made typewriters for Remington Rand, television picture tubes for Westinghouse Electric Corp. and Sikorsky helicopters for the U.S. military. Well-paid blue-collar jobs kept the metro area humming and helped turn the city

Please see RETAIL page A10

Insurers Stay In ACA Plans Despite Fears Of Exodus

By ANNA WILDE MATHEWS

Health insurers appeared likely to offer Affordable Care Act plans in all U.S. counties next year, despite months of drama and worries among some state officials about last-minute exits, ahead of a late-Wednesday deadline.

Some major insurers that had signaled that they might pull back, including Cigna Corp., Health Care Service Corp., Molina Healthcare Inc., Highmark Health and Independence Blue Cross, this week said they would stick to the states and regions where they had filed to offer ACA coverage.

The final decisions of some Please see INSURE page A4

This Winter's Hot Fashion: Parkas Stuffed With Vermont Weeds

* * *

Farmers hate milkweed, plant it anyway for clothing insulation; 'looks like hell'

By JENNIFER LEVITZ

Each fall, as foliage turns and Vermont teems with tourists, the state's farmers take pride in showing off their fetching fields of hay and corn. In the slanting sun, the crops call to mind the heyday of impressionist painters.

Take a closer look, and you may see something they're a little less proud of—fields of milkweed, sometimes strategically tucked out of view. Thanks to Canadian clothing companies, some farmers in this bucolic state are setting aside acreage—and their aesthetic biases—to cultivate a homely weed they have long

considered a menace to kill at all cost.

With its warts, a messy sap that can sicken livestock and a tendency to grow in tall, mangy clumps that crowd out other plants, milkweed doesn't enjoy a history of immortalization in oil paint.

Milkweed does eventually sprout fragrant flowers. But by season's end, notes one gardening website, it looks like it got "hit with the ugly stick."

Let the plant grow on purpose, Vermont farmer Andre Quinton says, and "it looks like you don't know what the hell you're doing."

That is, until harvest rolls Please see WEED page A10

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Oracle Autonomous Database

No Human Labor – Half the Cost

No Human Error – 100x More Reliable

ORACLE®

oracle.com/selfdrivingdb

Human labor refers to tuning, patching, updating, and maintenance of database.

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

GOP Makes a Risky About-Face on Deficits



Throughout Barack Obama's eight years as president, Republicans hammered relentlessly at the horrors of debt. In 2011 they took the country to the brink of default because they didn't want to raise the statutory debt ceiling. Last year candidate Donald Trump repeatedly ripped Mr. Obama for doubling federal debt.

Yet in their drive to overhaul taxes, President Trump and his congressional allies are about to make the trajectory of debt even worse.

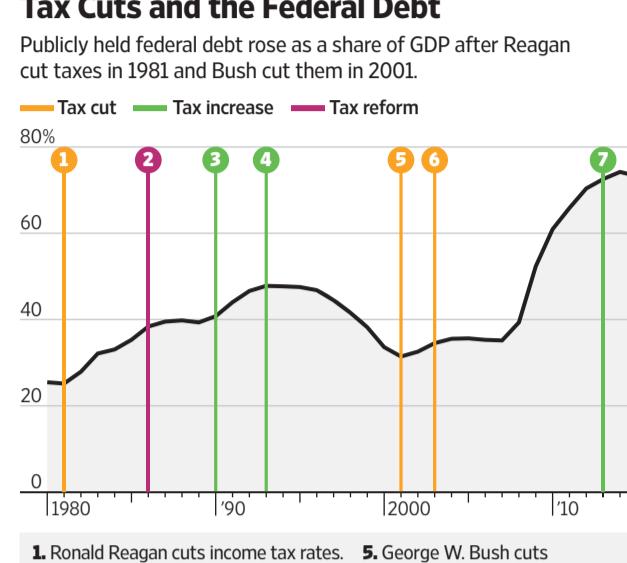
Financing tax cuts with deficits isn't the end of the world: There are economic arguments for doing so, but Republicans aren't making them. Instead they rely on a more tenuous case: Lower tax rates will unleash so much economic activity and add tax revenue that, contrary to history and mainstream economic opinion, the debt actually won't rise much, if at all. It's a politically convenient face-saver, but it undermines a process Republicans themselves put in place to minimize the abuse of such reasoning.

Though Washington's attention is on the tax reform

principles Mr. Trump and congressional leaders unveiled Wednesday, the more substantive decision came last week when Republican senators Bob Corker of Tennessee and Pat Toomey of Pennsylvania agreed that next fiscal year's budget resolution would let tax reform add \$1.5 trillion over 10 years to deficits (roughly 0.6% of gross domestic product). Mr. Trump can support that, administration officials said Wednesday.

How can that be justified? One way might be to argue that the economy needs stimulus, especially if the Federal Reserve is hamstrung because interest rates are near zero. But unemployment is at 4.4%, likely near as low as it can go without raising inflation pressure, and the Fed is raising rates. If the central bank thinks a tax cut will overheat the economy, it will raise rates even more quickly, potentially snuffing out any benefit to growth.

A related argument: With government bond yields at just 2.3%, it's OK to borrow more to finance investments that raise future output. Liberal-leaning economists like Larry Summers make this argument in favor of public in-



1. Ronald Reagan cuts income tax rates.
2. Tax Reform Act lowers corporate and personal rates, closes loopholes.
3. George H.W. Bush raises top personal rate.
4. Bill Clinton raises top personal rate.
5. George W. Bush cuts personal rates.
6. Lawmakers expand, accelerate Bush tax cuts.
7. 'Fiscal cliff' deal raises top personal rate.

Source: Congressional Budget Office

THE WALL STREET JOURNAL.

frastructure. "Supply-siders" like Mr. Toomey make a similar case: Lower tax rates bolster private investment and output, and that makes debt more acceptable.

But permanently widening deficits is risky when the publicly held federal debt, now 77% of GDP, is on track to hit

91% in a decade as aging baby boomers draw on Social Security and Medicare. A \$1.5 trillion tax cut would push that to 100%, according to the Committee for a Responsible Federal Budget, a watchdog group.

Mr. Trump and congressional leaders and even Sen.

Corker, a deficit hawk, respond by saying tax cuts won't do that. The \$1.5 trillion in revenue loss ignores any added economic activity and thus tax revenue that lower rates might generate.

Republicans have long thought such "static" scoring exaggerated how much tax cuts add to the deficit. So in early 2015 Paul Ryan, now speaker of the House, directed the Congressional Budget Office and Joint Committee on Taxation, nonpartisan scorekeepers for Congress, to "dynamically score" tax cuts to incorporate their feedback to the economy. This was economically justifiable, though again politically convenient.

The problem is the JCT and CBO may not tell Republicans what they want to hear.

There is little evidence from the last few decades that a tax rate cut raised underlying growth in the U.S. or any other advanced economy anywhere near the 0.7 percentage point to 1 percentage point Mr. Trump and the Republicans are counting on. Debt rose as a share of GDP after Ronald Reagan and George W. Bush cut taxes. Independent economists think tax reform could boost growth by anywhere from 0.1 point to 0.6 point over a decade. JCT and

CBO would likely be at the low end of that range since they believe higher deficits nudge up interest rates and crowd out private investment.

If so, Mr. Trump and Republicans are likely to solicit more flattering estimates, but that undercuts the logic of involving the CBO and JCT, which is to provide analysis free of bias. If legislators can cherry-pick their analysis, why wouldn't Democrats demand that increased health, education and child-care spending get credit for boosting wages and reducing incarceration costs, or that increased public infrastructure get credit for raising future productivity?

Mr. Corker insists he won't agree to "some crazy scoring mechanism" and may vote against a plan that doesn't meet his standards. As if to underscore his resolve, he said Tuesday he won't run for re-election next year, the better to keep doing his job "thoughtfully and independently."

But Mr. Corker is just one vote. In the coming year, the fiscal rectitude he holds dear will for most of his colleagues take a back seat to the raw political imperative of getting a tax cut passed.

TAXES

Continued from Page One
ers and how the plan's fiscal math will add up.

According to an estimate from the nonpartisan Committee for a Responsible Federal Budget, the framework calls for about \$5.8 trillion in tax cuts over a decade and includes about \$3.6 trillion in revenue-raising provisions; that leaves a net cut of \$2.2 trillion. Senate Republicans are eyeing a plan that would allow \$1.5 trillion in tax cuts over a decade.

"There's never been tax cuts like what we're talking about," Mr. Trump, a Republican, said during a speech in Indiana in which he said the plan would boost economic growth and lead to a "middle-class miracle."

With many tough decisions about who wins and who loses left to be sorted out by lawmakers, the release of the plan marks the beginning of what likely will be months of tugging and pulling among lawmakers, lobbyists and the administration to reshape the way the federal government taxes businesses and individuals.

Battles could ensue about a proposal to limit deductions that businesses are now allowed for interest on their debt and about the repeal of the state and local tax deduction. That last change has opponents among House Republicans in New York, New Jersey and California, whose votes GOP leaders will likely need.

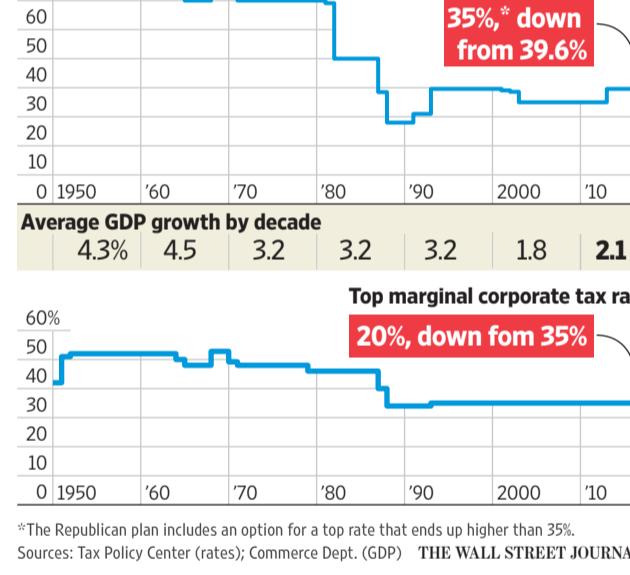
A great deal is at stake for the White House and congressional Republicans, who have spent months trying to repeal the Affordable Care Act without success. They are eager for a legislative win to make their mark on the U.S. economy and position themselves for the 2018 midterm elections. "For all of us, this is a now-or-never moment," House Speaker Paul Ryan (R., Wis.) said.

Many Republicans expressed optimism Wednesday. But tax policy is notoriously thorny. Congress hasn't overhauled the tax system in such an ambitious manner since 1986.

"If we can't get this done, then frankly what can we do?"

Rates and Growth

U.S. tax rates for corporations and wealthy households have come down over the past half century, while growth in inflation-adjusted gross domestic product, a measure of economic output, has slowed.



Sources: Tax Policy Center (rates); Commerce Dept. (GDP) THE WALL STREET JOURNAL.

Rep. Mario Diaz-Balart (R., Fla.) said.

Democrats, many of whom bashed the proposal as full of benefits for the richest households, are unlikely to give Republicans much help in passing a tax bill, forcing the GOP to work within its narrow majorities in the House and Senate.

"When Donald Trump was talking about his plan in the last few days, he talked about

for a 20% corporate tax rate, down from 35% today. Other companies, which pay their taxes through the individual returns of their owners, would get a 25% top rate with unspecified rules that would prevent wealthy business owners from paying that rate on what is considered wage income.

Businesses could immediately deduct capital investments, except for buildings, for at least five years, instead of depreciating them over time as is the case today. The move is meant to spur spending on new machines and the workers needed to run them.

"This is a supply-side approach that is going to lower the cost of capital, encourage investment, make America the best place in the world to invest money, and in the process we're going to create incentives to expand America's productive capacity," Sen. Pat Toomey (R., Pa.) said.

Individual tax rates would be set at 12%, 25% and 35%, with the option of a fourth higher rate on the highest-income households. The plan would repeal the alternative minimum tax and estate tax, a

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U.S. NEWS

Colleges Rethink Remedial Education

States are switching to basic skills classes to get students on track to graduation

BY DOUGLAS BELKIN

More states are moving away from remedial education, finding the noncredit classes are more of a detour than an on-ramp to a college degree.

The classes, typically assigned to first-year students who fail a basic readiness test, cost students and institutions roughly \$7 billion a year. But studies show that teacher preparation is often weak, student motivation is low and pass rates are even lower.

The California State University System, the largest public system in the country, recently decided to scrap traditional remediation classes, joining Colorado, Indiana, Tennessee, West Virginia and Florida in moving to rethink the system.

"No one has been very happy with [the remedial system] for a while," said Lynn Mahoney, provost and vice president for academic affairs at California State University, Los Angeles. "We've been nibbling around the edges to fix this. Now, we're going to start a new approach."

Next fall, Cal State Los Angeles students who fail the assessment test will simultaneously take college-level and new basic skills classes, which Dr. Mahoney said will help fill in the holes for less-prepared students as they need it.

Each of the 23 campuses in the California State University System will give its own twist to the basic skills classes. At Cal State Los Angeles, courses will be targeted at students' college-credit classes. For example, if a student is taking a sociology class and needs help with statistics, he or she would learn only the math applicable for that class. A typical remedial course would cover much

Basic Skills vs. Remedial Classes

lege-level courses

◆ Cover only information needed on a specific topic for the germane course

REMEDIAL CLASSES

◆ Taken before college-level courses

◆ Don't count as college credit

◆ Cover broad range of information within a specific topic

more ground, said Dr. Mahoney.

The push to shake up remedial education has been gaining momentum across the country as universities struggle to improve anemic graduation rates—often dragged down by the same students most in need of help.

For the class of students who started in 2009, the six-year graduation rate across the California State University System was 66% for students who

didn't need any remedial classes. It was 45% for those who took remedial classes in both math and English.

Low success rates for students who need remedial classes is an even more pronounced problem at community colleges, where nearly two-thirds of students are placed in at least one remedial class, but less than one in five pass the germane college course, according to Columbia

University's Community College Research Center.

Results from assessment tests are frequently faulty and can flag the wrong students, said Hunter Boylan, director of the National Center for Developmental Education and a professor of education at Appalachian State University.

He added that the courses are typically taught by the least-experienced teachers, with little training in remedial-teaching methods. And because classes don't carry college credit, students feel they are wasting money—and, in some case, using up limited financial aid—for courses that don't move them closer to a degree.

The issue echoes beyond the halls of academia into the workforce. The skills gap in the U.S. has led to several million unfilled jobs. Most of those demand some sort of postsecondary education.

The basic skills model that the California State University System is poised to embrace

has shown some promise. Colorado, Indiana, Tennessee and West Virginia have all reported improving pass rates.

One study of 13 community colleges in Tennessee found that only about 15% of students enrolled in remedial math classes went on to finish their first college math course the following semester. But nearly 60% of students who took a basic skills class at the same time as a college math class, often supplemented with tutoring, completed the college class.

The study found that the basic skills model to be more cost-effective, but cost more and "requires substantially more resources."

"It's a high-risk, high-reward strategy," said Clive Belfield, an economics professor at Queens College, City University of New York, and the lead author of the Tennessee study. "It's expensive—you're paying for two courses instead of one—so it has to work. And, it turns out, it does."

New Step Is Planned In Refugee Vetting

BY FELICIA SCHWARTZ

WASHINGTON—The Trump administration is planning to assess the ability of refugees to assimilate—in addition to their need for protection—when deciding whether to admit them, according to an annual report to Congress on refugees.

The report, which was reviewed by The Wall Street Journal and had yet to be made public Wednesday, says the U.S. may consider "certain criteria that enhance a refugee's likelihood of successful assimilation and contribution in the United States," in addition to "compelling protection needs."

Historically, the U.S. has considered whether refugees demonstrate that they have experienced persecution or fear persecution.

The change in policy drew impetus from the White House, and in particular, Stephen Miller, a senior adviser to the president who has been instrumental in crafting the administration's policies on refugees and immigration.

The policy also reflects President Donald Trump's view that immigrants should embrace American values. In a videotaped message last week to new U.S. citizens, Mr. Trump urged them to help others to assimilate. "You now share the obligation to teach our values to others, to help newcomers assimilate to our way of life," he said.

A State Department official said that it wouldn't be mandatory for refugees to meet an assimilation standard, but that officials are exploring factors to help meet administration priorities.

"One of the discussions that the current administration has been having is how to ensure that refugees successfully assimilate," a State Department official said. "We've started to have discussions—to see within that cadre of very vulnerable people if...they might have additional factors that we can use to help them assimilate."

A second State Department official said a refugee's ability to assimilate and contribute to U.S. society is "not an additional requirement."

The Trump administration will admit at most 45,000 refugees in fiscal year 2018, The Wall Street Journal reported Tuesday, the lowest cap since at least 1980.

A White House official said Mr. Trump would consult with Secretary of State Rex Tillerson and acting Homeland Security Secretary Elaine Duke about the final refugee cap and will soon order a presidential determination to announce the final ceiling.

Advocates and refugee organizations said they are concerned about the planned assimilation factors, which they described as contrary to the historic goals of the refugee program.

—Shane Harris contributed to this article.

Hurricane Ravages Puerto Rico's Hospitals

BY BETSY MCKAY
AND MELANIE EVANS

Puerto Rico's health-care system is grappling with widespread power losses, crippled hospitals and dwindling medical supplies nearly a week after Hurricane Maria devastated the U.S. territory, according to doctors and relief workers.

Securing more fuel for generators and clean water for patient care are "two important priorities" for the island's hospitals and clinics, said Kenneth Sturrock, the federal health coordinator for the Department of Health and Human Services who was on the ground in Puerto Rico on Tuesday.

The National Disaster Medical System has sent 330 health-care workers from the U.S. mainland to assist Puerto Rico, he said, and U.S. lawmakers are pushing for quick approval of hurricane aid.

Already struggling through an economic crisis that led this year to the largest-ever U.S. municipal bankruptcy, the territory is now dealing with a humanitarian emergency in the wake of Maria, the strongest storm to hit the island in nearly a century.

The hurricane knocked out power and communications to most of the island and its 3.4 million residents. Most of the island's 69 hospitals are operational, but their status is unknown, the Federal Emergency Management Agency reported Wednesday. Some may not have power permanently restored for months.

The hospitals that are up and running are dealing with patients who were injured or need care for continuing conditions. Many hospitals have canceled elective surgeries. Health officials are also worried that massive flooding unleashed by the



A patient sat outside a San Juan hospital on Monday. The exact status of most Puerto Rico hospitals was unknown as of Wednesday.

hurricane could lead to a proliferation of mosquitoes—and outbreaks of disease.

One of the few hospitals to have power is Centro Medico, a large public hospital and clinic complex in San Juan, the territory's capital, where on Tuesday a military tanker truck could be seen unloading diesel fuel to the complex.

Fernando Roura, an emergency-room doctor at the Centro Medico hospital, said power was "intermittent—it comes and goes."

Medical personnel are using what electricity they have to light the hospital, as well as to power fans and essential equipment, like ventilators,

cardiac monitors and vital-sign monitors, Dr. Roura said in an interview over WhatsApp.

He said a CT scanner at the complex wasn't working properly, meaning staff couldn't properly evaluate patients with head trauma and other bodily injuries. "We're going back to 1970s, 1980s-style medicine," he said.

The most common problems that the emergency room has treated are burns and poisoning from the many electric generators pressed into service and their fumes, said Ruthmaris Nieves, administrator of the organization that runs Centro Medico.

Outpatient and elective ser-

vices have been eliminated for now, she said. "All our efforts are directed to take care of our most critical patients."

Centro Medico is receiving many patients from rural areas and hospitals that lack power, transported by helicopter and ambulance, doctors said. Dialysis and chemotherapy patients are being moved to hospitals with diesel generators, Nabal Bracero, a reproductive endocrinologist in San Juan, said in a text message. FEMA said Wednesday that more than half of dialysis centers in Puerto Rico and the U.S. Virgin Islands are back open.

In the first days after the hurricane, babies were deliv-

ered by emergency responders in local clinics, because roads to hospitals were blocked.

Now, Dr. Bracero said, more hospitals are restoring services, but fuel supplies to keep them operating are meager and uncertain.

The hurricane is just the latest difficulty for Puerto Rico's health-care system. Many health-care workers have left for the U.S. mainland in recent years as the island has sunk deeper into economic crisis.

—Daniela Hernandez contributed to this article.

◆ Storms disrupt Baxter shipments..... B3

Alabama Vote Boosts GOP Primary Challengers

BY JANET HOOK

Roy Moore's triumph in the Republican Senate primary in Alabama was a warning shot to incumbents up for re-election in 2018 and a shot of adrenaline to antiestablishment conservatives thinking of mounting challenges.

Party leaders who backed Sen. Luther Strange, Mr. Moore's rival Tuesday, rallied Wednesday to support Mr. Moore in the Dec. 12 general election. They also acknowledged that the Alabama contest could portend a season of contentious 2018 primaries.

Senate Majority Whip John Cornyn (R., Texas) told reporters Wednesday that Republicans are prepared to run in a climate filled with anger at Washington that could fuel challenges by outsiders.

"It's not news that we have an outsider versus insider challenge," Mr. Cornyn said. "Other senators will...hopefully learn from this experience so they can be prepared to deal with it."

The race drew national attention because it pitted President Donald Trump, who backed Mr. Strange, against an array of conservative leaders backing Mr. Moore, a former



Alabama Democrat Doug Jones, right, will face Roy Moore, who won Tuesday's GOP Senate primary.

state supreme court judge and evangelical favorite. They included Steve Bannon, the former White House aide who has returned to the Breitbart conservative news organization and promised political war against Senate Majority Leader Mitch McConnell (R., Ky.) and Washington political elites.

Mr. Bannon and his allies hailed Alabama as a harbinger of antiestablishment primary fights to come. They count as a victory that on the same day that Mr. Strange lost, Sen. Bob Corker (R., Tenn.), facing a potential primary, announced he wasn't running for re-election.

"Yesterday the 'Make Amer-

ica Great Again' coalition got two scalps," said Noel Fritsch, a conservative political consultant, referring to Sens. Strange and Corker. "We are going to parade those scalps across the country for the entire GOP consulting class to see."

Many Republicans warn against drawing too many con-

clusions from the Alabama race, saying its outcome reflected its own dynamics, such as Mr. Strange's weaknesses as a candidate and Mr. Moore's strong statewide following.

"Every race is run on its merits," said Justin Braswell, campaign manager for Sen. Roger Wicker (R., Miss.), who is up for re-election and may face a primary challenge from the right. "We started organizing early. This is not going to catch us off guard."

Republican Sens. Dean Heller of Nevada and Jeff Flake of Arizona already face GOP primary challengers. In Mississippi, another Bannon associate who has been considering a challenge to Mr. Wicker says he is encouraged by the Alabama outcome.

"It makes the 2018 race more compelling," said state Sen. Chris McDaniel, who nearly toppled GOP Sen. Thad Cochran in the 2014 primary.

The prospect of primary fights concerns GOP establishment strategists, who remember that tea-party candidates sometimes gave Democrats a better shot at winning in general elections—as they did in Delaware and Nevada in 2010.

—Kristina Peterson contributed to this article.

U.S. NEWS

Political Disruption Helps Fuel GOP's Woes



CAPITAL JOURNAL

By Gerald F. Seib

In case they weren't already aware, Republican leaders have just been rudely reminded: We are living in a period of severe political disruption.

The only real consolation for them is that they aren't alone in their suffering, either in the U.S. or internationally. Disruption is running rampant across Western democracies.

In fact, there haven't been many good days for the establishment of either American party in the past couple of years, but it would be hard to imagine one worse than the Republican establishment suffered on Tuesday.

First, the effort to fulfill the most basic of GOP campaign promises—to repeal and replace Obamacare—failed for the second time in two months. Then one of the party's mainstream figures, Sen. Bob Corker of Tennessee, announced he wouldn't run for re-election next year.

Finally, on Tuesday night, Alabama Sen. Luther Strange, the favored candidate of both Senate Majority Leader Mitch McConnell and President Donald Trump, lost in a Republican Senate pri-



President Donald Trump backed the unsuccessful GOP establishment candidate in Alabama because party leaders urged him to do so.

EVAN VUGG/ASSOCIATED PRESS

mary race to a populist firebrand, Roy Moore, who has made clear his disdain for the party hierarchy.

In sum, Republicans couldn't pass a health bill even though they control both houses of Congress and the White House, and party leaders couldn't win a Senate seat for which they backed an incumbent, gave him a multimillion-dollar ad advantage and coaxed the president into helping out.

And amid all that, a respected Republican legislator

decided he didn't need to stick around for more.

What's the problem? Basically, Republicans today are a majority party but not a cohesive one. And to some extent, the party's leaders have themselves to blame.

The GOP spent much of the term of President Barack Obama focused more on stopping him than on agreeing on what they'd do if they took over. They also contributed to a deepening partisan divide, which

has helped leave the political middle ground sterile.

Meanwhile, party leaders encouraged, and then tolerated, and then realized they couldn't stop, an incursion of tea-party activists who surged into the party and split it into a traditional pro-business wing, a social-conservative wing and an insurgent populist wing.

Finally, last year, the GOP found it couldn't stop Mr. Trump, a man who is only a nominal Republican and an avowed foe of the party es-

tablishment, from mounting a hostile takeover.

So now that Republicans are in power, they have neither a strong and durable internal consensus, nor the ability to pull in Democrats. And the ascendant wing of the party is no longer the mainstream conservative faction but the America-first, nationalist forces that Mr. Trump inspires. The president came down on the establishment side in Alabama only because party leaders urged him to—and in the

end he left the impression that his heart wasn't in it.

Republicans have one big shot at success this year, in their new effort to pass a tax bill, for which the stakes have gotten much higher.

There is a silver lining for Republicans:

If Democrats were in charge, they'd encounter many of the same problems. The nation is deeply but narrowly divided politically, and the Democrats increasingly are torn between an insurgent left and an establishment unable to stop it.

Moreover, similar splits, splinters and discontents are being felt across Western democracies. British voters choose to exit from the European Union. French political parties were humiliated and defeated by a young upstart, Emmanuel Macron.

And just this week, German Chancellor Angela Merkel won re-election—but saw the share of the vote by mainstream parties shrink, while support for an anti-immigrant party shot up.

Mr. Macron, in a conversation last week in New York, saw a common thread: a political rebellion by middle-class voters who feel left behind in the 21st century economy and by the political establishment.

In the U.S., as in France, he said, the political struggle has been “between the elite and people who can succeed with globalization, and the middle classes.” He added: “The day your middle classes don’t get their part of prosperity, their part of economic progress, they stop believing in democracy.”

INSURE

Continued from Page One
insurers, including Centene Corp., hadn't been disclosed as of Wednesday evening, and there was still a risk that companies might make 11th-hour pullbacks.

Wednesday's deadline to sign federal agreements to offer ACA plans marked the end of a month-long drama in many states. Insurers have repeatedly announced they would depart exchanges, and at various times as many as 145 counties, in states including Nevada, Ohio and Missouri, have appeared at risk of lacking a marketplace insurer for next year, according to the Kaiser Family Foundation.

State officials scrambled to find replacements, and in many cases had to approve large rate increases for some insurers to stay.

Cigna earlier confirmed it would withdraw from Mary-

land's exchange, but on Wednesday said it would definitely continue offering ACA coverage in a half-dozen other states.

Molina will leave the exchanges in Utah and Wisconsin, as previously announced, but on Tuesday said it would remain in seven other states where it sells ACA plans.

Centene, which has said it plans to expand its role in the exchanges next year, didn't respond Wednesday to requests for comment about its final marketplace decisions. Centene is an increasingly important player in a number of states' exchanges, and in some regions it is the only insurer planning to offer ACA coverage in 2018.

The number of insurers in many regions is expected to be thin. Roughly 50% of counties appeared likely to have just one exchange insurer next year, and 30% were projected to have two, according to a tally by the Robert Wood Johnson Foundation, though

those totals could change if other insurers disclose withdrawals.

To woo and keep insurers, state officials spent months negotiating, and in many cases they are approving substantial rate increases for next year that include extra boosts to insulate insurers from uncertainty about how the law will be administered.

For instance, Mississippi's one exchange insurer was set to get a rate increase of a 47.4% on average, according to the state's insurance commissioner. In Kentucky, Anthem Inc.'s rates will go up 41.2% and nonprofit CareSource's rates will rise by 56%.

The biggest issue for insurers is federal payments that reimburse companies for reducing the health-care costs of low-income ACA enrollees, which the Trump administration has threatened to halt. The potential loss of those payments was expected to add about 20% on average to the cost of middle-tier ACA silver plans, according to an analysis by the Congressional Budget Office.

Insurers have also sought increases tied to the concern that the health law's coverage mandate, which is supposed to prod healthy people to enroll in coverage, will be weakly enforced or seen as toothless by consumers.

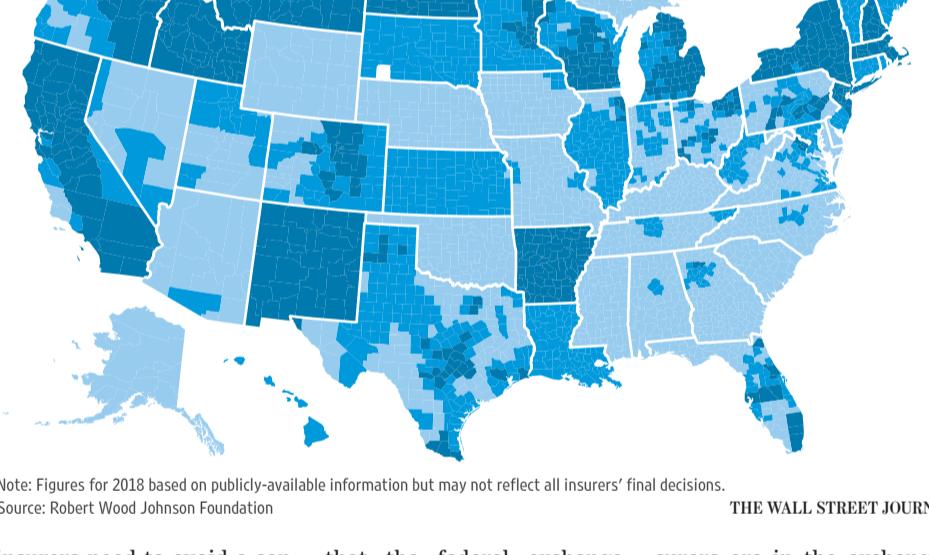
Insurers say that the rate increases, along with other factors like the perception of a weakened coverage mandate, carry a serious risk: There could be a drop in the number of enrollees, particularly the healthy ones whom

Thinning Out

The number of insurers offering Affordable Care Act exchange plans is dropping in many parts of the country, with around half of counties currently projected to have just one insurer next year.

Projected number of Insurers Participating in ACA Exchanges in 2018, by County

■ One ■ Two ■ Three or more ■ No data



Note: Figures for 2018 based on publicly-available information but may not reflect all insurers' final decisions.

Source: Robert Wood Johnson Foundation

insurers need to avoid a continuing cycle of rate increases. People whose incomes are too high to get federal premium subsidies may drop coverage or opt for cheaper, skinnier policies.

Insurers are also worried about the impact of the Trump administration's announced cuts in funding for advertising and grants for groups that help people sign up for coverage. This year's open-enrollment period, which starts Nov. 1, is shorter than in past years, and the Trump administration also has said

that the federal exchange, HealthCare.gov, could be shut down during chunks of that time for maintenance.

The Department of Health and Human Services said in a statement, “Insurers have been fleeing Obamacare’s individual market, leaving nearly half of our nation’s counties with only one coverage option. Americans are once again facing skyrocketing costs and plummeting choices because of Obamacare’s fundamental failures.”

Next year will see a continued shift in which types of in-

surers are in the exchanges. The largest national players, such as UnitedHealth Group Inc., Aetna Inc., and Humana Inc., by next year will have almost completely abandoned the marketplaces.

Another major national insurer, Anthem, said Wednesday that it would leave Maine's exchange next year, a possibility it had warned of earlier. Including Maine, Anthem has said it would exit exchanges in five states and pull back in an additional five. Anthem offered exchange plans in 14 states this year.

Republicans Vow Health Fight Isn't Over

BY KRISTINA PETERSON
AND STEPHANIE ARMOUR

WASHINGTON—Republicans have a new promise on health care: It's not over.

As the GOP trumpeted the framework of a new tax overhaul plan at the Capitol on Wednesday, lawmakers wrestled with their message to voters after promises to roll back the Affordable Care Act officially came up short Tuesday, when party leaders scrapped a final vote after months of failed attempts.

Now, Republicans are promising that repeal will still happen before the current session of Congress ends in January 2019.

The GOP health-care push “is not going to stop. It's just that we're not going to focus solely on that,” Senate Major-

ity Whip John Cornyn (R., Texas) said Wednesday.

President Donald Trump predicted a vote long before this session's end, saying Wednesday that he expected that Congress would vote again on a health-care bill in the first quarter of 2018. He also said he would press forward on his own and negotiate with Democrats on health-care legislation.

In addition, Mr. Trump said he would issue an executive order, likely next week, and suggested it would target rules that make it hard for insurers to sell policies across state lines. Without laying out specifics, Mr. Trump said he planned an order “where people can go out across state lines, do lots of things, and buy their own health care.”

The president's powers ap-

pear to be limited. States can require insurers to obtain a license to operate, and they can set requirements for insurers.

GOP Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana, authors

of the bill that GOP leaders decided not to vote on this week, said they would continue working to build support for their plan to turn over more control and funding to states.

Some Republicans said they understood that voters would

be skeptical that GOP lawmakers can pass health-care legislation later. “Do I think there is a chance of them being successful? I do. I'm not going to necessarily place a wager on it,” said Sen. Bob Corker (R., Tenn.).

Democrats said Republicans were pledging to continue working to dismantle the ACA rather than admitting failure.

“I understand that, for political purposes, the Republicans don't ever want to admit that ACA repeal is off the table,” said Senate Minority Leader Chuck Schumer (D., N.Y.). “They promised it to the American people for seven years but deluded them on what it really meant.”

Democrats have said they are ready to work with Republicans on fixing the ACA—just not repealing it.

of the bill that GOP leaders decided not to vote on this week, said they would continue working to build support for their plan to turn over more control and funding to states.

Some Republicans said they understood that voters would

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U.S. NEWS

College Basketball Inquiry Presents Legal Challenges

BY NICOLE HONG

The government's sprawling investigation into bribery in top-tier college basketball programs has prompted some in the sports and legal communities to question whether the alleged activity violates federal law.

Federal prosecutors on Tuesday unsealed charges against 10 defendants, including four assistant college-basketball coaches.

In one alleged scheme, prosecutors argue, the coaches took cash bribes from financial advisers, business managers and others, and of facilitating

Some legal experts question whether the alleged conduct broke any federal law.

bribes directly to student-athletes. In exchange, the coaches agreed to pressure student-athletes under their control to retain the services of these advisers once the athletes entered the National Basketball Association.

In a second and related scheme, a top **Adidas** AG executive allegedly worked in connection with the advisers in the first scheme to funnel bribes to high-school players and their families to induce them to attend universities sponsored by Adidas, and to choose Adidas as their sponsor when they turned pro.

The investigation is unusual because while the alleged misconduct violates National Collegiate Athletic Association

◆ Basketball scandal claims
Louisville's Pitino..... A14

rules, some legal experts say it may not have necessarily broken federal law.

The government says the universities were the victims of the alleged schemes. Because the universities were unaware of the alleged bribes, they gave financial aid to student athletes who were actually in violation of NCAA rules and therefore ineligible for scholarships. This defrauded the universities because it hurt their "decision-making about the distribution of its limited athletic scholarships," the criminal complaint said.

Gabe Feldman, a sports law professor at Tulane University Law School, said it was fair to question whether prosecutors were overreaching in trying "to turn what might be an NCAA violation into a criminal violation." Prosecutors are primarily alleging violations of bribery and fraud laws. The charges are likely to face challenges in court, experts say.

All four coaches were charged with honest-services fraud conspiracy. The government accuses the coaches of depriving the universities of their "honest services" as university employees by soliciting and receiving bribes.

Honest-services fraud is a crime under the federal wire-fraud statute, a law that is widely used to charge virtually any type of fraud that involves an email or phone call. Every defendant was also charged with wire-fraud conspiracy.

The law governing honest-services fraud is both controversial and in flux, lawyers said. The definition of what it means to deprive an employer of honest services is vague, and a 2010 Supreme Court ruling narrowed the definition of honest-services fraud to cover only certain types of bribery and kickback schemes.

Service in Korean War Honored



JOHN RUCOSKY/ASSOCIATED PRESS

DUTY: Army and Korean War veteran Delvin Cole of Blairstown, Pa., received the Ambassador for Peace medal from South Korea Wednesday, presented by Bob DeSousa, representing U.S. Sen. Pat Toomey.

U.S. WATCH

NASA

Russia Will Join in Deep Space Gateway

Despite increasingly strained diplomatic relations between Washington and Moscow, Russia's top space official has formally agreed to participate in U.S.-led efforts to devise a replacement for the international space station.

Wednesday's joint announcement stopped short of funding commitments by either side and didn't include any specific engineering details.

With the National Aeronautics and Space Administration leading the way, and other national partners on the current space station leaning toward participation, the concept of a Deep Space Gateway is gaining momentum.

Igor Komarov, director general of Roscosmos, said the project would refine technologies needed to pursue the long-term exploration of Mars.

—Andy Pasztor

MEDIA

President Says Facebook Is Biased

President Donald Trump on Wednesday said Facebook Inc. was biased against him during the election, marking the second time he has sought to rebut the notion that possible manipulation of the social network could have played a role in his election win.

The Senate Intelligence Committee invited Facebook, **Alpha**-**bet** Inc.'s Google and **Twitter** Inc. to testify on Nov. 1 about Russian interference on their platforms, according to people familiar with the matter.

Mr. Trump has intensified his attacks on the social network. "Facebook was always anti-Trump," Mr. Trump said on his Twitter account.

In response, Facebook Chief Executive Mark Zuckerberg said that both liberals and Mr. Trump are upset about ideas and content that they don't like on Facebook.

—Georgia Wells and Byron Tau

OAKLAND

Two Plead Not Guilty In Fire That Killed 36

Nearly 10 months after 36 people died in a massive warehouse fire during an unpermitted concert, two men pleaded not guilty Wednesday to manslaughter charges in connection with the inferno.

Derick Ion Almena, the main leaseholder for the property, and Max Harris, another tenant who allegedly worked with Mr. Almena as "creative director" of the space, each face 36 counts of involuntary manslaughter.

The two men are accused by Alameda County prosecutors of allegedly creating a fire trap with inadequate means of escape. Prosecutors allege that the two men acted with "disregard" to the risks to human life when they allegedly allowed people to live in the warehouse and deceived the fire department and property owners.

—Zusha Elinson

Lawmakers Probing Travel by HHS Chief

BY JOSHUA JAMERSON

WASHINGTON—The House committee that conducts oversight of the executive branch has launched a probe of taxpayer-funded travel by senior Trump administration officials, after a report that Health and Human Services Secretary Tom Price had flown on private jets in the course of his duties.

In a letter to Dr. Price on Tuesday, Committee on Oversight and Government Reform Chairman Trey Gowdy (R., S.C.) and ranking member Elijah Cummings (D., Md.) said the committee was investigating the extent to which political appointees "either use government-owned aircraft for personal travel or private non-commercial aircraft for official travel."

The same letter was also sent to 23 other heads of federal departments and agencies.

Caitlin Oakley, a spokeswoman for HHS, said that the department has "initiated a departmental review of all processes and procedures related to official travel and will fully cooperate with Congress's review."

Last week, HHS defended Dr. Price's use of private planes, saying that "commercial travel is not always feasible" for Dr. Price to carry out his HHS responsibilities.

President Donald Trump said Wednesday that he was "personally" examining Dr. Price's use of private jets and said he was "not happy about it."

Politico reported last week that Dr. Price had flown on charter flights estimated to have cost tens of thousands of dollars apiece.

—Rebecca Ballhaus contributed to this article.

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WORLD NEWS

Mattis Criticizes Aid to the Taliban

By GORDON LUBOLD AND CRAIG NELSON

KABUL—Defense Secretary Jim Mattis criticized Iran and Russia for continuing to arm and support Taliban fighters in Afghanistan, aid that American officials say provides the militant group with both fire-power and added legitimacy.

Mr. Mattis met with Afghan President Ashraf Ghani and North Atlantic Treaty Organization Secretary-General Jens Stoltenberg, along with the top U.S. commander there, Gen. John Nicholson.

In a sign of the challenges facing the U.S. and its allies, militants struck Kabul's international airport. Afghan officials said eight rockets were fired at the airport, while the U.S. military said the attack involved suicide vests and several rounds of high-explosive ammunition.

The local affiliate of Islamic State claimed responsibility for the assault. So did the Taliban, which said they were targeting the defense secretary, who already had left the airport when the attack broke out.

In his comments earlier in the day, Mr. Mattis said Russia and Iran's continued assistance to the Taliban runs counter to their interests.

"Those two countries have suffered losses to terrorism, so I think it would be extremely unwise if they think they can somehow support terrorism in another country and not have it come back to haunt them," he said.

Russia has acknowledged that it shares information with the Taliban in an effort to combat Islamic State, but has denied sending weapons.

Iranian officials say they have contacts with the insurgent group, but deny providing it weapons or sanctuary.

Saudi Driving Shift Worries Some

By MARGHERITA STANCATI

RIYADH, Saudi Arabia—As the reality sank in Wednesday that Saudi women would be allowed to drive, many celebrated the removal of an enduring barrier to their freedom while others confronted new challenges to getting behind the wheel, like buying a car and navigating rush-hour traffic.

"It's a good first step; We are becoming kind of equal," said 18-year-old Filwa al Haws. "But the streets aren't good enough for women to drive in. A lot of people drive like crazy in Riyadh."

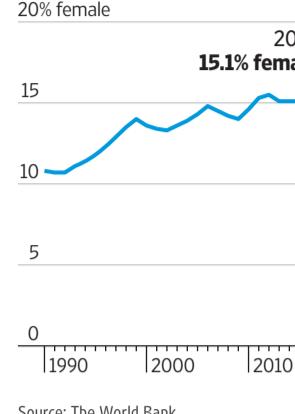
Late Tuesday, King Salman lifted the ban on women driving in Saudi Arabia, the only country in the world where the government had maintained such a restriction.

The driving ban became a major flashpoint in the struggle for women's equality and a test of wills between the kingdom's moderates, who wanted

Kingdom Rises

Saudi women are increasingly entering the workforce but still at lower rates than many other countries.

Saudi Arabia's labor force



Source: The World Bank

Select areas, 2016

Area	Labor force, percentage female
U.A.E.	12.5%
Saudi Arabia	15.1
Iran	18.1
Egypt	23.1
Turkey	31.1
World	39.4
Brazil	43.1
China	43.8
South Africa	44.7
EU	45.8
U.S.	45.9
Russia	48.7

THE WALL STREET JOURNAL.

Saudi Arabia's strict social rules to ease, and conservatives, who viewed such changes as attempts to Westernize their society.

Saudi Arabia's top clerical body supported the king's decision to lift it, saying it complies with Islamic law. Still, the announcement provoked a

backlash among ultraconservative Saudis.

"I'm a woman and I reject women driving cars," said a Twitter user, Hanan al Harbi. "Where are you taking the country? This will take our youth on a path toward temptation and corruption."

Some women worried they could become an easy target for conservatives if they drove. "We will just have more problems," said Moudhy al Mishal, who is 30. "The people are not very open-minded."

Based on a royal decree, women will be allowed to obtain licenses by June, after a government panel decides on procedures. The logistical challenges range from establishing driving schools for women to enforcing traffic regulations more strictly.

The king's announcement followed a campaign to allow women to drive that started in the early 1990s and that was led by Saudi women, some of

whom were detained for defying the ban. Many of them celebrated Tuesday's announcement, and drew praise from other Saudi women.

But the Saudi government warned them against raising their profile. Saudi officials have called several of the women who led the driving campaign and warned them not to comment either positively or critically about the decision or face questioning by authorities, said Saudi women activists.

"They don't want to give any credit to the activism," one of the women said on Wednesday. "They don't want people to realize that public pressure does bring change."

Challenges remain: legally, women are considered minors, requiring the permission of a male guardian to marry or travel abroad. Saudi women activists want to change that. "We ask for nothing short of full equality for women," said Malal al Sharif, a leading activist.

Iraqi Kurds Back Independence in Referendum

By ISABEL COLES AND ALI A. NABHAN



CHRIS MCGRATH/GETTY IMAGES

People walked through an airport in Erbil, the capital of the Kurdish region of Iraq, on Wednesday.

from the central government in Baghdad over the coming years.

But Iraqi Prime Minister Haider al-Abadi has said that

there will be no talks between his government and Kurdish

leaders after the referendum,

its outcome.

Iraq's parliament on Wednesday authorized Mr. Abadi to take a range of coun-

termeasures against the Kurds, such as deploying forces to disputed territories where the referendum was held and regaining control of oil wells in the Kurdish-controlled northern city of Kirkuk.

Mr. Abadi, who has vowed to keep the country whole without using force, said at the parliament session that the Kurds had been duly warned of the "dangerous consequences" of their vote.

Iraq's Kurds are now bracing themselves for the fallout as Baghdad, Iran and Turkey threaten to close borders and airspace as punishment.

Kurdish leader Masoud Barzani sought to reassure the region's neighbors on Tuesday, saying threats wouldn't help solve the problems between Baghdad and the regional capital, Erbil.

—Nour Malas contributed to this article.

China Lifts Agricultural Exports To North Korea Despite Tensions

By LUCY CRAYMER

China's agricultural exports to North Korea rose sharply in July and August, amid rising geopolitical tensions and at a time of year when the food supply in the isolated nation is usually at its lowest.

In July and August, China corn exports jumped to a total of 34,964 metric tons, nearly 100 times the levels seen in the year-earlier period. Rice exports increased 79% to 17,875 metric tons, while exports of wheat flour surged more than 11-fold to 8,383 metric tons, according to China's Customs data.

United Nations sanctions on North Korea have expanded significantly in recent weeks and now include banning Pyongyang from exporting iron, lead and seafood. However, there are no restrictions on food imports to the country.

As North Korea's chief trading partner, China accounts for the bulk of imports to the country. Still, China's decision to increase the amount of food it sends across the border, even as other sanctions come into play, highlights the resilience in ties between the two countries, analysts say.

"It demonstrates that unless the Chinese are really pressured, they're not going to really crack down on trade

send a flood of refugees into northern China and upset the regional balance of power.

China's export data also showed an uptick in exports of coal to North Korea in August, ahead of a U.N. ban on Pyongyang's coal trade that took effect on Sept. 5.

Fresh food tends to be scarce in North Korea from May through September because of seasonal conditions, according to a report published by the U.N. in July.

The Food and Agriculture Organization of the U.N., however, said on Wednesday that conditions had improved since it had warned of a possible famine in July, as North Korea had received significant rainfall in August.

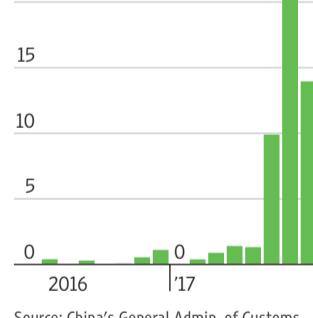
Meanwhile, the jump in corn exports to North Korea comes as China has been trying to sell down its overflowing corn stockpiles, which are estimated by the U.S. Department of Agriculture at around 110.8 million metric tons. Those efforts have been met with limited success since China began overhauling the sector in early 2016.

Beijing doesn't release information on its stocks, but market players think much of the corn is no longer fit for consumption. Some of it is four years old and might be only fit to be made into ethanol.

Food Parcel

China's exports of corn to North Korea have risen dramatically in recent months.

25 thousand metric tons



Source: China's General Admin. of Customs
THE WALL STREET JOURNAL.

with North Korea," said Grant Newsham, a senior research fellow at the Japan Forum for Strategic Studies in Tokyo.

"Until they really see some downside risk to themselves, trade is just going to keep going" across the border, he said.

China plays a central role in international efforts to dissuade North Korea from its aggressive pursuit of its nuclear and ballistic-missile ambitions. However, Beijing has resisted Washington's calls to support measures it fears could cause its neighbor's collapse—an event that could

highlight the resilience in ties between the two countries, analysts say.

"It demonstrates that unless the Chinese are really pressured, they're not going to really crack down on trade

Ross Presses Beijing to Level Trade

By NATASHA KHAN

HONG KONG—Commerce Secretary Wilbur Ross said he pressed China during his visit to Beijing this week to level a "lopsided" playing field for American companies there.

Mr. Ross was in Beijing to pave the way for a meeting between President Donald Trump and Chinese President Xi Jinping, expected in November, when Mr. Ross will also lead a trade delegation to China.

He told a media briefing in Hong Kong on Wednesday that he is optimistic about talks between the leaders of the

world's two biggest economies, though neither side had signaled any concessions on the thorny issues dividing them.

Topping the U.S. agenda, Mr. Ross said, is market access for American companies. The U.S. will push China to lower protectionist barriers and improve protection of intellectual property, he said, especially as China is gunning to become a more powerful technology player.

"We do need major change, and I hope that we made it clear because the relationship is too lopsided at the moment," Mr. Ross said.

In Beijing meetings with se-

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WORLD NEWS

Canada Puts Up Its Own Southern Wall

In shift, government tells flood of asylum seekers fearing deportation from U.S. that there is no automatic haven there

Canada has an urgent message for immigrants in the U.S. fearing deportation: Don't count on us for refuge.

By Sara Schaefer Muñoz in Toronto and Alicia A. Caldwell in Los Angeles

This month in Los Angeles, a top lawmaker with Canada's governing party met with members of the local Hispanic immigrant community to stress that people who fear losing their protected status in the U.S. shouldn't expect automatic reception in Canada—and could be deported to their country of origin if they make the trip north.

"It's really important before making any decisions that they understand [Canadian] laws," Pablo Rodriguez, a Liberal member of Parliament from Quebec, told the group.

That message marks a shift for Canada, which has emphasized its friendliness toward immigrants as the Trump administration has moved to tighten U.S. borders.

When the U.S. launched its ban on travelers from some Muslim-majority countries in January, Canadian Prime



Canadian border officials escorted a group of asylum seekers in Lacolle, Quebec, last month.

Minister Justin Trudeau posted a message on his Twitter account: "To those fleeing persecution, terror & war, Canadians will welcome you, regardless of your faith. Diversity is our strength."

Since mid-July, however, Canada has faced an unprecedented influx from the U.S. of some 7,000 asylum seekers, in

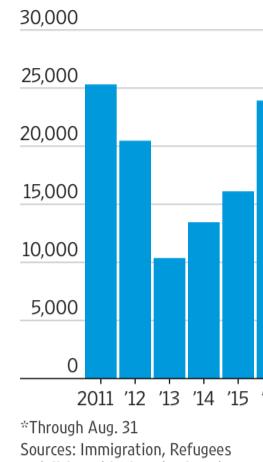
large part Haitians who feared deportation once their U.S. temporary protection expires. Many of them were among the estimated 58,000 in the U.S. under a humanitarian program that allowed them to stay as the Caribbean island rebuilt after a devastating earthquake in 2010. The Trump administration has

signaled it won't renew the protections once a six-month extension runs out in January.

Now Ottawa is rushing to clarify its own rules: namely, that those who arrive in Canada can be deported back to their country of origin, not just returned to the U.S. Furthermore, if they have been denied asylum

Northward Bound

More asylum claimants have been processed in Canada in the first eight months of this year than in any of the last six entire years.



*Through Aug. 31

Sources: Immigration, Refugees and Citizenship Canada; Canada Border Services Agency

THE WALL STREET JOURNAL.

in the U.S., they are unlikely to receive it Canada.

"We remain unwavering in our commitment to offer protection for those determined to flee war, persecution or terror," Ahmed Hussen, Canada's minister of immigration, refugees and citizenship, said in an interview this month. "But there is a lot of

false information in those communities. Not having or losing status in the U.S. is not grounds for an asylum claim."

Because of a treaty between Canada and the U.S., asylum seekers need to make their claims in whichever country they arrive first.

There is an exception if they enter Canada illegally, which is why thousands made their way over back roads and through wooded areas along the New York-Quebec border in the summer. To discourage such crossings, Canadian officials are reaching out in the U.S. They are also posting messages on Canadian immigration websites.

Mr. Trudeau was asked at a recent news conference if his January tweet had been too welcoming. "We welcome refugees in this country, but there is process to determine whether someone is a refugee," he said, adding that those fleeing to Canada face rigorous screening.

This week, the Trump administration said it would reduce the maximum number of refugee admissions for the coming fiscal year to 45,000, the lowest cap in decades. Canadian officials declined to comment on the move.

Tally of Damaged Buildings Tops 150,000 in Mexico

BY ANTHONY HARRUP

MEXICO CITY—More than 150,000 homes, thousands of schools and hundreds of historic buildings were damaged or destroyed in two deadly earthquakes that struck Mexico this month, according to preliminary government estimates.

A magnitude 8.1 earthquake on Sept. 7 killed close to 100 people and damaged thousands of buildings in the southern states of Oaxaca and

Chiapas. On Sept. 19, a magnitude 7.1 quake toppled dozens of buildings in Mexico City and central states, leaving at least 337 people dead.

While search and rescue continued Wednesday at a few sites, authorities were drawing up a census of the damage.

President Enrique Peña Nieto said the reports, while preliminary, "demonstrate the magnitude of the damage and the cost that reconstruction will represent."

Wide Rifts Remain as Nafta Round Ends

BY PAUL VIEIRA
AND SARA SCHAEFER MUÑOZ

OTTAWA—The third round of talks to renegotiate the North American Free Trade Agreement ended amid growing pessimism about the ability of the three countries to reach a consensus over the most contentious parts of the pact.

At a closing event Wednesday afternoon, senior officials from the U.S., Canada and Mexico applauded progress, including the conclusion of a

chapter addressing small and midsize businesses.

But people close to the talks expressed concern that things were moving slowly on some of the most divisive matters, such as arbitration in trade disputes and U.S. content requirements in automobiles.

"As negotiations move forward, it is important that we have the will to [introduce] positions that encourage constructive discussions on problematic issues," Mexican Economy Minister Ildefonso

Guajardo said in his concluding remarks at the Ottawa round. When negotiators next gather in Washington in early October, "we will have substantial challenges to overcome."

U.S. officials, according to people with knowledge of the talks, have discussed their views on matters such as arbitration panels they see as an erosion of U.S. sovereignty and their desire to see more U.S.-made parts in auto production.

However, the Office of the

U.S. Trade Representative hasn't finalized proposals on these topics because the U.S. has faced strong pushback on various points from business groups and lawmakers in Washington.

This could put at risk a successful completion of the renegotiation by the original goal of the end of the year, people involved in the talks said.

U.S. Trade Representative Robert Lighthizer said much work remained on the "difficult and contentious" issues.

FROM PAGE ONE



EUGENE GOLGIKSKY/GOTTHAM MAGAZINE

Gibson Dunn concluded that the car and the consulting contracts "likely constitute potential violations" of accounting provisions of the Foreign Corrupt Practices Act, a law that bars U.S.-listed companies from paying bribes to foreign officials and requires firms to maintain strong internal controls. The investigation found no conclusive evidence of more serious violations of the law's antibribery provisions, according to the documents.

PepsiCo took measures to address the findings, including removing employees involved in alleged wrongdoing and updating Wimm-Bill-Dann's financial controls to conform with PepsiCo's compliance program, the documents show.

While the investigation was ongoing, Ms. Smith asked lawyers at Gibson Dunn to help her prepare a detailed memo for the PepsiCo board that would present the major findings, according to internal documents. One of those lawyers felt uncomfortable with the request, according to one of the documents mistakenly sent to the Journal that summarized a recent conversation with her. To the lawyer, it appeared that Ms. Smith wanted to "call out names of former and current employees and place blame," while protecting her own position at the company, according to the document.

Ms. Smith had prepared a memo with the help of Gibson Dunn, and a 33-page draft dated June 7, 2012, was among the documents mistakenly sent to the Journal. Among its assertions: PepsiCo executives in Europe didn't do enough due diligence after the Wimm-Bill-Dann deal, and the company's system for escalating potential problems to headquarters had malfunctioned at times.

Following the episode, PepsiCo engaged law firm Gibson, Dunn & Crutcher LLP to "tip over every rock" at Wimm-Bill-Dann, one of the people said. The investigation unearthed evidence of theft, improper land deals and millions of dollars in questionable consulting contracts and gratuities, including a company-owned Audi A8 sedan that was provided to a regional governor of Russia to use for free, according to internal documents.

It was never sent to the board, according to others familiar with the matter, and Ms. Smith's employment ended June 15, 2012.

A memo of findings Ms. Smith prepared was never sent to PepsiCo's board.

whether Wimm-Bill-Dann results before the takeover needed to be restated, internal documents show. The auditors concluded no restatement was necessary, one person familiar with the matter said.

Following the episode, PepsiCo engaged law firm Gibson, Dunn & Crutcher LLP to "tip over every rock" at Wimm-Bill-Dann, one of the people said. The investigation unearthed evidence of theft, improper land deals and millions of dollars in questionable consulting contracts and gratuities, including a company-owned Audi A8 sedan that was provided to a regional governor of Russia to use for free, according to internal documents.

PepsiCo took full control of Wimm-Bill-Dann in September

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IN DEPTH



A former AT&T Store at the Arnot Mall has been converted to a lounge.

RETAIL

Continued from Page One
into a regional shopping destination for 10 counties in southern New York and northern Pennsylvania.

As manufacturing faded, the Arnot Mall expanded, acting as a bulwark against some of those losses and providing entry-level jobs for teens and a way for stay-at-home mothers to re-enter the workforce.

At its peak in 2011, when drilling for natural gas was booming just across the Pennsylvania line, the mall was the heart of a shopping mecca with 3 million square feet of retail space, including a Macy's anchoring one end of the complex and a "Miracle Mile" of shopping centers spreading out along the interstate. Local officials put a moratorium on new stores at one point because of concerns that there was too much traffic.

Today the ailing property is a sprawling relic. Many of the mall's storefronts are empty, some papered over with artwork from local students to hide gated vacant space.

Macy's locked its doors for good last year. Bankrupt Aéropostale, which caters to teens, shut its store soon thereafter. So did Friendly's, a food court fixture since 1980.

Cash registers are still ringing at Sears, but may not be forever. Sears Holdings Corp. has closed 180 stores so far this year and recently told investors it expects to close 150 more by the end of the third quarter. A Sears spokesman says the company has no plans to close the Arnot Mall location.

"It's not going to get better," says Rick Falck, chairman of the

Arnot family-run business that owns the mall and surrounding retail space. "Does that surprise you? How much time do you like to spend going to the mall to buy blue jeans?"

Mr. Falck is a descendant of the Arnot family whose name is emblazoned on Elmira hospitals, a local art museum and the mall. When he was a teenager, Mr. Falck worked construction on the fern-and-fountain-lined shopping center, earning \$1.25 an hour to help build his family's grandest of businesses.

Mr. Falck, now 68, used to survey the mall and surrounding landscape that he helped shape with pride. Now it's with a

How can retail come back? I don't know the answers, I truly don't.'

wearily sense of duty.

"If we sold the facility to someone, they would probably demolish it. We feel we can manage and maintain it," he says. But he warns that losing another anchor tenant could change that outlook. "If we lose Bon-Ton or we lose Penney's the property could go under."

The mall is banking on becoming a place to play and hang out as well as shop. Last winter, a swath of empty storefronts opened as a golf-coaching facility. When the AT&T store closed, the mall's management converted the space into a lounge with couches and flat-screen TVs. Another former empty shop houses Fresh Start Corner, which offers free coffee and is run by a church that holds Sunday services at

the mall's movie theater.

Three other empty stores were combined to make Great Escape Adventures, which has darkened rooms where people work together to solve a mystery, a shop that sells board games and an open space with tables where people gather to play games free.

"If all you want is your stuff, then online is the way to go," says Jesse Gardner, a Corning Inc. employee who regularly plays fantasy games at Great Escape. "It's the community stuff that's going to work."

The Arnot family is considering adding apartments, a grocery store, doctors' offices or a university annex to the complex. The trouble is that most of these services aren't subject to sales taxes.

Local governments built their budgets based on the good times. Chemung County relies on sales tax for roughly a quarter of its \$160 million budget, and Elmira, 19% of its fiscal needs. That's compared to an average of 8.7% for local governments in New York state, and 5.2% nationwide, according to the nonpartisan Tax Policy Center in Washington, D.C.

"You get it, you want more of it, you keep spending it," says Mayor Dan Mandell, a Republican who was elected in 2015 on a promise to clean up the city's finances. "You don't have to be an accountant to know that it's a recipe for disaster."

In two years, Elmira's sales-tax receipts have fallen by 20% to \$5.8 million. The city of 28,000 has 71 police officers, compared with 78 a year ago.

Elmira has turned over purchasing, road maintenance and buildings and grounds to the county and is considering rolling up other services within

Chemung County, which has 11 towns and five villages in addition to Elmira.

"That's the kind of thing you have to do if sales tax disappears," says Dan Royle, a former Elmira city council member who is on an advisory committee considering merging law-enforcement agencies.

For a time, Elmira rode the wave of oil and gas drilling. The U.S. energy boom started in 2009 and helped the country claw its way out of a recession. The Arnot Mall was thronged with workers and their families from just over the border in the shale gas fields of northern Pennsylvania. In 2010, Chemung County led New York state with 13.2% in sales tax growth, according to Tom Santulli, the elected county executive.

When the price of natural gas collapsed in 2012 and transient workers left the area for good, it signaled the beginning of the slow demise of the area's retail sector.

Online sales in Elmira and surrounding towns are rising faster than many areas, up 25% in the second quarter from the same period a year earlier, compared with 19% statewide and 24% nationwide, according to research firm Slice Intelligence, which analyzes email receipts.

"If you drive through the neighborhood, you see boxes on everybody's step," says Marcia Tinker, who was a longtime manager at the local Macy's before it closed. She recently opened a booth at an antiques store but is struggling to compete with eBay.

Amazon this year began collecting tax in all 45 states that tax sales. But many of the site's sales come through Amazon Marketplace, where third-party sellers don't always collect.

Small businesses that use online retail platforms often say it's too much to expect them to go through the unwieldy procedure of calculating and distributing sales taxes to dozens of different states, which in turn parcel out money to local jurisdictions. Tax receipts from online shopping are not yet enough to compensate for the decline of stores.

Mr. Mandell, Elmira's mayor, cited the decline in sales-tax revenue as a reason the city went from a \$2.4 million surplus in early 2013 to a \$1.6 million deficit in late 2015.

More stores are on track to close in 2017 than during the 2008 recession, according to an analysis by Credit Suisse.

In Elmira two weeks ago, Bon-Ton Stores Inc. held a ribbon-cutting at the Arnot Mall to celebrate its move to the 120,000-square-foot space formerly held by Macy's from a smaller spot on the other side of the shopping center.

Bon-Ton, a regional chain with 260 stores, is facing a

steep decline in sales and traffic and recently hired a restructuring expert to get a handle on its \$900 million in debt.

The Elmira market has been robust for Bon-Ton, but only because shoppers here are looking for bargains.

Toys "R" Us Inc., which has a stand-alone store adjacent to the mall, filed for chapter 11 bankruptcy protection earlier this month.

—Valerie Bauerlein

milkweed crop on his "back 40," he says, "so no one can see it from the road."

Among milkweed skeptics is Ken Van Hazinga, 65, who grows grain and hay in Shoreham, Vt., and says he couldn't warm to farming it himself. He is trying not to judge peers who do. "There is no accounting for taste," he says. "Some people might like this plant."

Common milkweed, concentrated east of the Rockies and in southern Canada, has a burgeoning market thanks to a handful of Canadian companies and a farmers' co-op that have seized on the idea of stuffing jackets, mittens and other products with its fibers.

A new limited-edition milkweed-packed parka from Quartz Co., based near Montreal, did well enough last winter that the company will roll it out to 10 retailers this year, says its president, Jean-Philippe Robert.

Jaunty enough for the city and practical enough for the weekend cabin, he says, the "refined Canadian parka" sells for \$850, the same as Quartz's duck-down jacket. He says down is still popular but milk-

weed attracts customers intrigued by a "plant-based" insulator. "We were shocked by the interest we got."

Another company has crafted a milkweed snow suit. The Canadian Coast Guard says it recently tested milkweed-insulated parkas, gloves, mittens and coveralls but hasn't yet disclosed its findings.

It's rare for farmers to intentionally grow what are otherwise considered weeds for commercial uses, says Lee Van Wychen, science policy director

for the Weed Science Society of America.

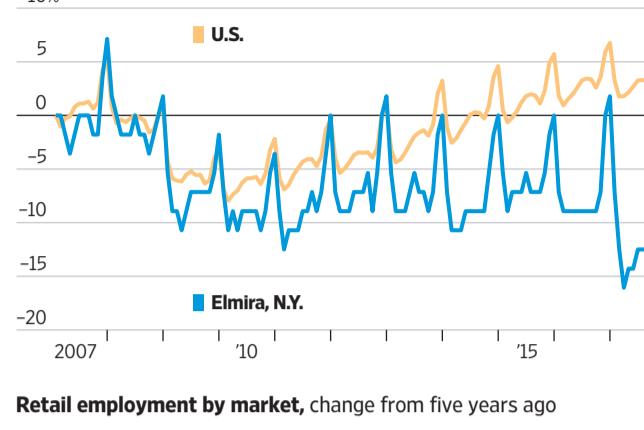
Perhaps the "weed" in milkweed is no longer deserved, says John Hayden, a 60-year-old Jeffersonville, Vt., fruit farmer who is growing milkweed and says the plant needs an image makeover. After all, a weed is essentially a wild plant growing where it's not wanted. He isn't sure his willfully grown milkweed qualifies. "We should change the name to 'milkflower.'

Milkweed's sartorial use

Mauled Malls

Elmira and its surrounding environs have lost more retail-sector jobs in the past five years, in percentage terms, than nearly 400 other metro areas as traditional stores struggle. Local officials, who rely on traditional shoppers paying taxes, find themselves strapped for cash.

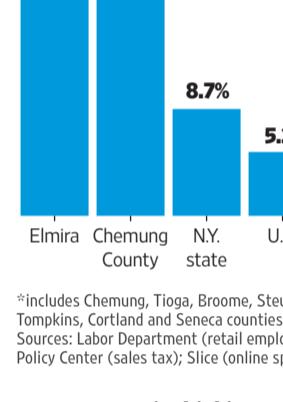
Retail employment, change since 2007



Retail employment by market, change from five years ago

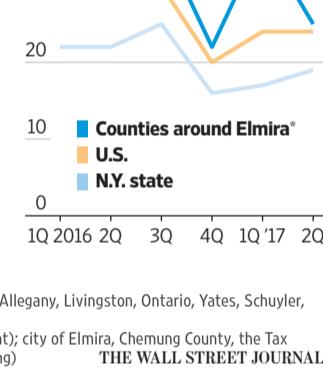
BIGGEST LOSSES		BIGGEST GAINS	
Wausau, Wis.	-10.3%	Provo-Orem, Utah	+35.5%
Charleston, W.Va.	-9.8%	St. George, Utah	+32.0%
Beaumont-Port Arthur, Texas	-9.6%	Rome, Ga.	+30.8%
Elmira, N.Y.	-7.6%	Tacoma-Lakewood, Wash.	+29.7%
Kankakee, Ill.	-7.1%	Seattle-Tacoma-Bellevue	+27.6%

Sales tax as a percentage of local government spending



*includes Chemung, Tioga, Broome, Steuben, Allegany, Livingston, Ontario, Yates, Schuyler, Tompkins, Cortland and Seneca counties
Sources: Labor Department (retail employment); city of Elmira, Chemung County, the Tax Policy Center (sales tax); Slice (online spending)

Online spending, growth from a year earlier



THE WALL STREET JOURNAL.

These days the big economic development in Elmira is FedEx Corp.'s new \$18 million distribution center, designed to handle increased demand from online shopping. Chemung County is also vying for a state economic-development incentive package to lure an \$8 million call center for Wayfair Inc., an online-only furniture retailer whose brands include Joss & Main.

Wayfair says it intends to open the facility but that "key aspects are currently in negotiation," according to a spokesman, who declined elaborate.

The community's future still remains closely linked to the fate of the mall. Mr. Falck, who oversees the Arnot family's real estate, says he's optimistic the mall will survive, in part because it is the only major shopping center in a 60-mile radius.

Its location next to the interstate, within sight of the Elmira-Corning Regional Airport and a mile from the new FedEx center, also leaves the mall's leaders suggesting that it could be transformed into an online retailer's distribution center. Such a twist might be the best chance of saving Elmira from traditional retail's collapse.

"We can't make inappropriate or desperate investments to save something that shouldn't be saved," Mr. Falck says. "Everything's got a lifetime."

Retail's Annus Horribilis

Traditional retailers are in crisis. More than 20 brands filed for bankruptcy in 2017, including RadioShack and Payless ShoeSource Inc. Other big-box chains like Staples Inc. have agreed to go private in an attempt to maneuver the new landscape.

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this month.

—Valerie Bauerlein

Continued from Page One

around these days.

Some makers of winter clothing are touting the white wispy floss in milkweed pods as a plant-based insulating material. Some forecasters say milkweed could yield \$800 an acre this year, which Vermont farmers say is better than they get for most commodities.

Heather Darby, a University of Vermont agronomist who is pushing farmers to plant milkweed as protection against volatile milk and grain prices, gives a presentation to prospective growers on "the five stages of dealing with milkweed."

Her approach is modeled on a well-known psychological program for dealing with grief. "The biggest barrier the farmers have is trying to overcome how they feel about the plant itself," she says. As a crop, "it looks like hell."

Growers who let milkweed run rampant have long been considered poor farmers. Fretting about what passersby will think, Mr. Quintin, 46, tucks his

milkweed crop on his "back 40," he says, "so no one can see it from the road."

Among milkweed skeptics is

Ken Van Hazinga, 65, who

grows grain and hay in Shoreham, Vt., and says he couldn't

warm to farming it himself.

GREATER NEW YORK

New Tab for Tunnel Presses Port Authority

By PAUL BERGER

Rising estimates for the new Gateway rail tunnel under the Hudson River could cost the Port Authority of New York and New Jersey an additional \$800 million, according to a trustee for the development corporation overseeing the project.

But New Jersey Gov. Chris Christie and New York Gov. Andrew Cuomo maintain that the costs are preliminary and no decision has been made to increase Port Authority funding.

The Port Authority has already committed \$2.7 billion to cover debt service for the first phase of Gateway, which will improve reliability and double

capacity on the two-track stretch of rail line between Newark and New York City.

The century-old, two-tube tunnel is used by 200,000 passengers riding NJ Transit and Amtrak each weekday. Because of damage caused by super-storm Sandy, each tube must be closed for up to two years for repairs within the next two decades. That would reduce rail capacity to six trains per hour from 24, unless a new tunnel is built.

Richard Bagger, a trustee of the development corporation, said \$2.4 billion of the Port Authority's commitment to the first phase of the program was supposed to represent 25% of

funding for the rail tunnel projects.

Since then, the estimate for the cost of the tunnels has risen to \$12.9 billion, leaving the Port Authority's commitment about \$800 million short.

Following a recent meeting of the Gateway Program Development Corporation, Mr. Bagger, who is also a commissioner at the Port Authority, said the revised cost raises the possibility that Port Authority funding should be increased "to reflect 25%."

Mr. Bagger is Mr. Christie's representative on the Gateway agency's three-person board. Asked about the possibility of increased Port Authority fund-

ing for Gateway, Brian Murray, a spokesman for Mr. Christie, said: "There's been no such decision made."

Abbey Fashouer, a spokeswoman for Mr. Cuomo, said:

\$800M

Potential added cost to the Port Authority for the Gateway project

at this time is premature."

The first phase of Gateway involves digging a new two-track tunnel under the Hudson, repairing the current tunnel and building a new rail bridge over the Hackensack River. The second phase includes the expansion of New York Penn Station to handle the extra trains. The program's total cost is estimated at just under \$30 billion.

Port Authority chairman, Kevin O'Toole, who is appointed by Mr. Christie, declined to comment. So, too, did the agency's executive director, Rick Cotton, who is appointed by Mr. Cuomo.

—Kate King contributed to this article.

Education Case Could Upend Funding

By JOSEPH DE AVILA

A long-running civil case that could upend how Connecticut pays for public education heads to the state's top court for oral arguments Thursday as a prolonged budget fight that could result in deep cuts for schools continues in the statehouse.

Superior Court Judge Thomas Moukawsher said in a ruling last year that funding for K-12 schools violated the state's constitution because Connecticut lacked a rational plan to distribute money among districts "in light of the special circumstances of the state's poorest communities."

He ordered the state to devise a new funding method that would establish a sound formula to distribute the money and to overhaul several aspects of the system, including special education and teacher evaluations.

In 2005, a coalition of cities, school boards and families sued the state, claiming Connecticut didn't give students from all socioeconomic backgrounds a minimally adequate and equal education.

Connecticut aims to find a formula that would serve rich and poor school districts.

Governor Dannel Malloy, who was mayor of Stamford, at the time, was among the original members of the coalition that sought to address funding disparities between wealthy and poor school districts.

Last year, state Attorney General George Jepsen's office appealed the lower-court decision to the state Supreme Court, arguing that the panel had exceeded its authority.

In court papers, Connecticut said the lower-court ruling created a new standard that provides "a license for a judge to impose his own views of correct educational policy and educational fiscal policy in lieu of the determinations of the elected branches of our government."

School districts statewide will be watching how this case plays out. Many of the poorest communities cheered the decision when it was announced in 2016.

"There is nothing less than the future of K-12 public education at stake in this case and whether the Connecticut Constitution truly champions equitable and adequate educational opportunity for every student," Jim Finley, principal consultant to the Connecticut Coalition for Justice in Education Funding, the lead plaintiff in the case.

A spokeswoman for Mr. Jepsen's office declined to comment.

The high-stakes case comes as the state grapples with a two-year budget deficit of \$3.5 billion. If Connecticut doesn't pass a budget, towns and cities would see a 27% decrease in education funds for the 2017-2018 school year.

If the case is overturned, the main question will be raised is: "What happens to equity in funding for the poorest districts?" said Frances Rabenowitz, executive director of the Connecticut Association of Public School Superintendents.

Spinning Their Wheels for a Good Cause



PEDAL PUSHERS: People rode stationary bikes Wednesday during Cycle for Survival's annual Times Square Takeover, which raises money to fight rare cancers.

Latinos' Health Examined

By MELANIE GRAYCE WEST

Latinos, who make up nearly a third of the New York City population, tend to have better health outcomes compared with other city residents, according to a new report released Wednesday from the New York City Department of Health and Mental Hygiene.

Researchers found that despite having some higher risk factors than the city's roughly 8.5 million residents as a whole, Latinos overall have a lower premature mortality rate than non-Latinos. Within the top leading causes of death—heart disease, cancer and flu—Latinos have lower death rates.

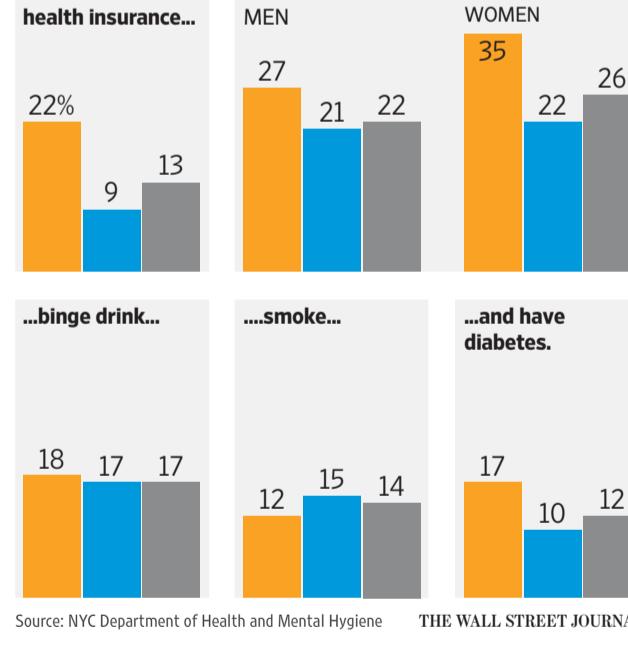
The city periodically issues reports examining different population groups to help set health priorities. This is the first look at the city's roughly 2.4 million Latino residents, who comprise at least 20 different heritage groups, including Puerto Ricans, Dominicans and Mexicans.

Insight into the health of different populations will, "help us to deepen our commitment to advance the well-being of all New Yorkers," said Hermilia Palacio, deputy mayor for Health and Human Services.

The report was developed in consultation with the Hispanic Federation and eight Latino health researchers and scholars.

Checkup

How Latinos compared with the overall population of New York City, for adults who...



Source: NYC Department of Health and Mental Hygiene

Bronx School Stabbing Leaves Student Dead

By ZOLAN KANNO-YOUNGS

An 18-year-old stabbed a 15-year-old fellow student to death and left another teenager in critical condition in a Bronx public school on Wednesday, the New York City Police Department said.

A running dispute between the students escalated at about 10:45 a.m. when Abel Cedeño allegedly used a knife to stab the younger teens in the chest inside a classroom at the Urban Assembly School for Wildlife Conservation in the Tremont neighborhood, police said.

Police charged Mr. Cedeño with murder, manslaughter and assault on Wednesday night. It wasn't known if he had an attorney.

Mayor Bill de Blasio's office said the last killing of a student by a student in a city school occurred in the early 1990s. The violence reignited debate about whether more metal detectors should be installed in schools.

About 88 city school buildings

have metal detectors, but the

Urban Assembly School doesn't,

city officials said.

Mr. de Blasio said officials would review whether a scanner was needed at the school, which serves grades six through 12. He said each community should work with the

Department of Education and the NYPD to decide whether to install metal detectors.

"Our hearts are very heavy right now," the mayor said at a news conference. "The school community is reeling...We will use every measure to make sure every child is safe."

The victims were taken to St. Barnabas Hospital, where Matthew McCree was pronounced dead, police said. Ariane LaBoy, 16, was listed in critical, but stable, condition.

The students had been involved in a dispute for about two weeks before the stabbings, which took place in a history classroom as about 15 other students watched, police said.

After the attack, Mr. Cedeño went into the hall, where a counselor confronted him and took the knife, a law-enforcement official said. The student waited for police in an assistant principal's office.

Mr. Cedeño bought the switchblade knife online for \$30 "in the last couple of weeks," a senior law-enforcement official said. Switchblades are illegal in New York state.

Schools Chancellor Carmen Farina said she was heartbroken by the incident.

—Leslie Brody contributed to this article.

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HOUSING

Landlord Settles Harassment Probe

A New York City landlord will have to pay \$500,000 and address a number of building violations as part of a settlement over alleged harassment of tenants, officials said Wednesday.

The settlement with Icon Realty Management capped an investigation by a multiagency tenant harassment-prevention task force.

Tenants in several Icon buildings in Manhattan and Brooklyn complained that they had to live amid construction debris and dust and had their heat, hot water and cooking gas shut off, the state attorney general's office said.

A lawyer for Icon said the company didn't harass any of its tenants. He said "there were some construction issues" that the company addressed a year ago, giving affected tenants rent abatements.

"Icon never, ever intended to harass tenants and the task force made no finding of harassment because none occurred," said Ken Fisher, the lawyer for Icon.

The settlement requires Icon to pay \$300,000 to the task force and more than \$200,000 in penalties and fees. It is the first settlement reached by the

task force, which was established in 2015 in response to complaints that landlords seek to push tenants out of rent-regulated apartments in order to increase rents.

—Thomas MacMillan

NEW JERSEY

State Takes Steps To Lure Amazon

The nationwide competition for Amazon's second headquarters has led Gov. Chris Christie and lawmakers to propose overhauling a program that has awarded billions of dollars in tax breaks to draw businesses to the state.

The changes quickly endorsed Wednesday by Republicans and Democrats in the state Legislature would allow Amazon's HQ2 to use Grow NJ tax incentives anywhere in the state, eliminating a requirement they be used only to attract businesses to some of the state's most economically depressed cities.

States and cities across the country are lobbying the Seattle-based technology giant, which is seeking tax breaks, grants and other incentives to build a \$5 billion headquarters that will employ as many as 50,000 new full-time employees.

—Associated Press



Price cuts in the Manhattan market have spurred buyers' interest. The median apartment price was \$1.15 million in the third quarter.

Luxury Market Goes Two Ways

Sales fall for priciest homes but heat up in 'affordable' \$1 million-\$4 million segment

BY JOSH BARBANEL

MANHATTAN'S "ultraluxury" residential market—apartments priced at \$10 million or more—stumbled in the third quarter while sales strengthened among lower-priced, albeit still expensive, properties.

An analysis by The Wall Street Journal found that overall Manhattan sales picked up in the third quarter following a steep slowdown during the same quarter last

year—a time, brokers said, when many potential buyers were caught up in the uncertainties of the presidential election and held off on purchases.

The number of sales rose 14% from the third quarter of 2016, but were still 4.3% below the same quarter in 2015.

Sales were up the most, by 23%, for apartments that sold for \$1 million to \$4 million, a category marketers have taken to calling "affordable luxury." The number of sales for \$10 million or more fell by 25%.

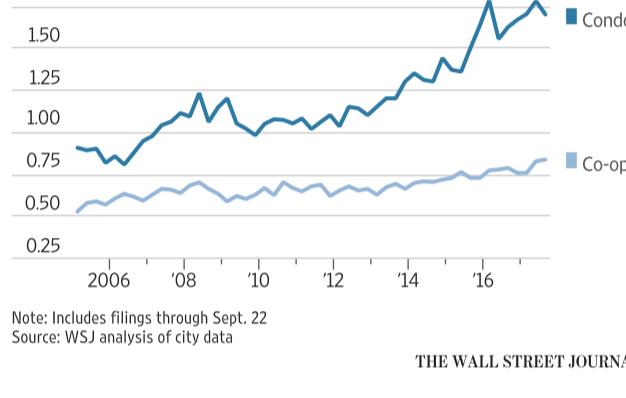
After a run-up in asking prices in 2014 and 2015, sales slowed last year, especially at the high end. Since then, the Manhattan apartment market has seen in a period of price declines, with substantial cuts on many listings and discounts on new buildings, brokers said.

"There has been a correction in prices and that had to happen," said Eddie Shapiro, founder and chief executive of Nest Seekers International, a New York-based brokerage.

The price reductions have brought about renewed interest from buyers, he said, especially in the past few

Trending Higher

Manhattan median apartment sale prices



Note: Includes filings through Sept. 22.

Source: WSJ analysis of city data

THE WALL STREET JOURNAL.

Price Reductions Begin to Ease

Manhattan has experienced a sales slowdown in the past few years, a shift that began at the top of the luxury market and then drifted to lower price points. Some brokers said prices rose too fast and others blame the uncertain political environment before and since the presidential elections.

In Brooklyn, price cutting also declined, to 25% in the third quarter after hitting 35% during the second quarter.

Brokers said price trims last quarter sparked sales, especially of expensive apartments that had been lingering on the market, reducing inventory.

—Josh Barbanel

weeks, despite the continuing sticker shock of high apartment prices.

"People are saying prices are now ridiculous, but not as obscene as they were a year ago, and there is room to negotiate," Mr. Shapiro said.

During the third quarter, the median apartment price

of \$1.15 million was down 3.6% from the second quarter, but up by almost 11% from the third quarter in 2016.

The quarter marked a slowdown in closings at the most expensive new condominiums, such as 432 Park Ave., the city's tallest residential building, along with a

surge in sales of lower-price apartments in other new and converted buildings.

The shift produced a decline of 24% in the median price of new condominiums in the third quarter from the same period last year, when a record was set for new-development sale prices.

The Wall Street Journal analysis is based on sales filed with the city's Department of Finance through Sept. 22.

THE priciest transaction for the quarter was the sale of a 16-room triplex penthouse atop the Pierre Hotel on Fifth Avenue and East 61st Street for \$44 million. It was listed for \$125 million in 2013, but the seller trimmed the asking price several times.

Although the quarterly statistics include a \$377 million sale at 432 Park Ave., the new developments during the quarter were dominated by closings at more modest buildings like 389 E. 89th St. in Yorkville, a conversion of a 31-story rental building near First Avenue. The 49 condos that closed in the quarter at the East 89th Street building had a median price of \$1.84 million, or \$1,631 a square foot.

Leonard Steinberg, president of Compass, a New York-based brokerage, said the market is focused on "affordable luxury," in which buyers are driven by the need to buy rather than by the desires that drive many trophy buyers.

"I hate to call it affordable, but affordable luxury in Manhattan is where people have a need to buy because there is a need for shelter, or because it compares favorably to the cost of renting," he said.

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LIFE & ARTS

ANTIQUITIES

The Battle for an Ancient Statue

A bull's head from 360 B.C. crisscrossed borders, passed through famed art dealers, a New York hedge-fund manager, and a Paris exhibition before landing at the Met. Now Lebanon wants it back.

BY GEORGI KANTCHEV

IN 1981 an armed militia stole a 2,400-year-old statue of a bull's head from a castle on the Mediterranean coast of Lebanon. Then it disappeared for more than a decade.

According to U.S. prosecutors, that artifact has now reemerged in New York, where it's at the center of a legal battle. Having crisscrossed borders and passed through the hands of famed art dealers, a Paris exhibition, a Colorado-based entrepreneur and a New York hedge-fund manager, it eventually landed at the Metropolitan Museum of Art.

Now, Lebanon wants it back.

On Friday, the office of Manhattan's district attorney, which seized the object from the Met in July, filed an application with the New York State Supreme Court to authorize the transfer of the bull's head to the Lebanese government, according to a copy of the filing. Fighting the repatriation are Colorado-based collectors Lynda and William Beierwaltes, who have sued the Manhattan prosecutors and Lebanese officials, claiming to have clear title of the object and disputing that it was stolen as described by the prosecutors and Lebanese government.

The district attorney's investigation into the statue's journey, plundered during Lebanon's civil war and later imported into the U.S. as part of what prosecutors call "an international criminal conspiracy," provides rare insight into the movements of allegedly looted relics from conflict zones across borders.

It comes as governments and the art world struggle with a new wave of antiquities plundering from Syria and Iraq, underscoring the difficulties of getting these artifacts back to their countries of origin.

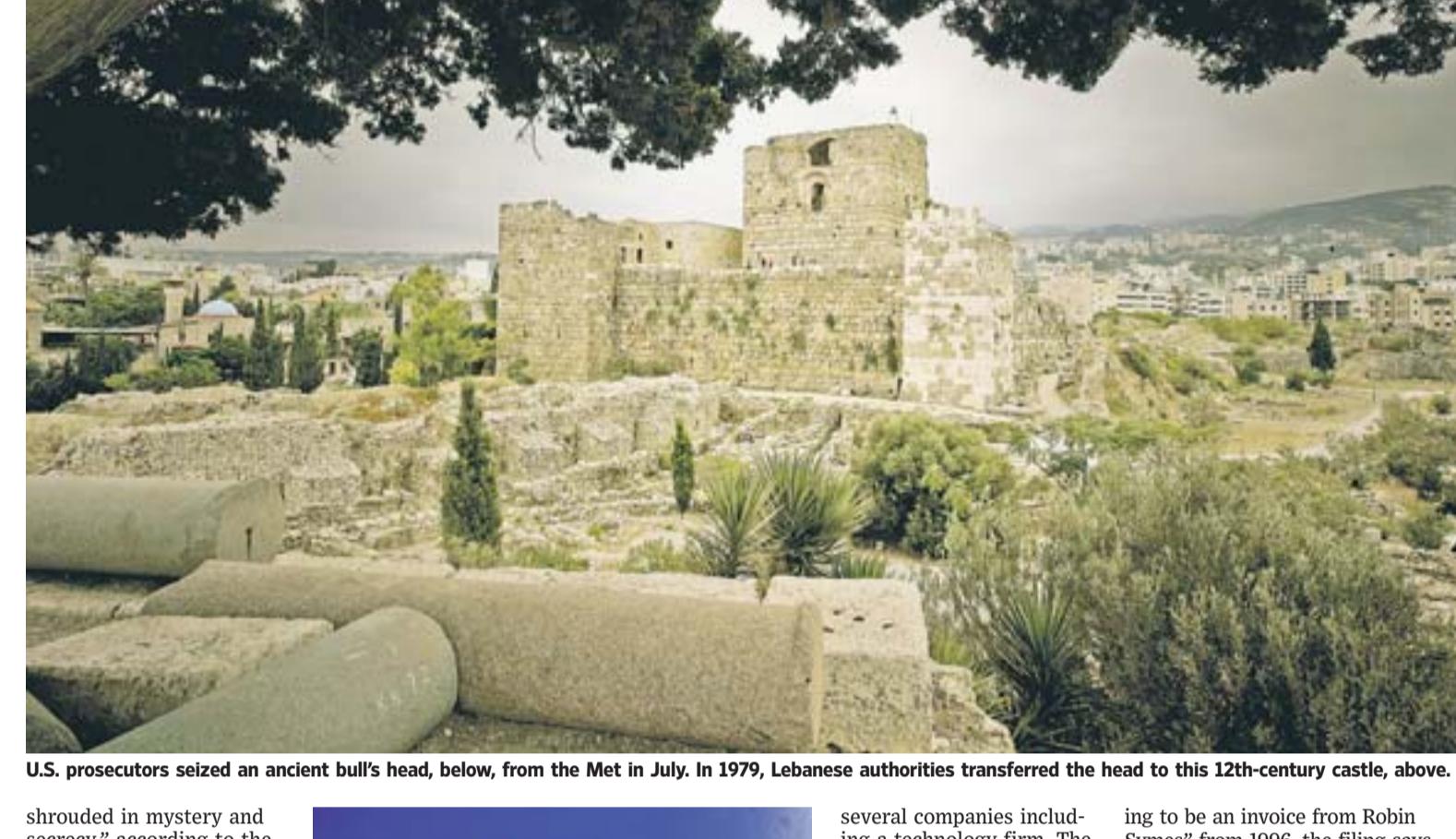
The Manhattan district attorney's office declined to comment.

The Beierwalteses "are bona fide purchasers with clean hands. By contrast, for more than 50 years, Lebanon has failed to take any action domestically or internationally to report any theft of the bull's head," said William G. Pearlstein, a lawyer for the family.

"We would like our day in court against Lebanon."

Lebanese government officials did not return calls and emails seeking comment.

The Wall Street Journal's reconstruction of the bull's head's journey is based on Manhattan assistant district attorney Matthew Bogdanos's court filing and on interviews with some of the protagonists in the case. "Much of the journey of the looted Bull's Head is



U.S. prosecutors seized an ancient bull's head, below, from the Met in July. In 1979, Lebanese authorities transferred the head to this 12th-century castle, above.

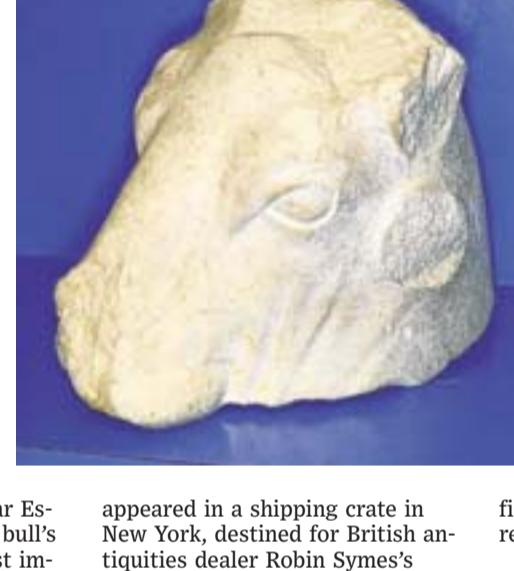
shrouded in mystery and secrecy," according to the filing written by Mr. Bogdanos, whose office researched the provenance of the artifact. "The farther back we go, the darker and more impenetrable are those shadows."

The journey began in southern Lebanon in 1967, when the 13-inch Greek piece was excavated by a French archaeologist from the Temple of Eshmun near the Lebanese city of Sidon as part of a Lebanese state-sponsored excavation, according to the court filing.

In 1970, Professor Rolf Stucky, then head of the archaeology department at the University of Basel, was conducting research near Eshmun when he first saw the bull's head. "It was one of the most important finds in its time," he said.

As the Lebanese civil war raged, the bull's head was part of a batch of antiques transferred by Lebanese authorities for safe keeping in 1979 to the Byblos Citadel, a 12th-century castle. In August 1981, an armed Christian militia arrived at the Citadel and seized many of the objects, including the head, the filing says.

For the next 15 years, the head disappeared from view until it re-



appeared in a shipping crate in New York, destined for British antiquities dealer Robin Symes's penthouse at the Four Seasons Hotel in Manhattan, court papers say.

"How it ended up in New York is not really clear but what's clear is that Lebanon never issued any authorization for the export of the bull's head and never gave up title of it," said Leila Amineddoleh, cultural heritage law expert who advised Manhattan prosecutors on the case.

In November 1996, Mr. Symes sold the bull's head for \$1.2 million to the Beierwalteses, who have run

several companies including a technology firm. The couple filed for bankruptcy in 2013.

The couple displayed the bull's head in their dining room in Loveland, Colo., according to a 1998 article in *House & Garden*. While the Beierwalteses were assured by Mr. Symes that the bull's head was an authentic antiquity, "there was not a whisper—not even the faintest hint of a whisper—about whether it was a lawful antiquity," Mr. Bogdanos wrote.

In 2005, Mr. Symes was sentenced to prison in the U.K. for contempt of court in a case over the sale of an Egyptian artifact, the filing says. Mr. Symes could not be reached for comment.

In 2006, the Beierwalteses contacted prominent dealers Hicham and Ali Abouaam with a request to sell a collection of their antiquities that was valued at more than \$95 million, the filing says. The Abouaam brothers manage Phoenix Ancient Art and have galleries in New York and Geneva.

When the Abouaams asked for documentation that could establish ownership history of the bull's head, the Beierwalteses provided only a "single-page piece of paper purport-

ing to be an invoice from Robin Symes" from 1996, the filing says.

The Abouaams asked the Art Loss Register to search for the artifact on its database of stolen art and the ALR did not find it, the court filing says. Such a search alone, though, is not enough to prove whether an antiquity is looted, Mr. Bogdanos wrote. The database only contains information on objects that have been reported to it as stolen.

Richard D. Emery, a lawyer for Hicham Abouaam, said that the fact that ALR didn't have the object in its database makes "it essentially impossible for Phoenix to have determined at the time of the consignment that the piece was stolen."

The Abouaams have attracted the attention of authorities in the past. The Journal reported in May that officials in multiple countries said they were looking at the brothers in connection with investigations into the trading of artifacts looted by Islamic State in Syria and Iraq.

In July, Hicham Abouaam filed a libel suit against Dow Jones, the publisher of the Journal, challenging the article. A Dow Jones spokeswoman said the article was "thoroughly reported, fair and wholly accurate," adding that "we fully stand by the article."

Neither of the Abouaams has

Please see STATUE page A12

ART

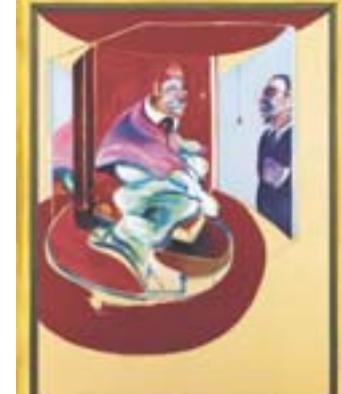
FEW ART TROPHIES AT LONDON AUCTIONS

BY KELLY CROW

WHEN THE WORLD'S top art collectors descend on London for a series of art fairs and auctions early next month, expect market watchers to focus mainly on a single painting, a Francis Bacon double portrait that Christie's plans to offer for at least \$80 million.

Bacon's view of a pope in a crimson robe staring at the artist's troubled lover in a business suit, "Study of Red Pope 1962, 2nd Version 1971," is the undisputed trophy of London's contemporary and Italian art auctions that start Oct. 3 and coincide with the art fair Frieze London. The sales at Christie's, Sotheby's and Phillips are expected to exceed \$405 million combined.

Dealers say the Bacon is covetted in part because it was the last rendition the painter ever made of one of his signature subjects, the pope, and this "Study" is the only one to juxtapose the figure with the artist's lover, George Dyer, who would commit suicide months afterward. The pope is a nod to Spanish master Diego Velázquez and serves as a stand-in for Ba-



con's love for painting. The figure of Mr. Dyer arguably represented his personal life, but for Bacon, art always came first, said Christie's specialist Katharine Arnold. The work will be offered during Christie's evening sale of contemporary art on Oct. 6.

Other than the Bacon, art trophies are thin in this round, raising questions about the health of high-end art, specifically the \$50-million-plus pictures that typically dominate sales during a market upswing and disappear during a downturn. The art market has been surging since spring, so trophies would typically be packing the catalogs by now.

Dealers said sellers might be waiting to put their best pieces in the higher-stake New York sales in November. The auction houses said they're also learning that younger collectors want more art options at "much lower prices," Ms. Arnold said. Moreover, auctioneers said they're trying not to get ahead of themselves—or the market—by placing overly high prices on everything until buyers feel ready to absorb them. "We need to play to all types of buyers, not just billionaires," she added.



As a result, Christie's added an Oct. 3 sale of photography and design objects with works priced as low as \$16,000—an unheard-of price for evening sales. The house will also conduct an "Up Close" evening sale of artworks sized smaller than a placemat, with lower estimates to match. This includes Frank Auerbach's thickly painted 1953 "Portrait of Leon Kossoff." It is six inches wide and is estimated to sell for at least \$606,600.

Sotheby's specialist Alex Branczik said his house is aiming for similar accessibility by adding a Oct. 6 sale of Bauhaus-era furniture

From left: Bacon's 'Study of Red Pope 1962, 2nd Version,' and Auerbach's 'Portrait of Leon Kossoff'

and design pieces—including a 1968 poster designed by Herbert Bayer. Estimate: At least \$257.

Sotheby's contemporary evening sale has a few heavyweights, to be sure. It plans to ask at least \$7 million for Cy Twombly's untitled work from 1962, and at least \$4.9 million for David Hockney's sunset-hue "15 Canvas Study of the Grand Canyon." As more top-billing trophy artists filter into museums, auctions are also championing artists like Mr. Hockney and Howard Hodgkin who don't yet command \$12 million-plus prices but whose places in the art-historical canon are certain. Gagosian Gallery in London is leveraging a show of new monochrome paintings by an artist of similar standing, Brice Marden.

Phillips, for its part, said it thinks German painter Sigmar Polke, who painted dots across his canvases so that his subjects looked like screenprints, could undergo a major test in London. It plans to ask at least \$3.4 million for Polke's 1994 image of a "Dancer" that evokes black-and-white newsprint from afar but glistens with subtle shades of opalescent yellow and pink close up. The sales run through Oct. 6.

LIFE & ARTS

STATUE

Continued from page A11
been charged with any wrongdoing related to any of these investigations or to the bull's head case. The court filing "commands Phoenix Ancient Art and the Abouataams... and states that 'there is no good-faith basis upon which to posit that [Phoenix] has withheld information,'" Mr. Emery said. Ali Abouataam didn't respond to requests for comment.

In 2008, the Abouataams shipped the bull's head to Geneva and Paris, where it was exhibited at the Grand Palais, with a price of \$1.3 million. It then traveled back to New York, where it was sold in 2010 to hedge fund manager Michael Steinhardt for \$700,000, the filing states. Mr. Steinhardt didn't respond to requests for comment.

Mr. Steinhardt was renovating the Fifth Avenue apartment where he intended to display the bull's head, so he offered to loan it to the Met, the filing says.

The Met accepted the head and put it on display. But in 2014 a curator noticed similarities between the artifact and a picture of

a bull's head in a book by Prof. Stucky mentioning it had been excavated in 1967 at Lebanon's Eshmun Temple. The museum decided to pull it from display and notified the Abouataams and Mr. Steinhardt of its suspicions, according to the court filing. After the Met raised these concerns, Mr. Steinhardt and the Beierwalteses agreed to void the sale.

Mr. Emery said that after learning about the dispute over ownership, Hicham Abouataam contacted both the buyer and seller and then "deferred to the Met's determinations concerning necessary notifications and the repatriation process."

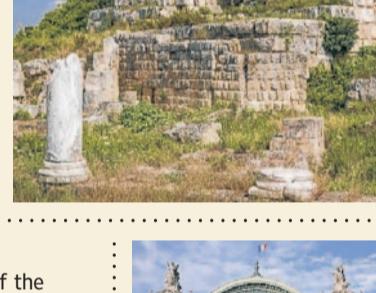
For two years, however, no one notified the Lebanese government about the reemergence of the two-millennia-old antique, the filing states.

Around two months later, the Met did so, the filing says, triggering a request from the Lebanese government to the U.S. to assist in repatriating the bull's head. "The Museum joins with the DA's office and the government of Lebanon in wanting this sculpture to be in the possession of its rightful owner," said Ken Weine, chief communications officer at the Met.

The Journey of an Ancient Work

1967

The bull's head is excavated from the Temple of Es-hmun near Sidon, Lebanon, by French archaeologist Maurice Dunand as part of Lebanese state-sponsored excavation.



1981

Armed members of the Phalangist Party arrive at the Citadel and seize many of the objects, including the bull's head. It disappears for the next 15 years.



2008

Phoenix Ancient Art ships the head to Paris for the 24th Biennale des Antiquaires at the Grand Palais. In 2010, Phoenix brokers a sale to hedge-fund manager Michael Steinhardt who loans it to the Met in New York.



2017

Acting on a request by Lebanese authorities, New York prosecutors seize the head from the Met.

1996

The bull's head re-emerges in shipping documents and is delivered to antiquities dealer Robin Symes's New York penthouse at the Four Seasons Hotel in Manhattan. He sells it to the Beierwaltes later that year.



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Recovering from plastic surgery in a luxury aftercare facility (2006), above; David and Jackie Siegel in 'Versailles' (2009), below

LAUREN GREENFIELD/INSTITUTE (2)

ART REVIEW

Money Can't Buy Class

BY WILLIAM MEYERS

New York

THE MORE THAN 200 pictures in "Generation Wealth" by Lauren Greenfield, at the International Center of Photography Museum, are a distillation of 25 years' work. During that time Ms. Greenfield (b. 1966) photographed people of enormous wealth on several continents indulging themselves, people of modest wealth aping those with more, and people in poverty hustling to get out. Since her subjects are motivated by wealth—or a related desideratum—beauty, youth, glamour, celebrity—they tend to be pathetic or grotesque. Fantasy, vulgarity and sexuality are recurring themes in this show, which originated at the Annenberg Space for Photography in Los Angeles.

Except for some early pictures in black-and-white, most of the work is in deeply saturated color presented in medium format, with a few central images blown up to billboard dimensions. Many of the prints are accompanied with extensive wall texts that not only explain the circumstances of the image, but also include interviews with the subjects.

"Jackie and friends with Versace handbags at a private opening at the Versace store, Beverly Hills, California" (2007) is the floor-to-ceiling, larger than life-size picture at the entrance to "Generation



Wealth," and it sets the tone. The three women are shown from their shoulders down. All three have attractive figures; two are sheathed in expensive-looking dresses, one of which is white with a gem-encrusted butterfly pin tacked at the waist and the other made of some glittery metallic material. The former carries a white fur piece and the latter wears a shaggy fur jacket. The third woman wears a white pantsuit with open lacework at her breasts. All three have large rings and two hold champagne glasses. But what the picture is about is the three handbags the women have on their arms; two are gold, one is platinum, and all have multiple straps and hang on chains. They are, to my austere eye, incredibly ugly.

The picture is part of "Queen of Versailles," a project and 2012 documentary Ms. Greenfield did about "Time-Share King" David Sie-

gel; his wife, Jackie; and "Versailles," the home he was building in Windermere, Fla. It would have been the largest private home in America if completed, but construction stopped when Mr. Siegel defaulted on the mortgage and the bank foreclosed. Other pictures from the project include an aerial view of "Versailles" and one of David, then 74, sitting on a throne-like gold chair with Jackie, 43, on his lap.

"Generation Wealth" has excerpts from many of Ms. Greenfield's projects, including "Fast Forward," the body of work that established her reputation and won her a 1997 ICP Infinity Award. She grew up in Hollywood, and went back after college to photograph children from several ethnic and social backgrounds dealing with its pressures of wealth and celebrity. Lindsey, 18, goes to a Fourth of July party three

days after her nose job. Enrique, 17, took nearly two years to save the \$600 he spent on his prom.

Several other projects deal with children, especially girls. In pictures from the "Princess Brand" series, young girls dress to participate in a fairytale scenario and older girls obsess about their looks. Michelle and Danielle, both 13, get their final body stats on the last day at a weight-loss camp. The print of Eden Wood's headshot in the "Cult of Celebrity" project is 70-by-46 ½ inches, huge; Eden is 6, the star of "Toddlers and Tiaras." She is blond, blue-eyed, has rouged cheeks and red eye shadow, and she licks her upper lip salaciously with her tongue.

The counterpart of these children pressured into adult concerns is in "New Aging," older women being tended by doctors in their efforts to fend off signs of age; the close-up of Sydelle getting a face-lift is horror-movie creepy. In the "Sexual Capital" series, pornographic actress Kacey Jordan stands on a hotel bed at the Mondrian Hotel, sex worker Brooke Taylor stands outside the Moonlite Bunny Ranch brothel, and exotic dancer Tammy Boom is dressed in costume backstage at Little Darlings, "the largest fully nude strip club in the United States." Still other projects deal with the "New Oligarchy," Russia's super-rich; with Chinese into "bling"; with the effect on individuals of the recession that began in America in 2009;

The rich indulge themselves; people of modest wealth ape those with more

and with the collapse of the booms in Ireland and Iceland.

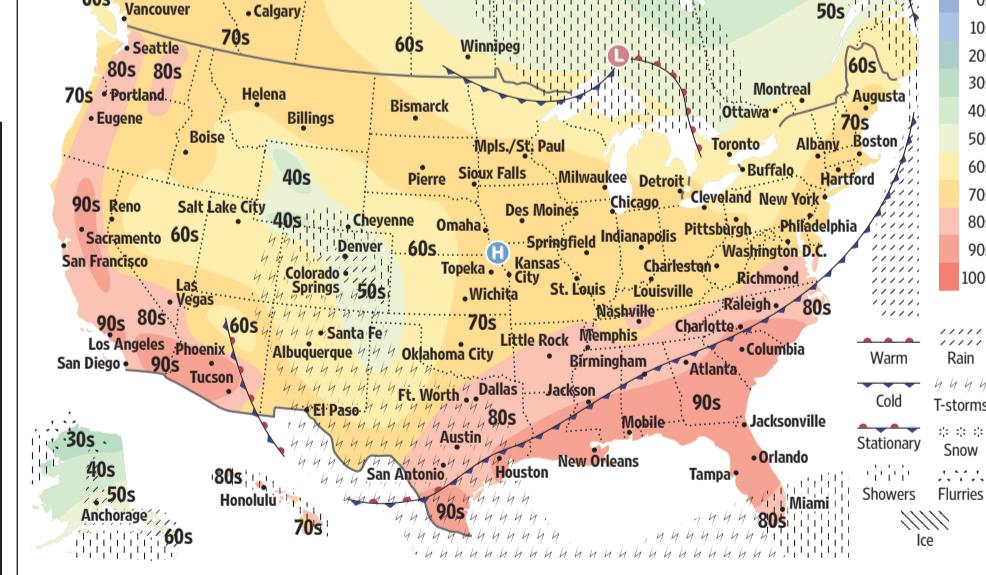
Like the work of Lewis Hine, Dorothea Lange and Eugene Richards, Ms. Greenfield's is mission driven. Her style is straightforward, somber despite the frequent glitter, instructive. I take exception, however, to her contention that the spread of materialism and inequality is worse now than in the past. Thorstein Veblen wrote in 1899 in "The Theory of the Leisure Class," "No class of society, not even the most abjectly poor, forgoes all customary conspicuous consumption." And where are the people of great wealth who devote their time and resources to good works? Still, Ms. Greenfield's exhibition and the even more extensive catalog that accompanies it are profound and troubling accomplishments.

Generation Wealth by Lauren Greenfield

International Center of Photography Museum, through Jan. 7, 2018

Mr. Meyers writes on photography for the Journal. See his photographs at www.williammeyersphotography.com.

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Detroit 70 53 s 70 48 sh

Honolulu 88 75 pc 89 74 sh

Houston 90 73 pc 89 70 pc

Indianapolis 73 53 s 76 49 s

Kansas City 74 54 s 74 54 s

Las Vegas 87 67 s 89 66 s

Little Rock 81 60 pc 81 62 s

Los Angeles 90 65 s 88 63 s

Miami 88 77 t 85 76 t

Minneapolis 73 54 s 67 52 pc

Minneapolis 71 48 pc 66 46 pc

Nashville 80 56 s 79 57 s

New Orleans 91 74 s 90 74 s

New York 78 56 pc 71 57 s

Oklahoma City 73 56 c 69 55 c

International

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 66 53 pc 68 54 t

Athens 75 64 t 72 62 t

Bahrain 100 73 s 101 78 s

Bangkok 92 76 t 90 78 t

Beijing 74 48 s 79 53 s

Berlin 65 52 pc 66 52 pc

Brussels 67 54 pc 73 55 t

Buenos Aires 63 54 c 65 54 c

Dubai 101 84 s 100 84 s

Dublin 61 50 pc 59 44 sh

Edinburgh 63 51 pc 60 44 r

U.S. Forecasts

Today Tomorrow

City Hi Lo W Hi Lo W

Frankfurt 67 54 pc 69 55 pc

Geneva 73 52 pc 75 53 pc

Havana 84 70 t 82 71 t

Hong Kong 93 83 s 90 82 t

Istanbul 73 63 pc 70 63 c

Jakarta 91 77 c 92 77 pc

Jerusalem 77 61 s 76 62 s

Johannesburg 72 50 pc 73 54 c

London 67 55 pc 66 50 sh

Madrid 83 58 s 82 57 s

Manila 88 79 t 89 79 t

Melbourne 62 46 pc 64 48 pc

Mexico City 69 58 t 72 58 t

Milan 75 56 pc 73 56 pc

Moscow 90 40

LIFE & ARTS

MOVIES

BUZZY FILMS IN THE NEW YORK LINEUP



BY STEVE DOLLAR

THE NEW YORK Film Festival champions movie directors with strong personal visions. Among them is Richard Linklater, whose Iraq War-era drama "Last Flag Flying," kicks off this year's festival Thursday with its world premiere.

Unlike other celebrations of cinema, the festival skips a theme and instead sweeps across genres and styles with more than two weeks of international art-house movies, American independent titles and studio productions.

Now in its 55th edition, the New York Film Festival isn't flashy like Cannes or sprawling like Toronto, nor is it a feeding frenzy for movie distributors like Sundance. In addition to the 25 films on the main slate at the Film Society of Lincoln Center, there are programs devoted to documentaries, shorts and experimental work. "We really and truly do not show movies for any reason other than they moved us," said Kent Jones, the festival's director.

Among the festival's most talked-about movies:

'The Square'

This is Swedish director Ruben Östlund's followup to his masculinity-in-crisis comedy "Force Majeure."

The surprise winner of the Palme d'Or at this year's Cannes Film Festival, "The Square" follows Christian

tion of men is probably the first one looking at itself in a critical way."

'The Florida Project'

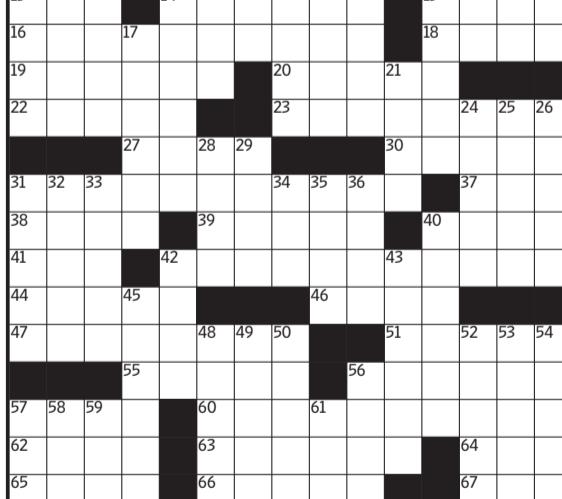
A neo-realist with an eye for vivid color, Sean Baker segues from the gritty Hollywood of his 2015 breakthrough "Tangerine" to the gum-ball hues and low-rent kitsch of "The Florida Project." In the Magic Castle, a cheap motel on the fringes of Walt Disney World, Halley (Bria Vinaite, a non-actor whom Mr. Baker discovered on Instagram), is a fiery, self-indulgent stripper raising her 6-year-old daughter Moonee (Brooklyn Prince). Willem Dafoe plays Bobby, the motel's manager. "The reason we wanted to focus there was because of the juxtaposition," Mr. Baker said. "Children living in this situation outside the place we consider to be the happiest place on earth for children. But from a director's viewpoint, it was giving me so much eye candy."



Other festival films include 'The Florida Project,' top, starring Willem Dafoe, and 'Lady Bird,' above.



The WSJ Daily Crossword | Edited by Mike Shenk



SPECIAL DELIVERY | By Alice Long

- Across**
- 1 Current checker
 - 4 Storm-tracking aid
 - 9 Blizzard battler
 - 13 Broad with billions
 - 14 "Know Your Power: A Message to America's Daughters" writer
 - 15 Mixologist's mixer
 - 16 #1 hit of 1971 written by Sly Stone
 - 18 Crowning point
 - 19 Some Swiss watches
 - 20 Calamitous, as an error
- Down**
- 14 Its back curves forward into armrests
 - 27 Rascally bunch
 - 30 Surname of the "It's Your Thing" singers
 - 31 It's back curves forward into armrests
 - 37 "You're making me angry!"
 - 38 Matthew Broderick won one in 2017
 - 39 Oscar nominee for "Exodus"
 - 40 Four, on some clocks
 - 41 See 34-Down
 - 42 His "Oil!" was the basis for "There Will Be Blood"
- Previous Puzzle's Solution**
- | | | |
|---------|-----------|-------|
| CROFT | ISLED | MUM |
| ROLLO | BILUME | LIKE |
| ALDEN | WAXING | GNUF |
| FLAXY | PAPER | AILL |
| TUG | ANS | MIMES |
| SPECTRA | TACTILE | |
| ORA | ZINC | ZEE |
| TAXABLE | BLASTAKES | |
| VAT | CAD | LIE |
| ICHOKED | PINATA | AS |
| MOLDS | BRO | EVAD |
| BED | SPOON | FAXED |
| GETS | THEAX | AWARD |
| ALI | OOPSY | TENSE |
| TLC | POST | ESSEN |

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



Among the features showing at New York Film Festival are 'The Square,' left, 'Mudbound,' above and 'Call Me by Your Name,' below, with Armie Hammer, in beige, and Timothée Chalamet, in red shirt.



'Call Me by Your Name'

Italian director Luca Guadagnino is known for the visual opulence of his 2009 melodic drama "I Am Love" and the Southern European jet-set milieu of 2015's "A Bigger Splash." The buzz for his new film stems from performances by Timothée Chalamet ("Homeland") and Armie Hammer ("The Social Network").

The actors play a 17-year-old boy and the American graduate student who moves into the boy's family's Lombardy villa for the summer to work with his father (Michael Stuhlbarg), sparking an intense chemistry. The film is adapted from André Aciman's coming-of-age novel.

Mr. Guadagnino and his co-writer Walter Fasano share screenplay credit with James Ivory, director of "A Room with a View," "Maurice" and "The Remains of the Day."

'Lady Bird'

Greta Gerwig makes her solo directorial debut after acting for blue-chip filmmakers including Woody Allen, Whit Stillman and Noah Baumbach, her collaborator on such comedies as "Mistress America" and "Frances Ha," and also her partner off-screen. Ms. Gerwig writes and directs this story, which is set in her hometown of

Sacramento, Calif., in the early 2000s. Saoirse Ronan plays Lady Bird, the filmaker's alter ego. Lady Bird is in her senior year at a Catholic school, desperate to move to New York for college but lacking the grades, or family income, to do so. Laurie Metcalf plays Lady Bird's mother in an emotionally raw performance.

'Mudbound'

This 1940s drama from director Dee Rees ("Pariah") has an all-star cast including Carey Mulligan, Garrett Hedlund and R&B diva Mary J. Blige in her first big feature-film role. Set in the aftermath of World War II, the film is an adaptation of Hilary Jordan's 2008 novel about two families: The sharecropping Jacksons, who are black, lease land from the white McAllans. Both struggle to scratch out a living from a cotton farm in the Mississippi Delta. Jamie McAllan (Mr. Hedlund) and Ronsel Jackson (Jason Mitchell), go off to fight. Liberated from prejudice abroad, Ronsel returns home to chafe at the racism around him, while bonding with Jamie, who has tragic conflicts of his own.

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SPORTS

NCAA

The Big Money Behind Rick Pitino's Fall

BY BEN COHEN, ANDREW BEATON AND SARA GERMANO

RICK PITINO, the slick-haired, smooth-talking, Hall-of-Fame basketball coach, was ousted Wednesday by Louisville one day after federal prosecutors unsealed corruption allegations that implicated his storied program.

The school said Pitino was being placed on unpaid administrative leave, but the coach's attorney said he was "effectively fired."

The move was the first major repercussion from a scandal that has already begun to roil the billion-dollar industry of college sports.

Tom Jurich, the school's athletic director, also was placed on leave after nearly two decades in which Louisville reaped the financial rewards of becoming a major player in big-time college athletics but now faces its fourth scandal in less than a decade and is already under NCAA probation.

Louisville's reaction came in the immediate aftermath of a yearslong probe by federal authorities that resulted in 10 arrests on Tuesday and revealed what prosecutors called "the dark underbelly of college basketball."

A clause in Pitino's contract requires 10 days notice before he can be fired, but Louisville interim president Greg Postel said the school was already searching for an interim basketball coach and athletic director. "Doing nothing would be a tacit endorsement of unethical and criminal behavior," he said.

The 65-year-old Pitino and his program were ensnared in multiple controversies in recent years. But the alleged schemes outlined Tuesday in New York stained and may have ended the career of the only basketball coach to win national championships with two different schools.

Based on cooperating witnesses, undercover agents and secret



Louisville placed Rick Pitino on leave on Wednesday.

JOE ROBBINS/GETTY IMAGES

wiretaps, one of the complaints alleges that a top Adidas executive worked with sports agencies and financial advisories to bribe high-school recruits into signing with Louisville, which has a lucrative apparel deal with Adidas. Pitino wasn't charged or identified in the criminal filings, but he appears in the complaint as "Coach-2," people familiar with the matter said.

In a statement Wednesday, Pitino's attorneys said the coach "has done nothing wrong and there is no evidence to suggest otherwise."

One plot described in the complaint involves an 18-year-old blue-chip prospect, Brian Bowen,

whose family was allegedly offered a \$100,000 payment with the expectation he would attend Louisville. Bowen would then be expected to sign with sports agent Christian Dawkins and financial adviser Munish Sood, who were arrested Tuesday for their roles in the alleged bribery, if and when he becomes an NBA player. Those individuals couldn't be reached for comment.

At the root of this alleged scheme are NBA and NCAA rules that bind talented players like Bowen. They are prohibited by the NBA from entering the league directly after high school, but they're

also prohibited by the NCAA from taking money or profiting off their basketball abilities while in school. As revenues in college sports have ballooned, many argue that this system leaves them at risk of being exploited by sports agents, financial advisers and sneaker companies.

The allegations detail how those groups allegedly conspired with Pitino and his staff to lure Bowen to Louisville. And his commitment took recruiting experts by surprise. Louisville hadn't even been on the list of five schools where Bowen took an official visit.

"We spent zero dollars recruiting a five-star athlete who I loved

when I saw him play," Pitino said in a June radio interview. "In my 40 years of coaching, this is the luckiest I've been."

The federal complaints tell a different story. They say that Pitino was informed by Dawkins that Adidas needed to "get more" after a rival company made Bowen a better offer. Pitino soon had three phone conversations with Adidas executive Jim Gatto in late May and early June. Bowen committed to Louisville on June 3. Gatto couldn't be reached for comment.

Few schools have been transformed like Louisville in the last decade by the explosion of money in college sports. Its financial revenues climbed by 115% between 2006 and 2016, according to USA Today data, and much of that growth was the result of its television and apparel deals.

Pitino has admitted to feeling queasy about the outsize influence of shoe companies even as his salary climbed above \$7 million per year. He lamented in interviews that they had too much control.

"The whole culture has changed within the last five years," Pitino told The Wall Street Journal in 2014.

Louisville deepened its relationship with Adidas by signing a \$160 million apparel deal in August.

One month earlier, in a Las Vegas hotel room that federal authorities were secretly monitoring, authorities recorded a meeting of Dawkins, Augustine and an unnamed Louisville assistant—plus an unnamed FBI agent—in which they spoke openly and crudely about the prominent coach's relationship with the shoe company.

"No one swings a bigger dick than" Pitino at Adidas, said Brad Augustine, the program director of an Adidas-branded grassroots team, who allegedly helped funnel players to Louisville, according to the complaint. Augustine's attorney declined to comment.

BASEBALL

THE PLAYOFFS ARE FUN BUT ARE THEY FAIR?

BY JARED DIAMOND

TREVOR CAHILL pitched for the 2015 Cubs, a team that won 97 games and had the third-best record in the major leagues that year. The club directly ahead of them in the division standings, the Pirates, won 98 games.

Their rewards for such impressive performances? A trip to the do-or-die wild card game, while opponents who fared worse over the course of the season advanced without paying such a toll.

"A couple years before that we would have had the third-best record and not even had a chance to be in the playoffs," Cahill said.

Indeed, the introduction of the second wild card and the dramatic play-in showdown in 2012 added a jolt of intrigue to the pennant races. But the new format also raised questions about fairness.

In the National League, the Arizona Diamondbacks will host the

wild card game next Wednesday despite owning a better record than the NL Central-leading Cubs, who would automatically appear in the best-of-five division series. For that, the Diamondbacks can blame geography: They play in the NL West, a division that includes the Los Angeles Dodgers, baseball's best team in 2017. The rules dictate that division champions move on, while wild-card teams must play for their lives, regardless of their records.

Publicly, the Diamondbacks certainly won't complain about their circumstances. As Cahill, now with the Kansas City Royals, put it, "You know the whole setup the whole season."

"The rules are the rules," said Royals pitcher Jason Hammel. "You've got to be thankful for the opportunity, whether you're playing a team you feel is worse than you or not."

For its part, MLB doesn't view any of this as a bug of its postseason structure, but a feature. Pat



The Yankees will likely be the AL's top wild card. Gary Sanchez, pictured.

ABBE PARR/GETTY IMAGES

Courtney, a league spokesman, said that before the second wild card, "a prevalent opinion in the game was that the three division champions did not receive enough of an advantage."

If it wanted, MLB could remedy the system by scrapping divisions altogether and simply taking the best five teams to the playoffs, seeded by record.

But both baseball and the players value the divisional setup and don't

want to change it, even though it can lead to wacky postseason matchups. Without divisions, baseball would need to abandon its current scheduling rules that emphasize divisional games. The league likes having as many as 19 intra-division games a year, resulting in plenty of high-interest matchups between rivals. The players like the easier travel of playing the majority of their games within the division.

Beyond the process of seeding,

this year's wild-card race has reignited debate about the fairness of the one-game format. The Diamondbacks entered Wednesday leading the Colorado Rockies, the second-place wild-card team, by six games. Since the second wild card started in 2012, there hasn't been a larger gap between the two wild-card winners.

Meanwhile, the AL wild card-leading Yankees entered Wednesday with a five-game advantage over the Minnesota Twins, who are threatening to become the least accomplished team ever to earn a wild-card spot. Since the introduction of the first wild card in 1995, no wild-card team finished with fewer than 86 wins in a non-strike season; the Twins went into Wednesday with a record of 83-74.

"I know it's for the excitement and the drama of it," Yankees manager Joe Girardi said. "But I think if you play 162 games, you should get more than one game."

Girardi and others would like to see MLB expand the wild-card game into a three-game wild-card series, but that probably won't happen anytime soon. Courtney said that "the single-game format has clear benefits. Beginning the postseason with such high stakes has been embraced by fans and creates excitement at the start of the playoffs."



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OPINION

Why I Prefer 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 to one side that 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.

Last 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 parsons 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 parsons 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 parsonage'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!"

Many Americans think the national anthem's last words are 'Play ball!'

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

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 TV 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 non-sports

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.

We 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.

Write henninger@wsj.com.

The GOP Loses Again—and Moore

By Karl Rove

It was a disastrous day for the whole GOP—President Trump, congressional Republicans, grass-roots activists and anyone who wants progress on the party's agenda. On Tuesday, for a second time this year, Senate Republicans failed to repeal and replace ObamaCare, announcing they would not vote on the Graham-Cassidy bill after all. At least six GOP senators either opposed the legislation or expressed grave doubts about it.

Meanwhile in Alabama, the conservative crusader Roy Moore won a Republican runoff and is now the favorite for election to the U.S. Senate in December. When Jeff Sessions resigned the seat to join the Trump administration, the state attorney general, Luther Strange, was appointed as his temporary replacement. Mr. Trump endorsed Mr. Strange and appeared Friday at his rally in Huntsville. Yet Mr. Moore, a former chief justice of the state Supreme Court, won anyway—and by nine points.

These two events will have severe consequences. The Republican grass roots were already angry at the Senate's failure in July to pass an ObamaCare repeal bill that had cleared the House. This week's disappointment will only deepen their distress. GOP voters could end up expressing their displeasure indiscriminately, making no distinction

between lawmakers who supported the repeal attempts and those who didn't.

Mr. Moore may win the special election in December, but that won't give Republicans a smoother path to eliminating ObamaCare. His campaign chairman has insisted Mr. Moore "wants to make sure that the federal government is getting out of the health-care business entirely." This suggests he could be like Kentucky's Sen. Rand Paul, who supports only purist proposals that have no chance of passing.

Trump and leaders in Congress should find the latest Republican failure sobering.

The Alabama runoff result is likely to spur new challenges by alt-right-backed populists to more-conventional Republican incumbents. Mr. Moore's looming victory probably played a role in the Tuesday announcement that Tennessee's respected Sen. Bob Corker, the chairman of the Foreign Relations Committee, will not run for reelection next year.

But other upstarts may not find it easy to duplicate Mr. Moore's success. The judge's victory has much to do with his status as a folk hero among Alabama's social conservatives. Mr. Moore was

removed from the state Supreme Court in 2003 for refusing to obey an injunction from a federal judge. The order was to remove a monument to the Ten Commandments that Mr. Moore had installed, in violation of state law, on the grounds of the state Judicial Building.

He was elected chief justice again in 2012, but suspended from the bench in 2016 after directing county officials to ignore the U.S. Supreme Court's decision on gay marriage by refusing to issue same-sex marriage licenses. Mr. Moore claimed that his removal was the result of a "politically motivated effort by radical homosexual and transgender groups" undertaken because he opposed "their immoral agenda."

Other toxic statements by Mr. Moore—such as his suggestion the 9/11 attack on the Pentagon occurred because Americans had abandoned God's word—helped endear him to some of Alabama's social conservatives, who make up a substantial majority of the state's GOP primary voters.

Mr. Moore's 25-year political career also gave him higher name identification than his opponent, at least at the contest's start. Mr. Strange was forced to spend significant sums introducing himself to voters. Both candidates were viewed equally favorably by the day of the runoff, but Mr. Moore's support

was more intense. Mr. Strange was also hurt by his temporary appointment to the empty seat by then-Gov. Robert Bentley, who was under investigation and later forced out of office.

While copycat challengers may not have Mr. Moore's advantages, tough primary contests next year will certainly drain GOP funds and divert focus that might otherwise be used to defeat Democrats in the fall. They will also add to the growing sense of a Republican civil war, which complicates the coalition-building needed to pass the party's agenda.

Republicans must hope Tuesday's events are sobering to Mr. Trump and party leaders in Congress. Voters are understandably restive because they gave the GOP control of the White House and both legislative chambers but haven't seen much in the way of accomplishments.

Passing tax reform has now become an existential imperative. The electoral disaster that might visit Republicans if they can't get tax reform done ought to galvanize leaders at each end of Pennsylvania Avenue and reinforce a bit of old wisdom: that the perfect should not be allowed to be the enemy of the good.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

Colleges encourage more violence when they appease mobs.

hasn't spoken at the University of California, Berkeley, where Antifa extremists rioted to stop his appearance in February. Neither has Ann Coulter, leading her would-be student hosts to sue.

A recent Associated Press report claims colleges are "grappling with how to balance students' physical safety with free speech." But the idea that free speech is in

opposition with safety is nonsensical.

You are not safe if you are under threat of physical attack for expressing or listening to political views. Debate and dissent are normal parts of living in a free and diverse society, and that should be especially true at an educational institution. Silencing dissenters in the name of physical safety simply punishes the victims of wrongful, sometimes criminal behavior.

In no other situation do colleges simply throw up their hands and say that student safety is an unreachable goal. Campuses have vast bureaucracies dedicated to combating sexual assault, eliminating discriminatory harassment, and discouraging alcohol abuse. Emergency phones, designated drivers and safe-escort programs are thick on the ground.

Colleges even attend to students' "emotional safety" by setting up "bias response"

BOOKSHELF | By John Steele Gordon

Growing Into the Office

The Unexpected President

By Scott S. Greenberger
(*Da Capo*, 304 pages, \$28)

There's an old joke in American politics about two brothers. When they grew up, one went to sea and one became vice president. Neither was ever heard of again.

One of America's obscure vice presidents was Chester A. Arthur, a machine politician from New York. No one thought of him as presidential timber, least of all Arthur himself. He was chosen as the Republican vice presidential candidate in 1880 only to pacify the corrupt yet powerful boss of the New York Republican Party, Sen. Roscoe Conkling, who had fought against the nomination of reform-minded James A. Garfield for president.

Then Garfield was assassinated soon after entering the White House and the machine hack was suddenly President of the United States.

Journalist Scott S. Greenberger has written an entertaining, illuminating biography of the 21st president and the political world in which he lived. That world was one of astonishing corruption: Political organizations such as Tammany Hall routinely fleeced taxpayers of millions, and

the spoils system was in full swing. But while this golden age of graft is often given short shrift in studies of American history, Mr. Greenberger shows why it merits attention. Through his vivid, detailed descriptions and fascinating mini-biographies of some of the period's key players—including Presidents Garfield and Rutherford B. Hayes—he brings this intriguing era to life.

He begins with the early years of his main subject, Arthur, who followed an unlikely path to New York City machine politics. Arthur was born in Vermont, the son of "Elder Arthur," a fiery abolitionist preacher. The family soon moved to upstate New York, where the younger Arthur was well educated, graduating from Union College in Schenectady. It was the study and practice of law that brought him to New York City, where his fortunes flourished as his connections within Republican politics grew.

At the time, New York Republican politics were dominated by Sen. Conkling. In 1869, at Conkling's behest, the notorious William "Boss" Tweed appointed Arthur to the new post of counsel to the New York City tax commission. A largely no-show job, it paid \$10,000 a year at a time when \$4,000 was a comfortable upper-middle-class annual income.

In late 1871, President Grant appointed Arthur to the greatest patronage plum in the country: collector of the Port of New York. Tariffs constituted most of the federal government's income and New York was, by far, the country's busiest port of entry. Because the collector shared in the fines that were assessed for improperly declaring cargo, Arthur's income exceeded \$50,000 a year. Moreover, about a thousand people worked for the collector at the Custom House, and "assessments" from these civil servants were a rich source of funds for the Republican Party.

Chester Arthur was a product of the New York patronage machine. Then Garfield was killed, and suddenly the political hack was president.

But reform was in the air. Rutherford B. Hayes, elected president in 1876, had run on a platform promising to overhaul the civil service. He ordered a 20% staff cut at the Custom House, followed by an executive order forbidding "assessments" and barring federal workers from performing political work on or off the job. After it was discovered that some importers had been fined wrongfully to increase the incomes of people like Arthur, Congress ended the system of sharing fines. Arthur's income dropped to \$12,000 overnight, and in 1878, Hayes fired him.

When Arthur unexpectedly became president, nearly everyone expected that the federal government would soon return to business as usual. It didn't. Conkling wanted Garfield's Custom House appointee fired and his own man put in, so he could use the patronage to fuel his political machine. Arthur refused. "For the vice presidency I was indebted to Mr. Conkling," Arthur explained. "But for the presidency of the United States, my debt is to the Almighty."

Mr. Greenberger also highlights the remarkable role that a perfect stranger played in Arthur's transformation. Julia Sand, a semi-invalid living with her family on Manhattan's Upper East Side, wrote Arthur a series of letters encouraging, warning and criticizing him, consistently urging him to overcome his corrupt past. He visited her only once, unexpectedly, but carefully preserved her letters even though he burned most of his other papers.

Her encouragement had its effect. In his first annual message to Congress, Arthur called for civil service reform and the reactivation of the moribund Civil Service Commission. In his second message, he called on Congress to pass laws banning assessments and requiring competitive examinations for civil service positions. Under public pressure, Congress quickly complied.

Arthur also pushed naval reform and a modern shipbuilding program through Congress and can fairly be called the father of the modern navy. The abolitionist's son also championed a civil rights bill and invited the black Fisk University choir to sing at the White House.

Arthur paid a price for this, of course, and was denied the nomination for a second term. He didn't really want it: His health was rapidly deteriorating, and he died a year and a half after he left the White House, at the age of only 57.

Chester Arthur was not one of the great presidents. But he was a competent and honest one, and, as Julia Sand told him, his corrupt past made his reformation all the more impressive. Even Mark Twain—no apologist for politicians—wrote that "it would be hard indeed to better President Arthur's administration."

"The Unexpected President" is popular history, dependent on secondary sources, especially Thomas Reeves's magisterial biography of Arthur, "Gentleman Boss." But it generally avoids the pitfalls of the genre, such as assuming facts not in evidence in the sources. Above all, Scott Greenberger's slim, well-written biography is a worthy tale of redemption—of a wandering man who, suddenly finding himself president, rose to the occasion and did his duty.

Mr. Gordon is the author of "An Empire of Wealth: The Epic History of American Economic Power."

Keep Students Safe From the Heckler's Veto

By Robert Shibley

Jeff Sessions has joined the debate over censorship on campus. At Georgetown Tuesday, the attorney general criticized institutions that capitulate to the heckler's veto—when "administrators discourage or prohibit speech if there is even a threat that it will be met with protest."

It's been a banner year for hecklers, including violent ones. The University of North Carolina says that it "is not willing to risk anyone's safety" to allow white nationalist Richard Spencer to speak on campus. He's banned at Michigan State "due to significant concerns about public safety," and at Texas A&M, though he spoke there last December.

At Evergreen State College in Olympia, Wash., professors had to hold classes off campus in a park while police politely asked radical students to stop

arming themselves with bats and "patrolling" campus. Social scientist Charles Murray was literally chased out of Middlebury College in Vermont, then disinherited from Assumption College in Massachusetts. Conservative provocateur Milo Yiannopoulos still

opposition with safety is nonsensical.

You are not safe if you are under threat of physical attack for expressing or listening to political views. Debate and dissent are normal parts of living in a free and diverse society, and that should be especially true at an educational institution. Silencing dissenters in the name of physical safety simply punishes the victims of wrongful, sometimes criminal behavior.

In no other situation do colleges simply throw up their hands and say that student safety is an unreachable goal. Campuses have vast bureaucracies dedicated to combating sexual assault, eliminating discriminatory harassment, and discouraging alcohol abuse. Emergency phones, designated drivers and safe-escort programs are thick on the ground.

Colleges even attend to students' "emotional safety" by setting up "bias response"

teams that "intervene" when somebody says something hurtful.

Yet colleges have allowed the heckler's veto to flourish, which only encourages more violence. Under its new chancellor, Berkley reportedly spent up to \$600,000 to ensure that commentator Ben Shapiro was able to speak on campus two weeks ago. Critics moan about the expense, dismissing such speeches as stunts unworthy of academia and not worth the price. But the cost of bowing to mob rule is far higher.

Making the statement that violence will not be allowed to substitute for debate will save far more in the long run—and, more important, teach the coming generation about how a free society resolves its differences.

Mr. Shibley is executive director of the Foundation for Individual Rights in Education.

OPINION

REVIEW & OUTLOOK

Tax Reform, If You Can Keep It

Republicans 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.)

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.

Who Really Lost Alabama

The damage from the Senate GOP's ObamaCare failure will redound for years, and the first election fallout came Tuesday when Alabama Republicans nominated twice-defrocked state Supreme Court Justice Roy Moore to fill the Senate seat left by Attorney General Jeff Sessions. Take a bow, Senators Susan Collins, Lisa Murkowski, John McCain and company.

Mr. Moore's 10-point rout over appointed Senator Luther Strange is being portrayed as a defeat for Mitch McConnell. The Majority Leader's political-action committee and his allies spent heavily for Mr. Strange, and as leader he is taking the blame for an ObamaCare defeat that Mr. Moore rightly portrayed as a failure to fulfill GOP promises.

But Mr. McConnell corralled 49 Senators for repeal, only to be sabotaged by Mr. McCain and others who helped to kill health-care reform. Mr. McCain announced his rejection to the second ObamaCare-repeal bill on Friday, on the weekend before the primary, and Ms. Collins announced her opposition on Monday. That surely fed GOP grass-roots frustration.

Mr. Strange was also hurt because he was appointed by the former scandal-tarred Governor Robert Bentley, who resigned in disgrace in April. Opponents portrayed the appointment as cronyism, since Mr. Strange was state attorney general at the time, though there is no evidence of any quid pro quo.

The ObamaCare dissenters claim to want more bipartisanship, but in the 70-year-old Mr. Moore they may have abetted the opposite. Judge Moore twice lost his seat on the state high court for defying court orders. He is op-

The GOP 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 anti-growth 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 non-child 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.

The GOP's ObamaCare failure helps to elect Roy Moore in Alabama.

posed to immigration and free trade and has said that homosexual conduct should be illegal. But his main appeal is opposition to Washington-as-usual. One exception is that he's a favorite of the trial lawyers because he supports class-action lawsuits, so at least that will delight Democrats.

President Trump supported Mr. Strange, but his defeat is likely to encourage Mr. Trump to increase his own agitation against GOP leaders in Congress. The best chance of calming the GOP's populist anger is legislative success that shows the party can honor its promises. The main accomplishment of the ObamaCare dissenters has thus been to empower the Steve Bannon wing of the party, which campaigned for Mr. Moore, and make it even harder for Republicans to govern.

It's unlikely Mr. Moore will lose the general election on Dec. 12 in the right-leaning state, though the media will now make him a national GOP spokesman and you never know what he might say that could blow himself up. His victory will also encourage other challengers to GOP Senate incumbents in 2018, forcing the party to spend money it could otherwise use to challenge swing-state Democrats.

With Bob Corker of Tennessee announcing his retirement, and Senators Jeff Flake (Arizona) and Dean Heller (Nevada) in dire straits, it's now possible that Republicans could lose Senate control in 2018.

Mr. Trump had better get those judicial nominees before the Senate fast. If the Chuck Schumer Democrats take the Senate, he won't be able to confirm any Supreme Court nominee to the right of Laurence Tribe.

LETTERS TO THE EDITOR

Bernie's Socialism? Expand Medicare Instead

I take some exception to your editorial "Bernie's Socialism Goes Mainstream" (Sept. 14). Bernie's "socialism" is nothing new or original. Why not just build off current Medicare? 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. Medicare expansion preserves private medical practice. Pharma prices must be negotiated, not fixed. Doctors, etc., remain in private practice with a government payout to service providers. Medicaid provides medical care for the poorest and disabled. This is a moral issue, not one of cost. We should all be committed to helping our poorest.

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. We rank 37th in the world, e.g., below Australia, Canada, Chile, Columbia, Israel and 31 others. France is number one—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 Medicare 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 this country.

RYAN SEARLE, M.D.
Newburyport, Mass.

Is Medicare "socialism"? As a Medicare recipient, I have complete freedom to choose my doctor while those with commercial insurance generally must stay within the "network" chosen by their insurer. The care for those of us over age 65 isn't "rationed" any more than care from commercial insurance. The administrative costs of Medicare are a fraction of those associated with commercial insurance.

EM. PROF. MILES M. WEINBERGER, M.D.
University of Iowa
San Diego

U.S. Solar Firms Want a Level Playing Field

Regarding your editorial "Solar Power Death Wish" (Sept. 16): 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 federal government for stealing from a U.S. manufacturer (specifically our co-petitioner Solar

World), 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 last five years. That is almost 30 U.S. manufacturers, in over 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.

Close to Home Drug Trials Help Patients Most

Amy Abernethy and Sean Khozin are on target when it comes to the challenges we face in clinical trial participation, especially in oncology ("Clinical Drug Trials May Be Coming to Your Doctor's Office," op-ed, Sept. 13).

The 3%-5% number for oncology clinical-trial enrollment cited hasn't budged in years. Ninety percent of oncology care is delivered in the community setting, outside of National Cancer Institute-designated cancer centers and academic institutions.

Oncology patients are often very sick. It is unreasonable to expect that cancer patients would travel hundreds or thousands of miles for treatments that may go on for weeks and months. Accrual of well-designed studies can take far longer than they should. How much better would it be to study off-label use of drugs via a

study, where the data are amalgamated and used for generations to come, rather than an anecdotal experience that ends up in a chart, never to be read again?

There are known mutations existing in 1% of cancer patients with drugs that have shown clinical benefit rates well in excess of 75%, with minimal toxicity. Yet these studies are taking years to complete and get to patients because they are so rare. Instead, thousands of cancer patients will get toxic chemotherapy, with all the expected side effects, that doesn't work as well.

Physicians, pharma and the government should all cooperate to deliver the highest level of care through clinical trial research, close to home where our patients live.

ALEX SPIRA, M.D. PH.D.
Fairfax, Va.

Dishonoring Columbus Means Dishonoring Latinos

Regarding Jennifer C. Braceras's "Without Columbus, There Would Be No Latinos" (op-ed, Sept. 25): While on a tour in Costa Rica one lady in our party asked our guide, a young local environmental scientist: "How do you feel about Europeans coming here, killing and conquering your people?" The young man rolled his eyes and replied: "What do you expect me to say about my great, great, grandfather? Without him I wouldn't exist."

By the way, the Caribbean is named for the Caribs who had slaughtered, conquered and displaced (not to mention ate) the pre-indigenous locals.

JAMES RUMBAUGH
Chicago

Aspen Should Look to Itself Instead of Blaming Trump

Mike Kaplan indicates that Mexican tourism to Aspen, Colo., is in sharp decline, and he attributes that loss to Donald Trump ("Aspen Needs Mexican Tourists," op-ed, Sept. 22).

While I can't speak for Mexican tourists, it's the price of lift tickets, lodging, rentals and food at Aspen that has us looking at other venues. Should Mr. Kaplan adopt pricing less intended to squeeze every last dollar or peso from tourists, rather than deplore President Trump for dubious assertions, perhaps he'll attract more Mexican tourists, and some from Texas as well.

MATT MORGAN
Frisco, Texas

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Why Tax American 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, developed by the White House and congressional Republicans, 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 American companies at a disadvantage and saps the resources they need to create jobs and contribute to economic growth. Nowhere is this more



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 biopharma 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.

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. For 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.

On Behalf Of Equifax, I'm Sorry

By Paulino do Rego Barros Jr.

On behalf of Equifax, I want to express my sincere and total apology to every consumer affected by our recent data breach. People across the country and around the world, including our friends and family members, put their trust in our company. We didn't live up to expectations.

We were hacked. That's the simple fact. But we compounded the problem with insufficient support for consumers. Our website did not function as it should have, and our call center couldn't manage the volume of calls we received. Answers to key consumer questions were too often delayed, incomplete or both. We know it's our job to earn back your trust.

A new free service will let consumers lock or unlock access to their credit data any time they like.

We will act quickly and forcefully to correct our mistakes, while simultaneously developing a new approach to protecting consumer data. In the near term, our responsibility is to provide timely, reassuring support to every affected consumer. Our longer-term plan is to give consumers the power to protect and control access to their personal credit data.

I was appointed Equifax's interim chief executive officer on Tuesday. I won't pretend to have figured out all the answers in two days. But I have been listening carefully to consumers and critics. I have heard the frustration and fear. I know we have to do a better job of helping you.

Although we have made mistakes, we have successfully managed a tremendous volume of calls and clicks. And we're getting better each day. But it's not enough. I've told our team we have to do whatever it takes to upgrade the website and improve the call centers.

We have started work on our website, and I see significant signs of progress. I won't accept anything less than a superior process for consumers. We will make this site right or we will build another one from scratch. You have my word.

The same goes for the call centers. There is no excuse for delayed calls or agents who can't answer key questions. We will add agents and expand training until calls are answered promptly and knowledgeably. I will personally review a daily report on their operations.

We will also extend the services we are offering consumers. We have heard your concern that the window to sign up for free credit freezes with Equifax is too brief, so we are extending the deadline to the end of January. Likewise, we are extending the sign-up period for TrustedID Premier, the complimentary package we are offering all U.S. consumers, through the end of January.

We hope these immediate actions will go a long way toward addressing the concerns we are hearing from consumers. We know they won't solve the larger problem. We have to see this breach as a turning point—not just for Equifax, but for everyone interested in protecting personal data. Consumers need the power to control access to personal data.

Critics will say we are late to the party. But we have been studying and developing a potential solution for some time, as have others. Now it is time to act.

So here is our commitment: By Jan. 31, Equifax will offer a new service allowing all consumers the option of controlling access to their personal credit data. The service we are developing will let consumers easily lock and unlock access to their Equifax credit files. You will be able to do this at will. It will be reliable, safe and simple. Most significantly, the service will be offered free, for life.

With the extension of the complimentary TrustedID package and free credit freezes into the new year, combined with the introduction of this new service by the end of January, we will be able to offer consumers both short- and long-term support for their personal data security.

There is no magic cure for data breaches. As we all know, every organization is at risk. When consumers have access to our new service, however, the cybercrime business will become a lot more difficult, and we are committed to doing what we can to help millions of consumers rest easier.

Mr. Rego Barros is interim CEO of Equifax.

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 does not 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 was not 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 do not acknowledge that Catalonia has received more than its fair share of national capital and investment in the past 75 years,

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

in part as a political sop to a restive region. The separatists also do not 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 as a

form of political insurrection in three years. The first, in 2014, had been ruled unlawful by the courts, but was held anyway as a nonbinding "participation process." The separatists tout 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 are not 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 will not 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 non-violent—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 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.

The U.S. Makes Ambassadors of Visitors

By Michael Polt
And Kim Davis

As the Trump administration revises America's visa system to prevent abuse—such as instances in which companies bring foreigners into the U.S. to replace native workers at lower pay—one category stands out as deserving of protection: J-1 visas, for "exchange visitors."

This broad designation covers trainees, interns, exchange students, visiting scholars, au pairs, camp counselors and the like. J-1 visas are always time-limited. They often carry a requirement that the visitor return to his home country 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.

People on J-1 visas are prohibited from holding permanent jobs here. Rather, the visas provide an opportunity for cross-cultural education and training. The idea is that when visitors return home, they bring with

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

them the American values they were exposed to during their stay. Many J-1 visas go to young people who develop an appreciation for life and culture in the U.S. 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 in the U.S. 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 midcareer professionals from around the world to the U.S. for a one-year program. The institute, part of Arizona

State University, 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, anticorruption 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 here 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.

With the extension of the complimentary TrustedID package and free credit freezes into the new year, combined with the introduction of this new service by the end of January, we will be able to offer consumers both short- and long-term support for their personal data security.

There is no magic cure for data breaches. As we all know, every organization is at risk. When consumers have access to our new service, however, the cybercrime business will become a lot more difficult, and we are committed to doing what we can to help millions of consumers rest easier.

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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Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

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THE WALL STREET JOURNAL.

Thursday, September 28, 2017 | B1

Bombardier Shares Fall In Wake of Twin Blows

BY JACQUIE McNISH

Bombardier Inc. was licking its wounds Wednesday, a day after two rivals said they would merge their train operations and the U.S. announced a tariff on its passenger jets.

Shares of the prominent Canadian manufacturer plummeted when trading opened on the Toronto Stock Exchange Wednesday and finished the day down 7.8% at 2.12 Canadian dollars (\$1.71).

Sales of Bombardier's new CSeries passenger jets have stalled out this year, and the decision by the U.S. International Trade Commission certainly won't help. The body is imposing a tariff that would triple the cost of CSeries jets sold in the U.S., acting on a complaint from Boeing Co. that Bombardier was improperly underpricing the aircraft.

Another problem for the Montreal-based company is its train division, which generates most of its profits but faces a sharply diminished global position as it struggles with production problems.

Bombardier initiated partnership talks with Siemens AG this year, according to people familiar with the talks, in a bid to revitalize its train business. After those talks stalled in August, Germany's Siemens turned to France's Alstom, announcing on Tuesday a merger of their train operations that will have combined revenue of \$18 billion.

With sales of only \$7.6 billion, Bombardier will be "at a competitive disadvantage" against much bigger global players, said Desjardins Capital Markets analyst Benoit Poirier.

China's CRRC Corp. ranks as the world's largest train maker with more than \$30 billion of sales.

Production problems have hobbled Bombardier. New York's transit authority didn't include it in bidding this summer for a subway-car contract after past problems with delivery delays. Toronto's transit body also is at odds with the company.

"We have done everything short of building the vehicles ourselves," said Andy Byford, chief executive of the Toronto Transit Commission, which is suing Bombardier for late streetcar deliveries. The city has received only 43 of 148 streetcars promised this year.

A spokesman for Bombardier said that although it "faces challenges," its train division has improved performance under new leadership and expects to deliver a total of 204 trains to Toronto by a 2019 deadline.

Activist Wins Overhaul at Hain

Food and beverage company agrees to sweeping changes in make-up of its board

BY ANNIE GASPARRO

Hain Celestial Inc. reached an agreement with an activist investor that calls for sweeping changes to the food-and-beverage company's board and opens the door to a possible sale, according to people familiar with the matter.

As part of the settlement with Engaged Capital LLC, Hain will nominate six new directors and three board members won't run for re-election, the people said. The board is

to comprise 11 directors, all but one independent.

Hain, which makes Celestial teas, Terra vegetable chips and BluePrint juice among other brands, also agreed to form a group of directors who will examine strategic alternatives, the people said.

CenterView Partners has been retained to help with the review, which could ultimately lead to a full or partial sale of the company.

Among the new board members, whom shareholders will vote on at the annual meeting in November, is Engaged Capital founder Glenn Welling.

In June, Engaged Capital disclosed it controlled a 9.9% stake in Hain, making it the largest shareholder. The

hedge fund, which had recently won a similar battle against Rent-A-Center Inc., pushed Hain to add directors with more food-industry experience, more-closely align executive compensation with performance, reduce costs and consider a sale.

It had initially invested in March, when Hain was grappling with accounting issues and its sales growth wasn't living up to expectations.

Shares of Hain, which has a market value of more than \$4 billion, are up 17% from a year ago, but the company still hasn't recovered from the hit it took when it revealed the accounting issues in 2016.

In June, Hain released more than a year's worth of financial

reports after concluding that no intentional wrongdoing led to the accounting errors, and that the resulting adjustments had no "material" effect on its finances.

\$4B

Market capitalization of Hain Celestial Inc.

more in sync with current eating habits. Campbell Soup Co., for instance, plans to acquire organic-soup maker Pacific Foods, and Conagra Brands Inc. recently said it is buying the maker of Angie's Boomchickapop flavored popcorn.

With such deals, food companies are winning shelf space from Hain and making it tougher for its smaller brands to compete.

Hain is still run by founder Irwin Simon, who began building the conglomerate in 1993. Mr. Simon recently said Amazon.com Inc.'s acquisition of Whole Foods will help propel Hain's brands further, and he expects sales growth to improve this year.



Assembly of some components is causing delays. Apple executive Phil Schiller at the unveiling of the iPhone X earlier this month.

Production of iPhone X Stumbles

BY YOKO KUBOTA

BEIJING—Apple Inc. hit a production snag with components crucial to its new iPhone X's facial-recognition system, people familiar with the situation said, adding to concerns about extended shortages when sales begin early in November.

The components, known as Romeo and Juliet among Apple engineers and suppliers, work together to allow users of the latest iPhone to unlock their devices by scanning their faces, the people said.

It has taken more time to assemble the Romeo modules than the Juliet modules, they

said, creating an imbalance in supply.

That has created a bottleneck for the iPhone X's mass production, according to one person, which could crimp supplies beyond typical initial shortfalls when the phone is released Nov. 3.

Apple based in Cupertino, Calif., declined to comment.

The production problems are the latest glitch as Apple and its suppliers rush to load the flashy new features into the flagship model that carries high stakes for Apple.

New iPhone 8 and iPhone 8 Plus models went on sale last week, but the new high-end

iPhone X won't be available until Nov. 3 following production troubles this summer involving its screens, which are using organic light-emitting diode, or OLED, technology, as The Wall Street Journal recently detailed.

There also was a hiccup during Apple's launch event Sept. 12, when the iPhone X failed to fully unlock the first time the company's top software executive used it before the audience. Apple later said the Face ID technology had been inadvertently disabled beforehand.

The handset, which commemorates the 10th anniversary of the iPhone, is Apple's most advanced yet and has sev-

eral features that weren't on previous phones, adding to the level of difficulty in manufacturing them.

Apple's plan to launch the iPhone in more than 55 countries and territories Nov. 3 suggests it is confident it can meet demand, Sanford C. Bernstein & Co. analyst Toni Sacconaghi said in a recent note. But "if iPhone X availability issues persist beyond Nov. 15 and into the holiday season, we could see some frustrated iPhone users consider switching to other offerings," possibly weakening sales estimates, Mr. Sacconaghi said.

Please see IPHONE page B2

Uber Exits U.S. Car Leasing as Losses Rise

BY GREG BENSINGER

Uber Technologies Inc. said it is shutting down its U.S. auto-leasing business, months after it discovered it was losing 18 times more money per vehicle than previously thought.

The ride-hailing firm on Wednesday began informing employees of the decision to close down the business, known as Xchange Leasing, which will affect some 500 jobs, representing roughly 3% of Uber's 15,000-employee staff. It marks Uber's first mass layoff in its eight-year history.

"We have decided to stop operating Xchange Leasing and move towards a less capital-intensive approach," said a spokesman. The Wall Street Journal first reported on the decision to wind down the business last month.

The move suggests Uber was unable to find a buyer for the business, a prior hope of some executives.

Uber has been working to curtail costs after posting at least \$4.4 billion in total losses over the past six quarters, particularly as its new chief executive, Dara Khosrowshahi, considers an initial public stock offering in as little as 18 months. Earlier this year, Uber merged its money-losing Russian operations with its competitor there and last year sold its China unit.

Uber started the Xchange Leasing division about two years ago under former CEO Travis Kalanick, investing about \$600 million in the business, according to people familiar with the unit.

Please see LEASE page B2

Hugh Hefner, Founder Of Playboy, Dies at 91

BY LUKAS I. ALPERT

Hugh Hefner, the founder of Playboy magazine who revolutionized publishing and helped usher in the sexual revolution with a vision of beauty, sophistication and the libertine lifestyle that reflected the desires of the postwar generation, died Wednesday at the age of 91.

It all began on a card table in Mr. Hefner's living room on the south side of Chicago, where in late 1953 he laid out the pages for the first issue of a magazine that would ultimately become one of the most recognizable brands of the 20th century.

The son of strait-laced Midwestern Protestants who rarely exhibited public signs of affection, Mr. Hefner, who was known to most simply as Hef, felt his parents' generation's view of sexuality was out of step with that of men returning from World War II.

The groundbreaking Kinsey Reports on human sexual be-

havior in 1948 and 1953 convinced him that Americans were far more sexual than prevailing social mores would lead one to believe and that the men's magazines of the time lacked the edginess and sophistication they wanted.

His concept was to present the image of a worldly and well-read man, surrounded by beautiful women, expensive cars and the latest high-tech gadgets. He initially wanted to call the magazine Stag Party but at the last minute changed the title to Playboy.

"Affairs of state will be out of our province. We don't expect to solve any world problems or prove any great moral truths. If we are able to give the American male a few extra laughs and a little diversion for the anxieties of the Atomic age, we'll feel we've justified our existence," he wrote in the introduction to the first issue.

In October 2015, the magazine took a radical turn when it announced it would no longer

Please see HEFNER page B2

INSIDE



NEW CAMERA MAKES BIG LEAP



NEW YORK FED ACTS TO AID PUERTO RICO

BANKING, BIO

TAX REPORT | By Laura Saunders

Winners and Losers in Tax Plan

Tax Bills

Taxpayers in high-tax states will suffer most if the deduction for state and local taxes ends. Here are states where the write-offs matter most and least.

State	Percent claiming SALT deductions	Average deduction
Connecticut	41.4%	\$8,113
New York	34.6%	\$7,655
New Jersey	41.3%	\$7,351
California	34.5%	\$6,339
Maryland	45.9%	\$5,909
Wyoming	21.6%	\$1,365
North Dakota	18.5%	\$1,267
Tennessee	19.3%	\$1,084
Arkansas	21.4%	\$1,057
South Dakota	16.9%	\$1,032

Source: Tax Foundation; Internal Revenue Service 2015 data on deductions of state and local income, property and sales tax

THE WALL STREET JOURNAL.

INDEX TO BUSINESSES

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

A	F	R
Adidas.....A5	Facebook.....A5,B12	Repsol.....B3
Alphabet.....A5,B12	Fiat Chrysler.....B12	Roku.....B11
Alstom.....B1,B12	Automobiles.....B6	S
Amazon.....B6,B12	H	Samsung Electronics.....B4
Apple.....B1,B11,B12	Hain Celestial Group.....B1	Shell.....B3
B	Health Care Service.....A1	Siemens.....B1,B12
Bain Capital.....B4	Hoya.....B4	Si Hyunix.....B4
Baxter Intl.....B3	Hulu.....B11	Snap.....B11
Blue Apron Holdings B11	I	Sonic.....B4
Boeing.....B1	Intel.....B12	Stitch Fix.....B11
Bombardier.....B1	Intuit.....B4	STX Entertainment.....B11
BP.....B3	J	Switch.....B11
C	JPMorgan Chase.....B10	T
Campbell Soup.....B1	Micron Technology.....B12	TCW Group.....B10
Carlyle Group.....B10	Microsoft.....B4	Tencent Holdings.....B11
Centene.....A4	Mitsubishi UFJ Financial Group.....B10	Toshiba.....B4
CenterView Partners.....B1	MongoDB.....B11	Total.....B3
Cigna.....A1	N	Twitter.....A5
Cnooc.....B3	Netflix.....B11	U - V
Comcast.....B11	Nike.....B12	Uber Technologies.....B1
Conagra Brands.....B1	Nippon Life Insurance.....B10	Viacom.....B11
CRRC.....B1	P	Volkswagen.....B6
D - E	Pacific Foods.....B1	W
Delphi Automotive.....B6	Patriarch Partners.....B6	Walt Disney.....B11
Deutsche Bank.....B12	PCCW.....B11	Wedbush Securities.....B12
Discovery Communications.....B11	PepsiCo.....A1	Wimm-Bill-Dann.....A1
Dish Network.....B11	Y - Z	YouTube.....B11
Engaged Capital.....B1		Zohar.....B6
Exxon Mobil.....B3		

INDEX TO PEOPLE

B	H	P
Bayer, Thomas.....B4	Halvorsen, Terry.....B4	Minton, Joel.....B4
Bright, Michael.....B2	Hans, Michael.....B12	Parente, Pedro.....B3
Byford, Andy.....B1	Iger, Robert A.....B11	Poirier, Benoit.....B1
C	Kalanick, Travis.....B1	Price, Tom.....A5
Callinan, Jim.....B11	Khosrowshahi, Dara.....B1	R
Clark, Kevin.....B6	Kraft, Bryan.....B11	Reid, Jim.....B12
Clayton, Jay.....B4	L	S
Comyns, Matt.....B4	Lacerda, Carla.....B3	Sacconaghi, Toni.....B1
F	Limp, David.....B6	Scott, Tony.....B4
Feinberg, Kenneth.....B6	M	Simond, Robert.....B11
Filho, Fernando Coelho.....B3	Mason, Chris.....B2	Simon, Irwin.....B1
Foelak, Carol Fox.....B6	Mastro, Randy.....B6	T
G	McDonough, Karissa.....B11	Tilton, Lynn.....B6
Griggs, Linda.....B10	McGlashan, Bill.....B11	W - Y
Gross, Bill.....B10	Welling, Glenn.....B1	Welling, Glenn.....B1

TAX

Continued from the prior page
code's complexity.

But the latest document does provide evidence of what the administration and Republicans in Congress want to do.

Here are groups that would and wouldn't benefit.

Winners

People who don't take deductions. The framework would roughly double the amount of the standard deduction to \$24,000 for married couples and \$12,000 for singles.

This change would benefit taxpayers who don't break out deductions for mortgage interest, state taxes, charitable donations and the like on Schedule A—and they file about 70% of all returns. Current itemizers might opt to refrain.

But there is a potential catch: In return for the expanded deduction, taxpayers will lose the personal exemption for each family member, which is \$4,050 in 2017. It isn't known whether additional changes will make up the difference for families with children.

Heirs of very large estates. The current estate tax applies only to individuals with assets greater than \$5.5 million, and \$11 million for couples, which exempts all but 0.2% of estates.

The framework would repeal both the estate tax and the "generation-skipping tax," which can impose estate tax if someone attempts to skip one or more layers of tax by leaving assets to descendants.

It isn't clear whether estate-tax repeal will include other tax increases in this area—such as increasing capital-gains tax at death on very large estates.

Higher-earning owners of pass-through businesses. The framework wants to lower the tax on pass-through business income. Currently, owners of partnerships, limited-liability companies and S corporations pay tax on income at the owner's personal rate.

To stimulate economic growth, the framework would drop the top rate on the owner's business income (other than wages) from about 40% to 25%. This change wouldn't help small-business owners with tax rates below 25%, but it would benefit those taxed at higher rates.

Administration officials have said they won't allow this lower rate for personal-service providers such as accountants, and this exception could also include doctors, lawyers, architects and others. Critics also worry that

taxpayers will try to convert higher-taxed wages to lower-taxed business income by artful planning or outright cheating.

Haters of the alternative minimum tax. This complex surtax, which rescinds some tax benefits, is slated for total repeal.

Losers

Residents of high-tax states. Republican lawmakers and Mr. Trump seem determined to repeal write-offs for state and local income, property and sales taxes, which are deductible on federal tax returns.

These deductions currently cost Uncle Sam more than \$100 billion a year, and lawmakers would like to use that to reduce taxes elsewhere, according to Scott Greenberg of the Tax Foundation. "Lawmakers favoring repeal see it as an inefficient subsidy," he said.

If this write-off ends, the pain would be greatest in high-tax areas, including New York, New Jersey and California. There will likely be stiff opposition from Republican lawmakers representing these areas, so the write-off may be limited rather than repealed outright.

People who take charitable and mortgage deductions. The framework would specifically preserve these write-offs—although experts say the mortgage interest deduction could be curtailed to \$500,000 of loan rather than \$1 million. A higher standard deduction would mean many homeowners' annual mortgage-interest payments—combined with the repeal of other write-offs—might not be high enough to be worth itemizing.

High-wage earners. One of the few new elements in the framework is a possible rate above 35% for high earners, to ensure the new system is "at least as progressive as the existing tax code." The rate and level of income it would apply to isn't specified.

If such a rate is imposed, it will likely apply to mainly wage earners—not the business income of pass-throughs or investment income such as capital gains and dividends. If it is coupled with loss of state and local tax deductions, some people could owe much more.

People with large medical or disaster deductions. Each of these write-offs on Schedule A has significant hurdles and is only available to taxpayers with large unreimbursed expenses—such as from nursing-home costs or Hurricane Harvey flood damage.

Both deductions would probably be repealed under the framework, along with those for investment interest, gambling losses and unreimbursed businesses expenses.

HEFNER

Continued from page B1
ger publish images of fully nude women, distancing itself from a major element of its legacy. Company officials said the change was partly a recognition that these photos were no longer unique in an era of widely available online pornography. Sales plummeted, however, and the company changed course in early 2017, once again publishing nude photographs.

Working during the day as a circulation manager for Children's Activities magazine, Mr. Hefner cobbled together \$8,000 from relatives and a bank loan to launch Playboy. He built the first issue around a full-color photo he purchased from a calendar manufacturer for \$500 of a nude Marilyn Monroe before she was famous. The cover sported no publication date, because he wasn't sure if or when he would be able to publish another.

But when it hit stands in December 1953, it was a sensation, selling out all 50,000 copies. By 1971, Playboy was selling seven million copies a month, the company went public and the magazine's bunny-eared logo had become one of the most recognized corporate brands in the world. Few players in the world of adult entertainment would come close to achieving Playboy's mix of high culture and glossy sexuality.

"I didn't just start a magazine. I started a magazine that changed everything," he told Esquire in 2013.

Mr. Hefner met with his fair share of critics. Feminists lashed out at him for objectifying women. Religious conservatives accused him of coarsening culture and appealing to people's baser instincts purely for profit.

He was always willing to spar with his harshest detractors and was a frequent guest on television talk shows for decades. His erudite defense of a more sexually free world predated the sexual revolution of the 1960s by several years and in 1962, he published a nearly 300-page manifesto called "The Playboy Philosophy" that laid out in fine detail what he saw as the sexual hypocrisy of American society.

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Both deductions would probably be repealed under the framework, along with those for investment interest, gambling losses and unreimbursed businesses expenses.

BUSINESS & FINANCE



Hugh Hefner: 'I didn't just start a magazine. I started a magazine that changed everything.'

At the start, Mr. Hefner relied on photos of well-known starlets and glamour queens like Jayne Mansfield and Bettie Page. But he quickly shifted to using amateur or unknown models, dubbed Playmates, believing that the girl-next-door image tapped more readily into ordinary people's inherent sexuality. Over the years, many

He presented an image of a worldly man, surrounded by beautiful women.

major celebrities graced the magazine's pages—from Madonna to Drew Barrymore to Cindy Crawford. Others, like Pamela Anderson and Jenny McCarthy, were launched to stardom after appearing as Playmates.

Mr. Hefner also paid top dollar for top-rate works of fiction and journalism, attracting iconic writers such as John Updike, Margaret Atwood, Kurt Vonnegut and Ian Fleming, among many others. Beginning in 1962, Playboy began featuring monthly interviews with leading cultural and historic figures, including Malcolm X, Martin Luther King Jr. and Jimmy Carter. The quality of the work led readers to often quip, sometimes jokingly and

times seriously, that reads that pattern.

One person said the trouble with Romeo involved complications in assembling the various components into the module.

Both people said that meant there weren't enough Romes to go with the number of Julietts on hand, although one of them said the Romeo assembly process is now moving smoothly.

The Romeo module features a dot projector that uses a laser to beam 30,000 infrared dots across the user's face, essentially mapping its unique characteristics. The Juliet module

sometimes not, that they bought the magazine for the articles—not, it was implied, for the photos.

"In a time of repression and conformity, Playboy presented a revolutionary perception of life that was both sophisticated and playful. The editorial point of view—that life was more than a vale of tears, that play and pleasure were important parts of being alive—was reflected in the words and pictures of every issue," he would write years later in the introduction to a book celebrating the magazine's 50th anniversary.

Born Hugh Marston Hefner on April 9, 1926, in Chicago,

Mr. Hefner said he grew up in a strict household with reserved parents. As a child, he threw himself into drawing comics and later admitted he didn't lose his virginity until he was 22. But when he created the magazine he took it upon himself to be a living, breathing example of the lifestyle he was trying to promote, eventually wrapping himself in silk pajamas and smoking jacket and carrying a pipe at all times, to become the ultimate marketing tool for Playboy.

By the end of the 1950s, his first marriage was over and he proceeded to carry on relationships with an endless string of women, many of whom had appeared in the pages of the magazine. In 1989, at age 63,

he married that year's 26-year-old Playmate of the Year, Kimberly Conrad. They divorced in 2010. Two years later—at age 86—he married Playmate Crystal Harris. In all, he estimated he had sex with more than 1,000 women.

As the magazine's ethos and bunny-eared logo grew increasingly well-known, Mr. Hefner pursued an exceedingly successful branding effort. He started in the 1960s with syndicated television programs and nightclubs around the country. When Playboy Enterprises went public in 1971, it branched into publishing, film and music production and even a limousine service. By the time the magazine reached its sixth decade, it moved deeply into merchandising, licensing its logo for clothing and fragrance lines around the world.

But by the beginning of the 21st century, the business started to suffer as the internet and its far-more graphic fare took an increasingly large bite out of the adult market. Circulation slumped and in 2011, with the magazine hemorrhaging around \$1 million an issue, Mr. Hefner enlisted the help of private-equity firm Rizvi Traverse Management LLC to take the company private.

The company's outlying assets, including its adult television business, were quickly sold and the focus returned to just the magazine and the lucrative licensing of its logo.

IPHONE

Continued from the prior page

The Romeo and Juliet modules at the center of the latest delay are two critical parts of Apple's facial-recognition system, which is based on 3-D sensor technology.

The Romeo module features a dot projector that uses a laser to beam 30,000 infrared dots across the user's face, essentially mapping its unique characteristics. The Juliet module

includes the infrared camera that reads that pattern.

One person said the trouble with Romeo involved complications in assembling the various components into the module.

Both people said that meant there weren't enough Romes to go with the number of Julietts on hand, although one of them said the Romeo assembly process is now moving smoothly.

The Romeo module is assembled by LG Innotek and Sharp Corp., one of the people said. Both companies declined

to comment.

Manufacturing troubles are par for the course when new models of iPhones are being built, one of the people said. "But problems will be resolved eventually," the person said.

Besides the facial-recognition system, difficulties involving the OLED screen have also made the iPhone X road to production bumpy.

Apple initially hoped to equip the iPhone X with the Touch ID function, which allows users to open the phone by scanning their fingerprint.



A protest against Uber on Wednesday in London, where the ride-hailing company says its drivers shouldn't be entitled to benefits.

LEASE

BUSINESS NEWS

Storms Disrupt Baxter Shipments

BY PETER LOFTUS
AND JONATHAN D. ROCKOFF

Drug and hospital-product manufacturer **Baxter International** Inc. says it has lost "multiple production days" in hurricane-wrecked Puerto Rico that will delay its ability to restore shipments of two products that were already in short supply on the U.S. mainland.

The products—dextrose and sodium chloride, also known as saline—are intravenous fluids given to hospital patients. The company disclosed the delays in a Sept. 22 letter to U.S. hospitals and other customers, saying Baxter was still assessing hurricane-related damage to its facilities.

U.S. hospitals already have been grappling with shortages of the drugs due to manufac-

Baxter said it moved finished product off of Puerto Rico ahead of the storms.

turing problems and other issues unrelated to the hurricanes.

In May, Baxter said the Justice Department's antitrust division was investigating shortages of IV solutions including saline, as well as manufacturing, selling and pricing of the products.

Baxter said at the time it was cooperating with the investigation, and that it responsibly priced the products and was making efforts to help ensure the continuity of supply.

Baxter said in an emailed statement that the company took steps to mitigate a potential disruption to supply by transporting finished products off Puerto Rico in advance of the hurricanes.

The company said the product-allocation plan is designed to ensure equitable product distribution to customers.

Baxter said all of its sites sustained some damage, and repairs are under way. Baxter hopes to resume limited production "in the next few days."

On Monday, U.S. Food and Drug Administration Commissioner Scott Gottlieb said the agency was taking steps to mitigate the possibility of hurricane-related drug shortages, including working with companies to ensure products are shipped.

"We may soon face critical shortages if we don't find a path for removal or ways to get production back up and running," said Dr. Gottlieb.

In a separate letter on Sept. 23, Baxter told customers it would conserve the supply of many products made in Puerto Rico, including IV solution bags, by allocating fixed amounts to U.S. hospital customers based on customers' average monthly purchases between March and August.

Google Acts to Avoid EU Penalty

Search firm opens up bidding for shopping ads to comply with order in antitrust case

BY SAM SCHECHNER

utive of Kelkoo, a shopping-comparison engine that is an interested party in the shopping case, says that Google's remedy will likely force his firm to pay the company high rates to win auctions for ad space—an outlay that would leave him with little if any profit from selling those ads in the first place.

"The damage has been done. The industry is on its knees, and this is not going to put it back," said Mr. Stables, who has decided to participate in Google's new auctions despite misgivings. "I'm sort of shocked that they've come out with this," he added.

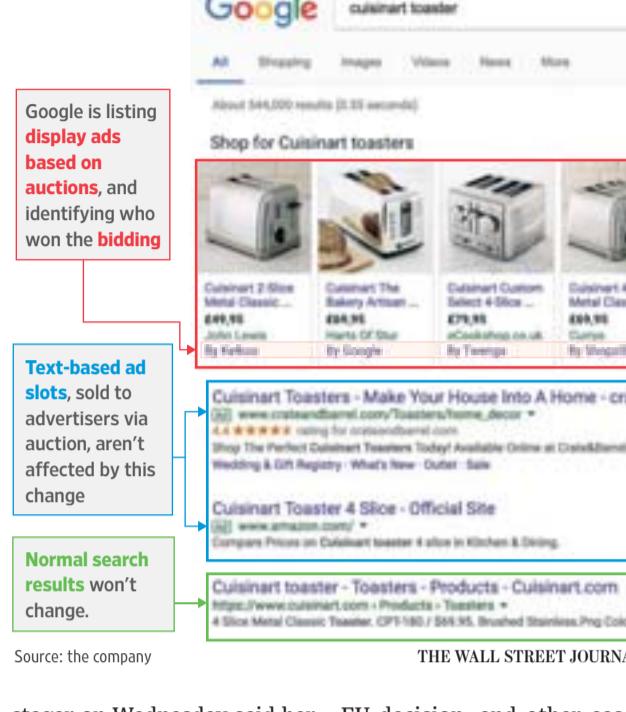
Google promised Google Shopping, the unit that sells ads to merchants, would be run as a stand-alone business, and would participate in auctions in an arm's-length capacity. It said it would operate the unit profitably, which means it wouldn't be able to bid so much that it posts losses. The company has committed to providing whatever information regulators request to monitor its commitments, according to a person familiar with the company's thinking.

A spokesman for Google said the company is giving rivals the "same opportunity to show shopping ads from merchants" as Google gives itself.

The European Commission said it would be "premature" to comment on whether Google's moves would be sufficient to avoid fines. EU antitrust chief Margrethe Ve-

New Look

Google has changed how products are listed in searches, responding to European demands for equal access for rivals. The changes are only being made for European users.



Source: the company

THE WALL STREET JOURNAL.

stager on Wednesday said her office would "actively monitor" Google's compliance with the order, adding that the company would have to report on its compliance every fourth month. "It is for Google to show that they live up to the decision," Ms. Vestager said.

The search giant's change to how it displays millions of results in one of its biggest markets demonstrates how the

EU decision, and other cases pending against Google, could have far-reaching impact on the company's sprawling business—even if courts end up striking them down years down the road. The changes won't affect users in the U.S.

The EU's "equal-treatment" order could be repeated against other parts of Google's business, such as maps and travel search, some antitrust experts

say. In the most prominent pending case, the EU alleges that Google has used the dominance of its Android operating system from mobile phones to promote, among other things, its search engine as a default on mobile devices. Some analysts and antitrust experts say a decision against Google could order an "unbundling" of Android from services like search where Google makes money.

"We believe investors may be under-appreciating the regulatory risk," said Mark Mahaney, an analyst at RBC Capital Markets, in a research note.

People close to Google have said that the facts of each case make it hard to apply one to the other.

At issue in the shopping case are ads that appear at the top of Google's search results when someone searches for a particular product, or a type of product, that the search engine thinks they want to buy. For instance, a search for "baby cribs" or "patio furniture" could bring up display ads at the very top for those products, with links to merchants who sell them. Until now, Google sold those ads exclusively.

The EU contends that the company, by putting those Google-sold ads on top of search pages, disadvantages other companies. Product pages on those other companies' websites, which also sell placement to merchants, often appear further down in a search.

—Laurence Norman contributed to this article.

Brazil Holds Its Most Successful Oil Auction

BY PAUL KIERNAN

RIO DE JANEIRO—Brazil held its most successful oil auction ever Wednesday, as a new partnership between state-run **Petróleo Brasileiro SA** and **Exxon Mobil Corp.** agreed to shell out \$1.1 billion for rights to drill in coveted offshore areas.

Petrobras and Exxon teamed up in six exploration blocks in the Campos Basin off Brazil's southeastern coast, at least some of which are believed to hold oil in an ultra-deep layer known as the "pre-salt." Though the companies agreed to split the financial burden of developing the blocks 50-50, Petrobras will operate all six of them, meaning it will make the key decisions.

The auction marked a return by Exxon, the world's largest publicly traded oil company, to Brazil after it abandoned efforts to drill in the neighboring Santos Basin in 2012. The Wall Street Journal reported in April that Exxon was discussing a possible partnership with Petrobras in hopes of regaining a foothold in one of the world's richest areas for offshore oil exploration.

Exxon Mobil's chief executive in Brazil, Carla Lacerda, declined to comment.

For Brazil, the signing bonuses from Exxon and Petrobras, which beat bids by majors including **Shell**, **Repsol**, **Cnooc**, **Total** and **BP**, marked



A Petrobras oil platform. A partnership between Petrobras and Exxon Mobil beat out rival offers from Shell, Repsol, BP and others.

a boon to government efforts to attract private investment as the country recovers from its deepest recession ever. Officials had predicted signing bonuses would fall in the range of \$157 million to \$313 million.

Since taking office last year, conservative President Michel Temer has sought to loosen regulations that had limited private-sector interest in Bra-

zil, even after the Western Hemisphere's largest discoveries in three decades were made here in 2007.

"What we need to do is exploit our potential at a moment when the economy needs the oil-and-gas industry more than ever," Energy Minister Fernando Coelho Filho said.

Speaking to reporters, Petrobras CEO Pedro Parente attributed the company's willingness to fork over big bucks to "the whole suite of measures that the government has adopted to increase the regulatory framework [and] stimulate investment."

He also suggested Petrobras knew something about the blocks on offer that its rivals didn't. "Petrobras is the company that naturally has the greatest body of information about the Brazilian offshore,"

so you should be able to imagine that we wouldn't pay the amount we paid if we didn't have information that it was worth it," Mr. Parente said.

Petrobras and Exxon agreed to pay a total \$1.08 billion in signing bonuses for just two blocks, dubbed C-M-346 and C-M-411.

Wednesday's auction was the first of nine that Brazil plans to hold through 2019.

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D.C. Struggles to Fill Tech Roles

High private-sector pay is obstacle to attracting more cybersecurity experts

BY ANGUS LOTEN
AND STEVEN NORTON

The chairman of the Securities and Exchange Commission told Congress this week the agency needs to beef up its cybersecurity expertise. The problem is executives at many private companies feel the same way—and are able to pay more.

The stakes are high, as the dual revelations this month of major hacks at both the SEC and credit-reporting company Equifax Inc. showed. But there is a shortage of experts who are qualified and experienced enough to set up and maintain effective cybersecurity defenses, industry participants say. And they don't come cheap.

SEC Chairman Jay Clayton told senators Tuesday that the federal regulator and other government agencies need more money to ramp up their expertise and investment to protect against hacks. Mr. Clayton plans to request a larger budget next year.

"We are just a bit out of step," Mr. Clayton said. "I have authorized the immediate hiring of additional staff to aid in our efforts to protect the security of the agency's network, systems and data."

Public-sector agencies can tap higher-priced cyber talent by working with consultants, but that approach doesn't eliminate the need for in-house expertise.

When he was the Defense Department's chief information officer, Terry Halvorsen last year told a House Armed Services subcommittee that rising IT compensation in the private sector was his biggest security concern. Mr. Halvorsen left the post in January.

Salaries for chief information security officers in the private sector range from \$137,000 to \$346,000 a year,



Joel Minton left the tech industry to direct an authentication system for the federal government.

previous year and 60,753 in 2013, according to a report last year by the Office of Management and Budget.

In a survey of more than 600 security professionals this year by the IT governance association ISACA, more than 25% said it can take six months or longer to fill priority cybersecurity positions. Thirty-seven percent of respondents said fewer than a quarter of candidates have the qualifications employers need to keep companies secure.

Tony Scott, a former chief information officer at Microsoft Corp. who served as the federal chief information officer for two years in the Obama administration, calls cybersecurity "the hardest job to fill in the private sector and even harder in government."

At the same time, government work can have its appeal. "We've been able to recruit quite a few ex-Silicon Valley types who come because of the agency mission and who want to make a difference," he said.

Joel Minton, a former director of data science and engineering for Intuit Inc.'s TurboTax, moved to Washington in February 2016. The challenge of solving the government's IT issues can be a draw, Mr. Minton said.

He is director of login.gov, an authentication system that will aim to allow the public to use a single sign-in process to access services across government agencies. He also is a member of the U.S. Digital Service, an Obama administration initiative that brings in outside talent for two- to four-year stints on government technology projects.

Since 2014, the initiative has hired more than 200 individuals, including Silicon Valley engineers from more than 50 firms, to work on a range of technology issues at federal agencies, according to a July 2017 report to Congress.

"There's so much low-hanging fruit in the government—technology and security that needs to be improved," Mr. Minton said.

—Dave Michaels
contributed to this article.

Data Breach Hits Fast-Food Chain

Fast-food chain Sonic Corp. is the latest company contending with a breach of customer data.

The operator of Sonic Drive-In restaurants said its credit-card processor notified the company last week of unusual activity with cards that had been used at Sonic locations.

A Sonic spokeswoman said an investigation of the breach is under way and the company doesn't know how many or

which stores were affected.

"We immediately engaged third-party forensic experts and law enforcement when we heard from our processor," the spokeswoman said. "While law enforcement limits the information we can share, we will communicate additional information as we are able."

Security-news website Krebs on Security reported the breach Tuesday. The website reported that millions of stolen card numbers listed for sale last week on an online underground marketplace included many that had recently been used at Sonic locations. The report noted that

customers of other restaurants might also have been targeted.

A Sonic spokeswoman didn't respond to additional questions.

Sonic is based in Oklahoma City and has about 3,500 locations in 45 states.

All but two states have laws detailing how quickly companies must report data breaches, but the laws have been largely ineffective in getting companies to be forthcoming with information. Some U.S. lawmakers are pushing for federal regulation that would simplify the rules and require companies to report breaches within 30 days.

—Cara Lombardo

with a median of \$224,000, according to cybersecurity recruiting firm SilverBull.

When the White House last year created the post of federal chief information security officer, it listed a range of \$123,175 to \$185,100 for annual salary.

"The government cannot come close to matching private-market compensation packages for top talent," said Matt Comyns, managing partner of the cybersecurity practice at executive-search firm Caldwell Partners International Inc. "High-profile roles in the private market are paying anywhere from \$500,000 to up to \$2 million on the high end."

Another issue is the number of qualified people in—or willing to move to—the nation's capital. "It is difficult to recruit talented cyber resources in the Washington, D.C., area," said Thomas Bayer, who left his post as chief information officer of the SEC in 2014 and now holds a similar position at the Conference of State Bank Supervisors.

In the fiscal year ended September 2015, federal agencies reported 77,183 cyber incidents, up from 69,851 the pre-

SK Hynix To Invest In Toshiba Chip Deal

By KWANWOO JUN

The board of SK Hynix Inc. has approved the South Korean chip maker's participation in a Bain Capital-led consortium that plans to buy Toshiba Corp.'s memory-chip unit for ¥2 trillion (\$18 billion).

A stake in the Toshiba unit would give SK Hynix a bigger presence in the NAND chip market, where it lags behind its rivals. Toshiba is the world's second-biggest NAND chip producer, next to South Korea's Samsung Electronics Co. But SK Hynix's partial ownership in the Toshiba unit could also potentially raise antitrust challenges.

SK Hynix would gain a bigger presence in the NAND chip market with the deal.

SK Hynix said in a written statement Wednesday it will invest ¥395 billion, of which ¥129 billion will take the form of convertible bonds that it expects to change later into equity for as much as 15% of the voting rights in the Toshiba chip unit.

The Bain-led consortium will hold 49.9% of the voting rights, while Toshiba will hold 40.2% and Japan's Hoya Corp. will own 9.9%, the statement said.

Toshiba's board last week agreed to sell its chip unit to the Bain consortium, but the signing of the deal has yet to be done.

The consortium will try to complete the purchase deal by March in 2018, SK Hynix said in the statement.

Sir Anthony Hopkins



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PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Startup's High-End Camera Lights the Way



Raise your hand if you or someone you love goes on vacation laden like a pack

mule with camera gear. Big-lens digital SLR cameras sure take lovely photos but carrying one is literally a pain in the neck.

So I'm relieved to report that a new leap in high-end camera tech is replacing the big honkin' lens with something much more manageable: a bunch of small lenses, plus smart software. That's the big—or, rather, little—idea in a \$1,950 camera that goes on sale Wednesday from a startup called Light.

The slim L16 weighs less than a pound and fits in your back pocket, yet packs 16 lenses and sensors that work together to capture a single holy-guacamole 52-megapixel shot.

How nuts is 52 megapixels? Most phone cameras have 12; even a fancy DSLR captures around 30. An L16 photo I took of the Golden Gate Bridge covers the entire span, yet is detailed enough to spot a single person peering over the rail. It's part ultimate travel camera, part spy gear.

Beyond all those pixels, the alien-looking L16 has a few other far-out capabilities (though shooting video isn't one). Slide your finger up on its touch-screen view finder, and an optical zoom brings you five times as close. After you've snapped a photo, you can use the L16's software to adjust the background blur, and even the focus.

With the L16, I've taken more than 2,000 photos including several that I plan to print as wall posters. I'd say only the adventurous should buy now.

Still, my field experience with the L16 proves that Light's crazy idea actually



GEOFFREY A. FOWLER/THE WALL STREET JOURNAL

works and is poised to shape the future of photography.

What's radical about the L16 is that it makes camera software as important as the hardware.

With most pro cameras, physical size matters most. The larger the sensor, the more light you capture. Larger sensors need larger lenses. The L16 needs light, too, but pulls it in from that lens array that makes it look like a cockeyed spider. When you press the shutter button, the camera grabs different perspectives.

Then comes the software magic. The L16 quilts these overlapping shots into one megapicture, with more data than cameras twice its price. On the camera, you get a low-resolution preview; with a Mac or PC, you can offload your 150MB files and "develop" them.

Light plans to keep refining



Light's L16 uses a bunch of small lenses, which lessens its weight. They also work together, allowing your columnist to capture the entire span of the Golden Gate Bridge, yet in great detail.

its software, so if you develop the same shot again in the future, it could get even better.

There's a trade-off: Because of the way the L16 tiles telephoto shots on top of wide-angle shots, the resolution can be higher at the center, and dip when you zoom.

Light's software has another role typically reserved for hardware: setting the depth of field. On a DSLR, you choose an F-stop before shooting to get an artsy background blur effect, like on portraits. The L16 uses depth data collected by its stereovision lenses to recreate the effect in software, entirely after the fact. The software even lets you make micro adjustments to the focus point—a function that saved one of my favorite portraits.

For serious photographers, the question is: Can it actually replace a trusty DSLR? It can, if you're patient. I have taken some absolutely gorgeous shots with the L16. Having all that resolution made me seek out high-up vistas and other detailed scenes that reveal new stories the closer you look. Because of the camera's compact size, I was able to take it on a serious vertical hike and other places I'd never drag a DSLR.

The L16's battery always lasted through a long day of shooting, and there's built-in storage for some 1,500 massive shots.

But my initial L16 shots stank. Perhaps because it

looks so much like a smartphone, I was trying to use it like a smartphone camera. Much of what I got was out of focus. Night shots were a blur. And working with such large files in Light's editing software was a struggle at times, even for my top-of-the-line iMac.

Then I slowed my roll. I pulled out my tripod, and the shots improved noticeably. I learned to tap on the viewfinder where I wanted it to focus, and wait for it to turn blue before pressing the shutter. That can take an excruciating second and is especially challenging when shooting a moving subject. The L16 can't auto-track a face, at least not yet.

Zooming in also takes a very deliberate swipe of the finger—not as fast as twisting a DSLR lens.

Pixel perfectionists may quibble with some of the L16's image performance. After a few side-by-side shoot-outs with my favorite DSLR, the \$3,300 Canon 5D Mark IV equipped with a \$1,000 24-105mm lens, the L16's photos sometimes had more detail but lacked the Canon's color and contrast, not to mention its quick focus in the field.

Light noticeably improved the L16's software during my testing, and it has been refreshingly honest with pre-order customers about its to-do list—especially working on focus and low-light performance. Order one now only if you're up for being part of Light's journey.

As it evolves, Light's tech is sure to attract more than just curious pros. I won't be surprised if eventually it shows up on smartphones.

One way or another, people who never wanted to lug a DSLR or learn what an F-stop was may find an incredibly high-end camera in their pocket.

Special Advertising Feature

Creating Leaders for a Shape-Shifting Future

IN A FAST-CHANGING WORLD, GRADUATES MUST HAVE SKILLS THAT THE MARKETPLACE NEEDS

By Catherine Bolgar

Industry after industry has been transformed or upended by rapid technological development. How can universities prepare the business leaders of tomorrow when the business models of the future are so uncertain?

"There is currently a tremendous fusion of disciplines and a merger of specialties that result in new and unexpected job roles," says Fahad Al Othman, founder of Humansoft Holding, an educational and training company based in Kuwait City, and chairman of the board of trustees of American University of the Middle East (AUM), in Egaila, Kuwait. "It makes no sense in today's world to try and maintain the status quo. We are preparing our students for a more sustainable and flexible approach to career advancement."

The knowledge economy "is moving at the speed of light," says Marni Baker Stein, provost and chief academic officer at Western Governors University, an online private nonprofit institution based in Salt Lake City. "The focus needs to be on skills and competencies for the future of work."

Such skills include sense-making; critical thinking; social abilities; adaptive thinking; the ability to work across cultures and generations; the ability to handle large bodies of data, draw insights and create new strategies; and the ability to understand context in media and use that to one's advantage, she says.

At AUM and Humansoft, "We provide leading technologies to our institutions to enhance the learning process, but we are aware that the valued skills our



Technology is transforming industries.

"STUDENTS ARE GOING OUT INTO DYNAMIC ENVIRONMENTS AND THEY NEED TO BE ADAPTIVE."

students should acquire go beyond the technical level and focus more importantly on interpersonal skills, creativity and leadership," Mr. Al Othman says. "We are passionate in instilling and promoting a genuine love of lifelong learning, curiosity, experimentation and resilience."

Organizations operate on many levels. There are specialized, technical workers who have their own terminology, says Hiro Izushi, senior lecturer in innovation at Aston Business School in Birmingham, U.K. "Managers are in the position of integrating diverse sets of people and skills toward a common goal. It requires creativity. It's hard to do, but it's hard to replace with technology."

Change is the only constant in life, Mr. Al Othman concludes, adding, "We must help our students to be wise enough to lead it and skilled enough to influence its course."

Catherine Bolgar is a freelance business writer.



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Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.		
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	Standard & Poor's	500 Index	MidCap 400	SmallCap 600
Dow Jones	22371.10	22254.93	22340.71	56.39	0.25	22412.59	17888.28	21.8	13.0	9.3	1792.48	1772.11
Industrial Average	9859.53	9787.19	9841.99	62.14	0.64	9841.99	7967.02	22.9	8.8	5.1	1790.16	1645.45
Transportation Avg	729.54	718.48	722.22	-9.45	-1.29	754.80	625.44	5.7	9.5	9.6	26073.70	25883.41
Utility Average	26073.70	25883.41	26024.95	140.00	0.54	26024.95	21514.15	15.6	11.8	8.1	676.02	665.92
Total Stock Market	676.02	665.92	674.70	10.89	1.64	674.70	521.59	22.2	12.1	8.9	674.70	665.92
Barron's 400	6472.65	6405.36	6453.26	73.10	1.15	6461.32	5046.37	21.3	19.9	12.7	5957.75	5900.35
Nasdaq Composite	5957.75	5900.35	5937.79	56.45	0.96	6004.38	4660.46	21.8	22.1	13.6	141.84	139.61
Nasdaq 100	141.84	139.61	141.73	1.12	0.80	192.66	117.79	-10.0	-22.9	-19.5	1157.54	1137.90
Standard & Poor's	1157.54	1137.90	1153.00	26.60	2.36	1164.98	802.88	41.9	27.2	21.5	104.42	96.63
500 Index	104.42	96.63	98.87	-0.30	-2.95	22.51	9.36	-20.3	-29.7	-12.7	104.42	96.63
MidCap 400	104.42	96.63	98.87	-0.30	-2.95	22.51	9.36	-20.3	-29.7	-12.7	104.42	96.63
SmallCap 600	104.42	96.63	98.87	-0.30	-2.95	22.51	9.36	-20.3	-29.7	-12.7	104.42	96.63

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Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	17,434.3	249.80	-0.25	-0.10	250.10	249.46	
VanEck Vectors Gold Miner	GDX	7,472.0	22.99	...	unch.	23.04	22.96	
Altaba	AABA	6,689.9	65.74	-0.06	-0.09	66.08	65.74	
iShares Russell 2000 ETF	IWM	5,620.8	147.40	-0.04	-0.03	147.68	144.62	
Finl Select Sector SPDR	XLF	4,148.8	25.73	0.03	0.12	25.77	25.38	
VanEck Vectors Russia ETF	RSX	3,850.1	22.04	...	unch.	22.04	22.02	
iShares MSCI EAFE ETF	EFA	3,726.5	67.90	...	unch.	67.95	67.90	
Conduent	CNDT	3,682.6	15.66	0.03	0.20	15.66	15.50	

Percentage gainers...

CRISPR Therapeutics	CRSP	36.9	18.69	1.92	11.44	18.69	16.98	
Adv Accelerator Appl	ADP	107.0	66.00	6.24	10.44	70.30	59.62	
Epizyme Inc.	EPZM	31.2	18.45	1.20	6.96	18.50	16.40	
Voyager Therapeutics	VYGR	8.7	18.92	1.00	5.58	18.92	17.55	
Spectrum Pharmaceuticals	SPPI	39.4	11.45	0.48	4.38	11.45	9.90	
...And losers								
DexCom	DXCM	97.1	58.00	-9.47	-14.04	67.74	57.50	
Comtech TeleComm	CMTL	15.1	19.25	-2.07	-9.71	21.32	18.00	
Pier 1 Imports	PIR	714.6	4.13	-0.37	-8.22	4.56	3.85	
Akebia Therapeutics	AKBA	27.0	18.00	-0.79	-4.20	18.79	17.53	
Veritone	VERI	14.5	44.55	-1.40	-3.05	46.05	44.52	

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	835,126,579	9,435,105
Adv. volume*	491,413,494	4,473,302
Decl. volume*	322,601,717	4,402,281
Issues traded	3,074	327
Advances	1,680	150
Declines	1,286	146
Unchanged	108	31
New highs	204	7
New lows	18	6
Closing tick	186	20
Closing Arms'	0.84	0.91
Block trades*	6,988	104
Nasdaq		
NYSE Arca		

Total volume* 2,024,249,758 240,571,649

Adv. volume* 1,504,693,045 118,578,539

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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2.9165	2.9165	2.9015	2.9110	0.0135	641	
Sept	2.9170	2.9500	2.9125	2.9295	0.0105	179,768	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1304.00	1305.60	1298.70	1283.40	-13.60	484	
Oct	1293.30	1295.00	1280.90	1284.10	-13.60	14,655	
Dec	1297.30	1299.20	1284.10	1287.80	-13.90	433,112	
Feb'18	1301.30	1302.90	1288.40	1291.90	-13.90	49,743	
April	1304.30	1305.70	1293.20	1295.90	-13.80	10,891	
Dec	1318.00	1318.00	1309.40	1311.70	-13.50	10,877	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	908.20	915.40	908.20	925.20	10.50	3	
Sept	914.45	932.50	908.55	925.50	11.05	29,435	
March'18	908.40	926.25	904.25	920.85	10.95	1,103	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	991.20	991.20	991.20	921.30	-3.20	100	
Jan'18	927.30	933.70	921.00	925.50	-3.20	56,844	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16.700	16.815	16.695	16.748	-0.056	88	
Dec	16.870	16.940	16.750	16.827	-0.056	148,209	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	52.09	52.34	51.63	52.14	0.26	546,765	
Dec	52.40	52.62	51.93	52.43	0.24	349,240	
Jan'18	52.57	52.82	52.16	52.63	0.21	216,086	
March	52.75	52.95	52.34	52.76	0.16	193,931	
June	52.58	52.76	52.24	52.59	0.11	187,356	
Dec	52.06	52.18	51.71	52.04	0.08	248,126	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1.8517	1.8588	1.8286	1.8463	0.010	21,770	
Nov	1.8446	1.8539	1.8220	1.8390	0.0006	132,887	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1.6926	1.6968	1.6345	1.6540	-0.0448	23,692	
Oct	1.6487	1.6510	1.6051	1.6220	-0.0271	154,861	
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	2.917	2.989	2.912	2.974	.056	9,294	
Oct	3.005	3.089	3.000	3.061	.061	311,478	
Dec	3.163	3.242	3.160	3.218	.059	125,218	
Jan'18	3.275	3.348	3.272	3.329	.058	155,351	
March	3.240	3.305	3.239	3.287	.051	125,258	
April	2.936	2.960	2.930	2.956	.026	122,872	

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.	352.00	354.50	348.50	354.00	1.75	800,544	
Dec	365.00	367.50	361.25	366.75	1.50	240,729	
Oats (CBT) -5,000 bu.; cents per bu.	248.00	251.25	243.50	248.00	-2.25	4,773	
Dec	251.50	255.50	251.50	252.25	-2.50	1,190	
Soybeans (CBT) -5,000 bu.; cents per bu.	963.50	968.50	958.00	965.50	2.00	341,732	
Jan'18	974.00	979.00	968.50	976.25	2.25	109,519	
Soybean Meal (CBT) -100 tons; \$ per ton.	308.60	309.40	306.50	308.80	...	16,676	
Dec	313.00	313.90	310.80	313.30	.20	174,327	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	33.24	33.49	32.90	33.02	-.21	17,200	
Dec	33.43	33.71	33.11	33.22	-.23	204,351	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1193.00	1196.00	1170.00	1190.00	-.70	9,281	
Jan'18	1213.00	1218.00	1198.00	1217.00	-.70	810	
Wheat (CBT) -5,000 bu.; cents per bu.	454.00	462.75	449.00	461.50	7.75	247,095	
Dec	474.75	482.00	468.75	480.75	7.25	83,877	
Wheat (KC) -5,000 bu.; cents per bu.	452.00	459.50	447.00	459.00	6.75	136,003	
Dec	469.50	477.50	464.75	477.00	7.00	75,573	
Wheat (MPLS) -5,000 bu.; cents per bu.	645.00	652.00	645.00	649.75	3.75	40,997	
Dec	658.00	664.75	657.50	662.00	3.25	22,104	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	151.050	152.500	151.050	152.400	1.825	2,095	
Sept	152.75	154.975	152.500	154.525	2.250	20,517	
Cattle-Live (CME) -40,000 lbs.; cents per lb.	108.575	109.250	108.025	108.575	.300	49,588	
Dec	113.750	115.325	113.525	114.900	1.425	142,264	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	55.400	56.200	54.925	55.400	.150	41,331	
Dec	58.100	59.750	57.925	59.650	1.550	116,724	
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.	123.74	123.74	121.30	122.00	1.50	20,517	
Wheat (KC) -5,000 bu.; cents per bu.	1.8517	1.8588	1.8286	1.8390	0.010	21,770	
Dec	1.8446	1.8539	1.8220	1.8390	0.0006	132,887	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	95.15	95.45	94.50	95.00	.055	20,517	
Oct	95.50	95.70	94.95	95.50	.055	148,209	
Cocoa (ICE-US) -10 metric tons; \$ per ton.	16.34	16.47	16.20	16.34	.06	4,656	
Dec	1.974	2.021	1.971	2.015	.44	136,065	
March'18	1.973	2.018	1.969	2.011	.41	61,577	

Source: SIX Financial Information

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended September 22. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	
Crude oil and petroleum prod	1,300,544	...	1,306,1391	1,307	1,203	10,342	
Crude oil						9,422	9,978
excluding SPR	470,986	2,100	473,503	469	406	7,427	7,835
Gasoline	217,292	...	216,227	220			

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, September 27, 2017

		Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
NYSE		Ameriprise	AMP	147.91	3.56	BaxterIntl	BAX	62.46	-0.06	Carnival	CCL	63.68	-1.64	DukeEnergy	DUK	83.94	-0.88	Gildcorp	GG	12.72	-0.16	MetLife	MET	51.86	0.39	SempraEnergy	SRE	114.50	-0.27
AECOM		ABC	82.43	0.43	BectonDickinson	BDX	194.05	-0.27	Carnival	CUK	64.12	-1.22	DukeRealty	DRE	28.66	-0.25	GoldmanSachs	GS	234.74	4.82	MettlerToledo	METL	628.78	3.39	WesternEnergy	WR	49.67	-0.18	
AES		AES	111.13	-0.03	Berkley	WRS	66.44	-0.04	Caterpillar	CAT	124.52	0.01	ENI	E	32.95	-0.11	Graco	GGG	123.11	1.52	MichaelKors	KORS	48.55	1.52	WestEnergyCo	WE	405.05	0.46	
Aflac		AFL	83.78	0.24	Bethpage	BEP	112.00	-0.01	Celanese	CE	104.32	1.15	EOG Rscs	EOG	97.38	0.45	Grainger	GWW	180.86	-0.13	ServiceCorp	SCI	34.32	0.12	WestGasCo	WGS	51.01	0.01	
AGCO		AGCO	73.01	0.22	Bethpage	BEP	112.00	-0.01	Cemex	CX	88.96	-0.82	EQT	EQT	65.28	0.33	GreatPlainsE	GXP	106.51	-0.11	ServiceMaster	SERV	47.81	-0.01	WestUnion	WU	19.00	0.27	
ATT		T	38.77	0.05	Bethpage	BEP	112.00	-0.01	CenveosEnergy	CVE	10.24	-0.03	EQT Midstream	EMN	74.49	0.18	MidAmPrt	MAA	106.05	-1.06	ServiceNow	NOW	115.51	3.71	WestlakeChem	WLC	183.30	1.11	
AbbVie		ABBV	84.75	-0.60	Bethpage	BEP	112.00	-0.01	CenterPointEner	CNP	29.08	-0.01	Eaton	EAT	77.12	0.01	ApcoAeroport	PAC	102.62	-2.22	MizuhoFin	MFG	3.58	-0.01	WestpacBanking	WPB	25.30	0.05	
Accenture		ACN	136.64	-0.24	Bethpage	BEP	112.00	-0.01	CenterPointEner	CNP	29.08	-0.01	Eaton Vance	EV	49.11	0.67	ApcoAeroport	PAC	102.62	-2.22	MobileTelecom	MTB	10.56	0.05	Weyerhaeuser	WY	33.80	0.08	
AcuityBrands		AVY	168.86	3.65	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	Eaton Vance	EV	49.11	0.67	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Adient		ADNT	84.17	-1.54	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AdvanceAuto		AAU	99.33	1.74	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AdvSemEeng		ASX	6.01	-0.01	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Aegon		EG	5.88	0.08	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AerCap		AER	50.03	-0.24	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AffiliatedMtrs		AMG	188.45	2.66	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AigilTechs		A	64.39	0.28	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AigilicEagle		AEM	45.36	-0.59	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Aigruim		AGU	107.92	0.42	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AirProducts		APD	151.32	0.34	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AlaskaAir		ALK	75.10	0.14	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Albermarle		ALB	130.02	1.60	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Alcoa		AA	45.07	0.33	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AlfrayTechs		ATR	13.77	0.61	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
AllyFinancial		ALLY	18.33	0.49	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Allegion		ALLE	85.33	-0.02	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE	84.96	-0.24	ApcoAeroport	PAC	102.62	-2.22	ShinhanFin	SHG	43.59	-0.36	Weyerhaeuser	WY	33.80	0.08	
Allegro		AGN	208.30	-1.15	Bethpage	BEP	112.00	-0.01	Centrica	CCL	63.68	-1.64	FordFirst	DKE															

MARKETS

Media-Company Stocks Dealt a Blow

Customers' move to streaming services, storm disruptions help push down shares

By MICHAEL WURSTHORN

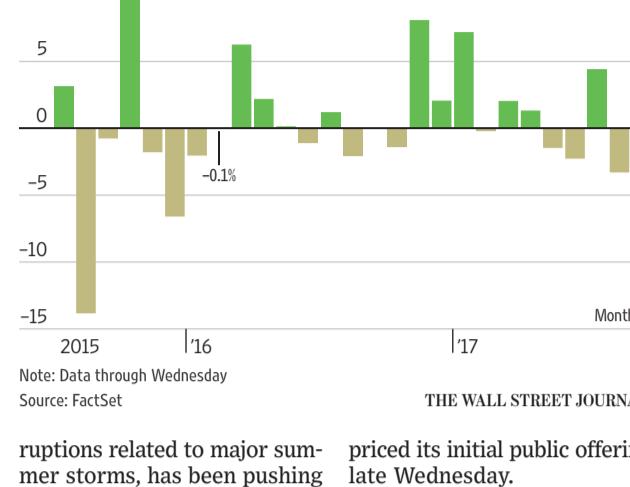
Shares of cable providers and entertainment companies in the U.S. are suffering their worst stretch in nearly two years, as traditional players struggle to adapt to a shift toward streaming services.

Americans are ditching television subscriptions in favor of viewing movies and TV shows through online services. The move disrupts a delicate ecosystem of media companies sustaining themselves on subscription fees from pay-TV providers, and echoes Amazon.com Inc.'s spending of the brick-and-mortar retail landscape.

This shift, along with dis-

Stumbling

A group of media companies in the S&P 500 is on track for its steepest monthly decline since December 2015.



MARKETS

Financial and Tech Sectors Lead Gains

Dow industrials snap four-session losing streak; Treasury yields climb and dollar rises

By AMRITH RAMKUMAR
AND RIVA GOLD

U.S. stocks rose, buoyed by financial and technology companies.

Rising Treasury yields supported financial shares on Wednesday, as investors continued to

WEDNESDAY'S MARKETS bet on higher U.S. interest rates. The

S&P 500 financial sector gained 1.3% to post its highest close of the year. Higher rates tend to improve profitability for lenders.

Semiconductor maker **Micron Technology** had its best day of the year, climbing \$2.91, or 8.5%, to \$37.09, after the chip maker posted record sales in the most recent quarter. The tech firm and its peers were among the biggest gainers in the S&P 500.

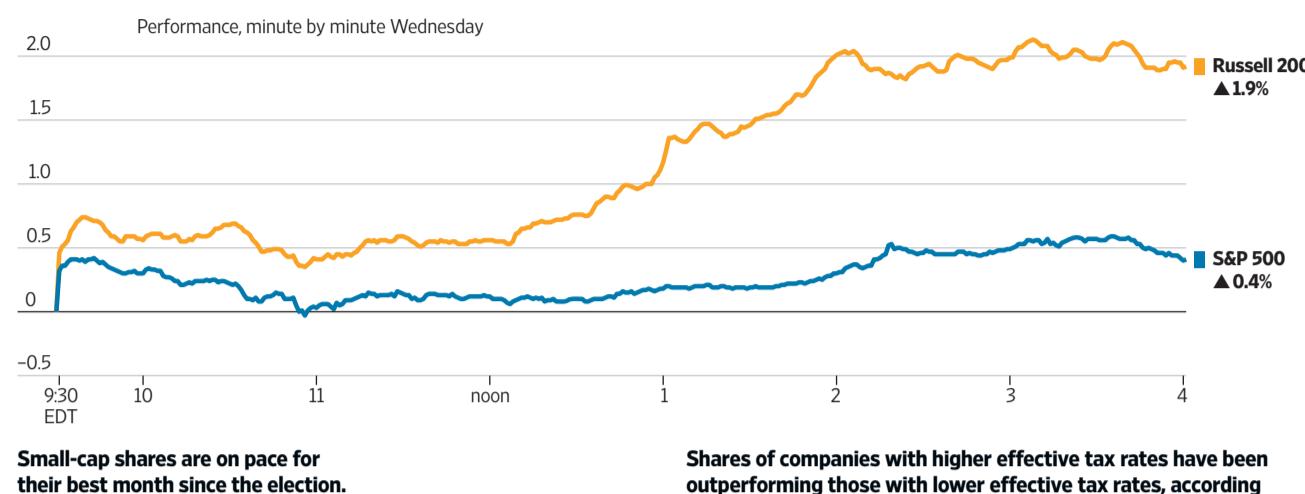
The Dow Jones Industrial Average advanced 56.39 points, or 0.3%, to 22340.71, ending a four-session losing streak. The S&P 500 rose 10.20 points, or 0.4%, to 2507.04, and the tech-oriented Nasdaq Composite Index climbed 73.10 points, or 1.1%, to 6453.26.

In Washington, Republicans released a plan to overhaul the tax code, a revamp seen by investors as a potential boost for corporate profits. The plan proposed to sharply reduce tax rates on businesses and many individuals.

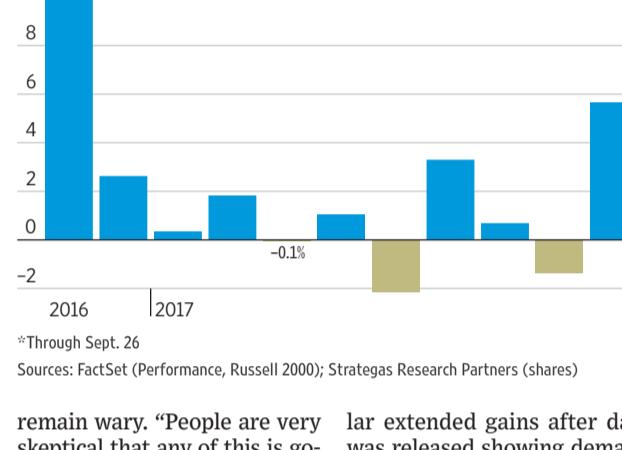
Some analysts said the GOP's inability to repeal the Affordable Care Act has lowered expectations for any tax changes. While Republican leaders signaled that could pave the way for them to focus on taxes, some investors

Upswing

Shares of small U.S. companies rose as investors bet they would be some of the biggest beneficiaries of the tax overhaul Republicans unveiled Wednesday.

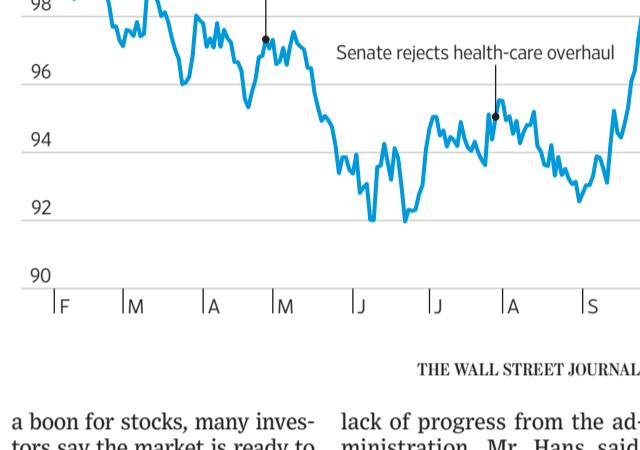


Small-cap shares are on pace for their best month since the election.



*Through Sept. 26
Sources: FactSet (Performance, Russell 2000); Strategas Research Partners (shares)

Shares of companies with higher effective tax rates have been outperforming those with lower effective tax rates, according to a gauge from Strategas Research Partners*.



THE WALL STREET JOURNAL.

remain wary. "People are very skeptical that any of this is going to get done," said Ian Winer, head of equities trading at **Wedbush Securities**.

The yield on the 10-year Treasury note climbed to 2.309% from 2.229% Tuesday. Yields rise as bond prices fall.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, gained 0.5% and has advanced three consecutive days.

Treasury yields and the dol-

lar extended gains after data was released showing demand for long-lasting factory goods rose more than expected in August.

Last week, the Federal Reserve reiterated its plans to gradually raise rates, sending bond yields and the dollar higher. Fed Chairwoman Janet Yellen defended those projections this week, giving a lift to bank shares.

While years of easy monetary policy have been seen as

a boon for stocks, many investors say the market is ready to handle the long-anticipated gradual tightening of policy.

"It certainly is supportive for the time being," said Michael Hans, chief investment officer at Clarfeld Financial Advisors. "Yellen has done a great job at trying to telegraph their decisions well in advance and avoid any shocks."

"Markets remain resilient in the face of the hiking Fed" and disappointments about the

lack of progress from the administration, Mr. Hans said, citing a favorable economic and earnings backdrop.

Corporate earnings sparked some of the biggest swings in individual stocks.

Nike weighed on the Dow industrials, falling 1.03, or 1.9%, to 52.67, following the athletic apparel retailer's downbeat outlook for the current quarter. Nike said weak North American sales would weigh on results.

Bank shares helped the Stoxx Europe 600 log a fifth straight session of advances. The index rose 0.4%.

Alstom jumped 4.3% and German industrial company **Siemens** rose 1.2% after Siemens agreed to merge its rail operations with the French train maker to create a European giant.

Early Thursday, Japan's Nikkei Stock Average was up 0.4%, while Hong Kong's **Hang Seng** Index was down 0.2%.

HEARD ON THE STREET

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

The Biggest Risk Big Tech Faces

Code Base

Market capitalization of the 10 largest S&P 500 companies



Source: FactSet
predictable and can take a long time to germinate, their effect can produce new costs and slow growth. Just ask banks how much it costs to comply with "know your customer" rules. Any changes to the status quo are bad news for Google and Facebook.

Between them, Google and Facebook generated about \$106 billion in advertising revenue last year. That is roughly double in size from four years ago, and Wall Street projects it will nearly

double again in three years. Despite rising costs for driving traffic, Google's core business has kept its operating margin averaging above 30% over the past eight quarters. Facebook has averaged 43%.

New regulations could disrupt that momentum. Lawmakers are already discussing potential rules for campaign advertising on social networks. Recent investigations by news outlets such as ProPublica and BuzzFeed

have shown how material such as anti-Semitic content can be targeted to a sympathetic audience. Those are painful revelations, since the companies' hands-off models are a big reason why Google and Facebook generate much more revenue per employee than most other advertising-driven media businesses.

In fairness, passage of any significant new regulations in the U.S. seems a long shot in the current political climate. But Europe's crackdown already has had an effect on Google. Alphabet's shares have slipped 3% in the past three months, through Tuesday, since the EU first handed down a record fine in late June.

Facebook, meanwhile, slumped nearly 5% Monday following news reports about Russian sources in funding "divisive" content during the election. The company is working with federal investigators to get to the bottom of the matter. But to head off more onerous regulations, Facebook may find that even two billion friends aren't enough.

—Dan Gallagher

OVERHEARD

Jim Reid, the global head of **Deutsche Bank's** fundamental credit strategy group, needs a new manager in London.

"To save headhunters' fees I just want to see if anyone out there is interested in the position," he wrote in a note to clients.

The role is a "co-head" running a team of four.

"One of the team can be a little temperamental at times and can't always find a way of communicating what they're actually thinking. The next two are quite high maintenance and require hands on guidance and management. However their room for improvement is vast and it should be rewarding to see that progress. The fourth member is a little wayward," he writes.

Mr. Reid praises the hard work of the co-head and lays out the org chart. "It's a funny structure as the person who will pay the wages of this role reports into this co-head. All applications to me."

Anyone want to be Mr. Reid's nanny?

Amazon Pays Price to Lift Its Voice

Amazon.com likes its toys. It isn't a cheap hobby.

The e-commerce giant showed off its latest line of devices on Wednesday. These include the first redesign of its voice-activated Echo speaker since it launched the product nearly three years ago. Its Fire TV streaming device also got a redesign, and the company showcased a handful of other products all powered by its Alexa personal digital assistant. Amazon was already everywhere, so it stands to reason that it wants Alexa there as well.

But there is a price to the company's ambitions, and it is growing. Amazon's research-and-development spending has been soaring of late. More than \$5.5 billion was spent in the second quarter alone, up 43% year over year.

As a percentage of revenue, that is the most Amazon has spent since late 1999.

Amazon still has managed to boost its profitability over the past couple of years, thanks largely to its growing cloud business. But the company's hunger for expansion refuses to abate, even in

fields where it is well ahead of rivals. Amazon's Echo lineup already controls about three-quarters of the market for voice-activated speakers, according to Consumer Intelligence Research Partners.

Yet the redesigned Echo has been priced at a 45% discount to its predecessor.

That means even more pressure for **Apple Inc.** and **Alphabet Inc.'s** Google, which have competing speakers coming to the market soon. Not all of Amazon's devices have been a success. When it comes to voice, though, the company has so far been getting the last laugh.

—Dan Gallagher

What Investors Don't Know About the GOP's Tax Plan

Investors can be sure the newly released Republican tax overhaul would improve companies' bottom lines. Whether it would benefit top lines is up in the air.

There were few firm details when the Trump administration released its tax plan on Wednesday, but one thing was clear: The plan would sharply reduce taxes for U.S. corporations. Lowering the corporate tax rate to 20% from 35% would boost profits. So would moving the U.S. to a system that would lower the taxes companies pay on money they earn overseas.

Other benefits for businesses would include a one-

Taxing Question

Average federal tax increase if state and local taxes can't be deducted



Source: Tax Policy Center
time tax on stockpiled foreign profits, which would likely allow them to repatriate overseas cash at a lower-than 35% rate. And there are immediate write-offs on

business investment for at least five years.

But when it comes to individuals, the effects are more mixed, and muddied by the plan's lack of detail.

The individual tax structure would drop to three or four tax brackets from the current seven, according to the plan, but it doesn't specify where the income cutoffs on the brackets would be. It would nearly double the standard deduction, but taxpayers who do itemize would only be able to deduct mortgage interest and charitable giving. They would lose the state and local tax deduction, which would hit people

in high-tax states.

The plan would index tax brackets to "a more accurate measure of inflation"—i.e. one that shows a lower rate of inflation than the Labor Department's consumer-price index. The impact would be to move more taxpayers into higher brackets over time.

At this point it is impossible to say which taxpayers would benefit and which would be hurt under the plan. But if the elimination of the state and local deduction sticks, then people in high-tax states like New York would pay more compared with people in low-tax states

like Wyoming.

This matters for companies because the ultimate source of most of their revenue is consumer spending. Investors who want to bet that the tax plan will pass can confidently predict that earnings would rise because of it. But given the lack of details so far, it would be impossible to say what would happen to sales.

The same lack of details that makes investing difficult also makes it tough to move the plan forward. It will be hard to sell Americans on a tax plan if they don't know what it will do for them.

—Justin Lahart