THE WALL STREET JOURNAL.

DOW JONES | News Corp

THURSDAY, SEPTEMBER 28, 2017 ~ VOL. XXXV NO. 169

WSJ.com EUROPE EDITION

DJIA 22340.71 ▲ 0.25% NASDAQ 6453.26 ▲ 1.15% NIKKEI 20267.05 ▼ 0.31% STOXX 600 385.62 ▲ 0.41% BRENT 57.90 ▼ 0.92% GOLD 1283.40 ▼ 1.05% EURO 1.1752 ▼ 0.36%

What's News

Business & Finance

The SEC is investigating allegations by PepsiCo's former top lawyer that she was fired for her handling of a probe into potential wrongdoing in Russia. **A1**

◆ **Google has started** overhauling millions of search results in Europe as part of its efforts to comply with an EU antitrust decision. **B1**

◆ **Uber argued** in an appeals tribunal that its U.K. drivers should be treated as independent contractors and aren't entitled to benefits. **B1**

◆ **The ride-hailing firm** said it is shutting down its U.S. auto-leasing business. **B4**

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

◆ **Saudi Arabia sold** $12.5 billion of bonds, the largest sovereign-debt issue of 2017, as it seeks to bolster finances hurt by lower oil prices. **B5**

◆ **Italy's Fincantieri** reached a deal with France to take effective control of STX shipyards in a complex pact. **B3**

◆ **U.S. families' wealth** and incomes rose across the board between 2013 and 2016, the Fed reported. **A7**

◆ **Ford and Lyft plan** to join forces to develop self-driving vehicles for the ride-hailing service. **B4**

◆ **Delphi Automotive** is changing its name to Aptiv as part of its shift from hardware to software. **B2**

◆ **Belgian diamond firm** Exelco sought bankruptcy protection in a U.S. court. **B3**

World-Wide

◆ **Republican leaders** released a plan to overhaul the U.S. tax code, proposing sharply reduced tax rates on businesses and many individuals. **A1, A6**

◆ **Germany's finance** minister is stepping down following an election that handed the conservative bloc its worst defeat since 1949. **A1**

◆ **Iraqi Kurds** backed independence by 93%, in a vote that sparked backlash from the country's neighbors Iran and Baghdad. **A3**

◆ **Islamic State attacked** the Iraqi city of Ramadi, even as Iraq's army routs the group from its few remaining strongholds. **A3**

◆ **The U.S. defense chief** criticized Iran and Russia for continuing to arm Taliban fighters in Afghanistan. **A3**

◆ **The parents** of the U.S. college student who died after his release from a North Korean prison accused Pyongyang of torture. **A5**

◆ **China's food exports** to North Korea rose sharply in July and August, amid rising geopolitical tensions. **A5**

◆ **Trump said** he would press forward on health care, a day after Senate GOP leaders ended their push to dismantle the ACA. **A6**

◆ **A House panel** is investigating taxpayer-funded travel by senior Trump administration officials. **A6**

◆ **Puerto Rico's hospitals** are grappling with power losses and dwindling supplies after Hurricane Maria. **A7**

CONTENTS

€3.20; CHF5.50; £2.00;
U.S. Military (Eur.) $2.20

Trump Champions Deep Tax Cuts

Corporate rate would fall to 20% from 35%; taxes on wealthy would be reduced

By Richard Rubin

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 unveiled Wednesday sketches 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.

The proposal leaves many questions unanswered, including how the government will tax the nation's highest earners 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, for a net cut of $2.2 trillion.

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

"My plan is for the working people and my plan is for jobs," Mr. Trump said. "No, I don't benefit. I don't benefit. In fact, very, very strongly, as you see, I think there's very little benefit for people of wealth."

Democrats bashed the framework as full of giveaways to the wealthy. They are unlikely to give Republicans much help in passing a tax bill, forcing the GOP to work within its narrow majorities in

Please see TRUMP page A6

Policy Matters

Puerto Ricans Seek the Necessities After Hurricane Maria

HECTOR RETAMAL/AGENCE FRANCE-PRESSE/GETTY IMAGES

HELP NEEDED: A supermarket worker collects food for buyers, above. The island is grappling with widespread power and health-care woes. **A7**

SEC Probes Exit of PepsiCo Lawyer

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 and internal documents.

By Andrew Ackerman, Joe Palazzolo and Jennifer Maloney

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.

The Securities and Exchange Commission is looking at allegations that Ms. Smith was ousted because her work on the probe rankled others at PepsiCo, people 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 in a statement. "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.

PepsiCo said it looked into allegations of misconduct at the Russian company it believed to have taken place before it bought the firm. "As soon as PepsiCo became aware of the conduct, it fully investigated and remediated the issues,"

Please see PEPSI page A2

INSIDE

AGENCE FRANCE-PRESSE/GETTY IMAGES

KURDS VOTE IN FAVOR OF STATEHOOD

WORLD NEWS, A3

ONE BOND TO RULE THEM ALL IN EUROPE

MARKETS, B8

German Finance Minister To Step Aside After Vote

By Marcus Walker And Stefan Lange

BERLIN—Wolfgang Schäuble, one of Europe's elder statesmen, is set to step down as Germany's finance minister in the wake of the country's election, ending an era in which he shaped Europe's response to its debt crisis.

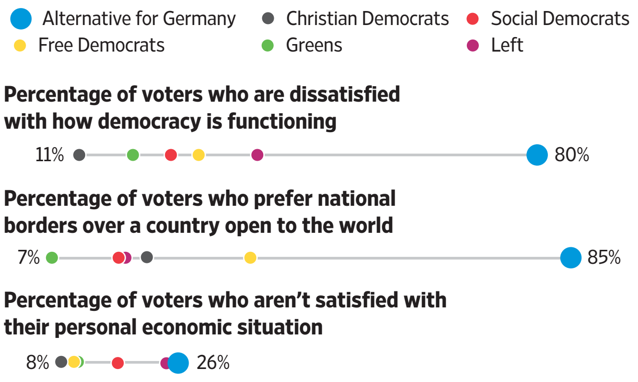
Chancellor Angela Merkel's conservative party said it would nominate Mr. Schäuble as president of the Bundestag, Germany's lower house of parliament, a role equivalent to parliamentary speaker in other countries. Mr. Schäuble indicated his willingness to accept the nomination, according to a statement from the Christian Democratic Union and its Bavarian sister party, the Christian Social Union.

Sunday's election delivered a blow to Germany's conservative alliance, handing it its worse result since 1949 and weakening its bargaining position in talks about forming a new government. The pro-business Free Democratic Party is expected to

Please see GOVERN page A4

Angst Powers Right-Wing Resurgence

Alternative for Germany voters express broad dissatisfaction with the government and immigration, and less with pocketbook issues. **A4**



Source: ARD/Infraset dimap

THE WALL STREET JOURNAL.

THE CENTER OF AMERICA'S RETAIL CARNAGE

Elmira, N.Y., is more exposed to 2017's brick-and-mortar crash than almost anywhere

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 and 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 Piasecki, 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

Please see MALLS page A8

Luxuriate in The Richness Of Weeds

* * *

Vermont farmers grow milkweed for use in clothing

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 off—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

Please see WEED page A8

WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

A Convenient but Risky Path to Cutting Taxes

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, which I will get to. Moreover, Republican leaders aren't making these arguments. Instead they rely on a far more tenuous case: Lower tax rates will unleash so much new economic activity and thus added 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.

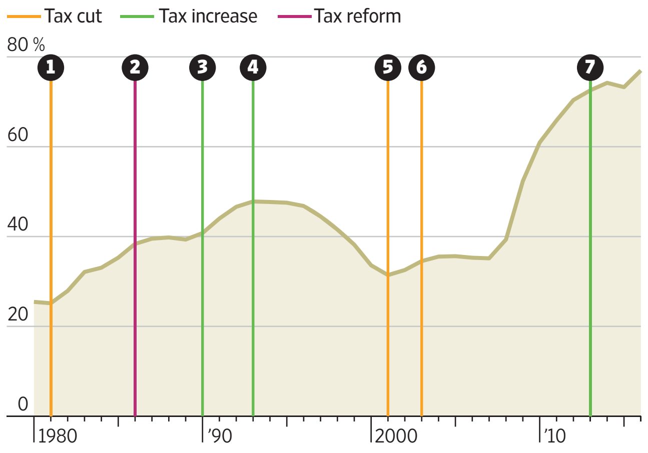
Though Washington's attention is on the tax reform principles Mr. Trump and congressional leaders unveiled Wednesday, the more substantive decision came last week when Republican senators Bob Corker of Tennessee and Pat Toomey of Pennsylvania agreed that next fiscal year's budget resolution would let 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 infrastructure. "Supply-siders" like Mr. Toomey make a similar case: that lower tax rates bolster private investment and output, and that makes debt more acceptable.

Tax Cuts Don't Reduce the Debt

Publicly held federal debt rose as a share of GDP after Reagan cut taxes in 1981 and Bush cut them in 2001.



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.

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 have said they're going to shrink, not expand, deficits. Even Mr. Corker, a deficit hawk long concerned about the trajectory of the debt, says if tax reform is truly growth-oriented, the deficit impact actually will be minimal.

His logic: The budgeted $1.5 trillion in revenue loss, besides including the cost of extending some existing tax breaks, is a "static" number that ignores any added economic activity and thus tax revenue that the lower rates might generate.

Republicans have long thought static scoring exaggerated how much tax cuts add to the deficit. So in early 2015 Paul Ryan, now speaker of the House of Representatives, 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. Mr. Trump says he'll boost long-term economic growth by at least a full percentage point. House Republicans say their budget plan (which must later be reconciled with the Senate's) will raise growth 0.7 percentage point, yielding $1.8 trillion of deficit reduction over a decade.

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 that amount, once the vicissitudes of the business cycle are factored out. Debt rose as a share of gross domestic product after Ronald Reagan and George W. Bush cut taxes; it fell after Bill Clinton raised them. Independent economists think tax reform could boost growth by anywhere from 0.1 point to 0.6 point over a decade. The 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. Mr. Corker has said he's open to this. But that undercuts the logic of involving the CBO and JCT, which is to provide analysis free of bias, including the president's. 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 announced 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.

PEPSI

Continued from Page One

none of which were material to PepsiCo's financial statements," PepsiCo said.

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 marked by conflicts with other executives. They said that Ms. Smith's employment had been in question for months leading up to her exit.

Others familiar with Ms. Smith's time at the firm said she was an experienced general counsel who quickly endeared herself to PepsiCo Chief Executive Indra Nooyi. But executives turned on her as the Russia investigation wore on, they said. Before joining the Purchase, N.Y., company, Ms. Smith served as general counsel for eight years at International Paper Co. and for five years at Owens Corning.

PepsiCo has assembled a team of high-profile lawyers to represent the company in the SEC investigation. The team includes Mary Jo White, who stepped down as the chairman of the SEC in January and is now a partner at Debevoise & Plimpton LLP. It also includes partners at Wilmer Cutler Pickering Hale and Dorr LLP, known as WilmerHale.

Ms. Smith, 61 years old and now in private practice, was subpoenaed this year by the SEC and met with government lawyers as part of an agency investigation of whether employment contracts at major U.S. firms discouraged employees from reporting wrongdoing, according to a memo prepared by WilmerHale and the people familiar with the matter.

The memo, which was dated Aug. 31, and other documents were mistakenly sent by a WilmerHale attorney to a Wall Street Journal reporter as part of communication to other attorneys working on the matter. The memo said the SEC "now appears to be focused on allegations by Ms. Smith that she was retaliated against in violation of the SEC's whistleblower rules."

PepsiCo engaged a law firm to 'tip over every rock' at Wimm-Bill-Dann.

After publication of this article, WilmerHale said it was disappointed that the Journal used material from the email. "We are taking additional measures designed to ensure that emails are not misaddressed to unintended recipients," the firm said.

PepsiCo bought a majority stake in Wimm-Bill-Dann in February 2011 and took full control in September of that year.

In August 2011, a Wimm-Bill-Dann employee used a PepsiCo tip line to report an allegation that senior managers at the Russian company concealed a $3 million shortfall in forecast quarterly financial results by shifting expenses and improperly capitalizing about 1,700 tons of skim milk, the documents show.

PepsiCo's regional staff began investigating, but the company's headquarters didn't learn of the matter for months, people familiar with the matter said. The tip raised concerns among PepsiCo's auditors about 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.

These practices had started when Wimm-Bill-Dann was an independent company, and some had continued after the PepsiCo takeover.

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.

Maura Smith, PepsiCo's former general counsel, in 2015.

GETTY IMAGES FOR GOTHAM MAGAZINE

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 and business practices 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.

After the Gibson Dunn attorney reached out around that time to Hugh Johnston, PepsiCo's chief financial officer, about her concerns, Mr. Johnston told Ms. Smith to stop work on the memo, according to the people familiar with the matter and 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.

On the Run in the West Bank

AYMAN NOBANI/REUTERS

IN HOT PURSUIT: An Israeli soldier chases a Palestinian protester during clashes at a demonstration near the West Bank town of Tubas on Wednesday.

CORRECTIONS & AMPLIFICATIONS

Puerto Rico is a territory of the U.S. A U.S. News article Wednesday about proposed relief funding after Hurricane Maria incorrectly contained a reference to Puerto Rico as an island nation.

The Global Competitiveness Index from the World Economic Forum assesses 137 countries. A Business News article on Wednesday about the business rankings incorrectly said 137 companies.

The Tampa metropolitan area is the most vulnerable region in the U.S. to storm-surge flooding, according to a 2015 report by catastrophe-modeling firm Karen Clark & Co., which also estimated that a once-in-100 years hurricane could cause $175 billion in damage to the region. A Page One article Sept. 12 about potential hurricane damage in Florida incorrectly said that the Karen Clark report applied to Tampa alone. Data for building permits and home prices contained in the article also applied to the Tampa metro area, and not the city alone.

Readers can alert The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com**.

THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street, London, SE1 9GF

Thorold Barker, Editor, Europe
Grainne McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Andrew Robinson, Communications

Jonathan Wright,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hurriyet A.S. Branch; Italy: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Broxbourne) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office. Trademarks appearing herein are used under license from Dow Jones & Co.

Editeur responsable: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
By web: http://services.wsje.com
By email: subs.wsje@dowjones.com
By phone: +44(0)20 3426 1313

Kurds Back Statehood In Iraq Vote

Monday's referendum has provoked backlash from the region's neighbors and Baghdad

By Isabel Coles And Ali A. Nabhan

BAGHDAD—An overwhelming 93% of Kurds voted in favor of independence from Iraq, the Kurdish electoral commission said Wednesday, in a referendum that has provoked backlash from the region's neighbors and the central government in Baghdad.

Some 72% of 4.58 million eligible voters took part in Monday's referendum, the commission said.

Western nations, including the U.S., had urged the semiautonomous Kurdish region to cancel or postpone the vote, predicting it would unleash further chaos in the Middle East.

Although the result doesn't automatically translate into statehood, Kurdish leaders hope it will advance that dream by giving them a mandate to negotiate an amicable separation from the central government in Baghdad over the coming years.

But Iraqi Prime Minister Haider al-Abadi has said there will be no talks between his government and Kurdish leaders after the referendum, and that he won't recognize its outcome.

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

"The federal government will impose its authority on the Kurdistan region the same as other Iraqi provinces with the power of the constitution and law," he said.

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

CHRIS MCGRATH/GETTY IMAGES

A view of Erbil International Airport on Wednesday. Some 93% of Kurds voted in favor of independence, the Kurdish electoral commission said.

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

"We may face some challenges, but I am certain a prosperous future awaits us," he said, addressing the Kurdish people.

Baghdad has given the Kurdish Regional Government until Friday to surrender control of its airports or face a ban on all international flights.

Airlines including Egypt Air and Lebanon's Middle East Airlines said they had received a letter from Iraq's Civil Aviation Authority and would implement the ban accordingly.

Turkey announced it would halt flights to and from Erbil and Sulaymaniyah starting Friday. The decision will affect national carrier Turkish Airlines as well as two other airlines.

The referendum was conducted within the region's official boundaries as well as in territory claimed by both Baghdad and the Kurds, including oil-rich Kirkuk, where there are large Arab and Turkmen communities. Non-Kurdish citizens of the areas where the referendum was held were also eligible to vote, although many said they opposed it.

Some of the strongest threats have come from Turkey and Iran, which fear any move toward independence by Iraq's Kurds sets a dangerous precedent for their own Kurdish populations.

Tehran closed its airspace to flights from the region on the eve of the vote, and Ankara has threatened to shut an oil-export pipeline on which the Kurds depend economically.

—Nour Malas contributed to this article.

New Saudi Driving Rights Bring Joy and Worry

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 Hawas, who like most Saudi women who can afford to has a driver. "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.

FAYEZ NURELDINE/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Saudi woman entered the back of a car outside a mall in the Saudi capital Riyadh on Wednesday.

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 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, 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."

Saudi government representatives didn't respond to a request to comment.

The right to drive marks an important improvement in the status of women in the kingdom. But challenges remain: legally, women are considered forever minors, requiring the permission of a male guardian to marry or travel abroad. Saudi women activists say the male guardianship system is an even bigger barrier to social equality than the driving ban, and are fighting to abolish it.

"We ask for nothing short of full equality for women," said Manal al Sharif, a leading activist who was arrested in 2011 for challenging the ban and now lives in Australia.

While women are increasingly entering the workforce, in 2016 only around 15% of adult women were employed, according to the World Bank. The Saudi government wants that number to rise to 30% by 2030 as part of its long-term plan for economic reform.

On Wednesday, throngs of women dressed in head-to-toe black gathered at a women-only career fair in downtown Riyadh, carrying bright pink bags with the words: "There is no gender in success."

Kholood al Mishal 26, sensed a business opportunity: since women will drive, why not open a car store that targets them specifically? "The cars could come in many different colors, and they would have space for makeup, a coffee cup holder," she said.

ISIS Militants Strike in Iraqi City

By Ghassan Adnan And Isabel Coles

BAGHDAD—Islamic State militants attacked the western Iraqi city of Ramadi on three fronts Wednesday, clashing with security forces even as Iraq's army routs the terror group from its few remaining strongholds in the country.

The attack comes as Iraqi forces wage dual offensives to recapture western Anbar province, of which Ramadi is the capital, and the Hawija pocket in the country's north—the last two major areas held by Islamic State, which seized around one-third of the country in a 2014 blitz.

Security officials in Ramadi said the insurgents had tricked Iraqi forces by pretending to be tribal fighters, enabling them to infiltrate parts of the city, some 55 miles west of Baghdad.

Civilians fled parts of western Ramadi after militants took over several buildings there and clashed with security forces, said police Col. Adel al-Alwani.

At least 13 Islamic State fighters, including suicide bombers, were killed in clashes with security forces in the Majar area south of the city, local official Ali Dawood said.

A photograph from clashes in a neighboring area showed members of Iraq's security forces pushing a wheelbarrow loaded with the dead bodies of at least two insurgents.

A total of 58 militants were killed in the clashes, according to the Anbar police directorate. The provincial health directorate said 16 civilians and members of the security forces were also killed.

U.S.-backed Iraqi forces in July routed the militants from the northern city of Mosul, the largest city under their control, and last month retook the symbolic insurgent bastion of Tal Afar, near the border with Syria.

Islamic State is also under pressure in that country, where a Kurdish-led militia is chipping away at its operational base, Raqqa.

As the militants lose territory, they are resorting to more conventional insurgent tactics such as bombings and hit-and-run attacks against security forces and civilians.

Mattis Criticizes Iranian And Russian Aid to Taliban

By Gordon Lubold And Craig Nelson

KABUL—U.S. 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 firepower and added legitimacy.

Mr. Mattis, on his first visit to Afghanistan since President Donald Trump spelled out a new South Asia strategy last month, met Wednesday 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 in an attack apparently timed to coincide with Mr. Mattis's arrival. The local affiliate of Islamic State claimed responsibility for the assault. So did the Taliban, which said it was targeting the defense secretary, who already had left the airport.

In his comments Wednesday, 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.

Military officials said weaponry and support from the Russians and Iranians serve to strengthen the Taliban, but also bestow a sense of legitimacy. "That's a lot more dangerous right now," a military official said.

Russia has acknowledged that it shares information with the Taliban in an effort to combat Islamic State, but has denied sending weapons. Taliban leaders have described their relationship with Moscow as "just political." Iranian officials say they have contacts with the insurgent group, but deny providing it with weapons or sanctuary.

Canada Puts Up Own Wall to U.S.

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.

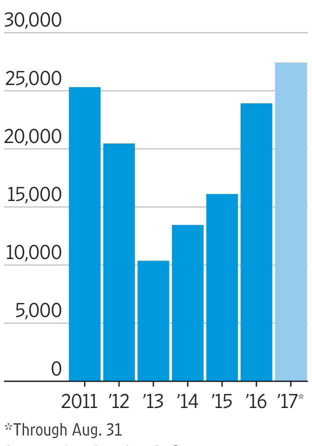
"It's really important before making any decisions that they understand [Canadian] laws," Pablo Rodriguez, a Liberal member of Parliament from Quebec, told the group.

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 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."

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.

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 program that allowed them to stay as the Caribbean island rebuilt after a devastating earthquake in 2010.

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.

"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."

In AfD's Heartlands, Angst Fuels Vote

Anti-immigrant group fared especially well in German states of Bavaria and Saxony

By Anton Troianovski in Schwandorf, Germany, and Zeke Turner in Dresden, Germany

WOLFGANG RATTAY/REUTERS

A woman wearing a headscarf walking past an election campaign poster reading 'Stop Islamicization, vote AfD' in Marxloh, Germany.

Peter Schulze is fed up with crumbling infrastructure and high energy prices. Regina Scharf is convinced German democracy has become "nothing but a farce." And Alexandra Heil fears groups of young men with "a skin color that doesn't match ours" on Bavarian streets.

They are three of the almost 5.9 million Germans who left their country's political establishment reeling on Sunday by propelling the anti-immigrant Alternative for Germany into parliament with 13% of the popular vote. A party that wants to dial down remembrance of the Holocaust and describes Germany's Muslim minority as a "great danger" went from an upstart movement to the third-largest grouping in the national legislature.

The German establishment—particularly Chancellor Angela Merkel's center-right camp—is now scrambling to interpret and respond to the result. Ms. Merkel's conservative allies want to move their party rightward, while she insists that solving people's specific problems will win voters back.

The outcome of that debate could have major consequences for the European Union as it looks to its biggest economy to provide leadership on eurozone policy, migration, and other divisive issues.

Interviews this week suggested that the Alternative for Germany, or AfD, poses a broad challenge that mainstream politicians won't easily meet. Among many AfD voters, resistance to immigration has called forth other resentments, from feelings of economic disadvantage to frustration with postwar Germany's sotto voce approach to national identity.

The AfD achieved its best result, 27%, in Saxony, part of the former communist East Germany, where it beat all other parties. The state of four million people harbors relatively few refugees but is home to many people who feel left behind by capitalism.

"It's diffuse concerns, not specific concerns," said Hans Vorländer, an expert on modern German right-wing movements at the Technical University in Dresden, Saxony's capital. "But the migration question became the magnifying glass that focused everything and made these problems visible."

Mr. Schulze, 69, a pensioner and AfD voter in Bautzen, a hilltop Saxon town that was home to a secret prison under communist rule, said that the best thing he ever did was temporarily leave East Germany to work in the west. "The freedom was much better than being walled in," he said. "Now I want to emigrate into a better Germany again, except it doesn't exist."

The party also did unexpectedly well in the southern state of Bavaria, one of Germany's most prosperous regions, where the Christian Social Union, the sister party of Ms. Merkel's CDU, has long had a lock on the conservative vote.

In eastern Bavaria, CSU candidate Karl Holmeier saw the AfD jump to 17% in his constituency from 3% in the previous federal election, in 2013. That increase took place even though the region's unemployment rate is below 3% and the area wasn't as hard hit by the arrival of refugees in 2015 as were regions further south bordering Austria. Nevertheless, Mr. Holmeier said he was convinced his party's poor showing in the area had to do "only with people's fears around the refugee issue." Though the rate of arrivals has slowed to a fraction of the nearly 900,000 in 2015, he says, people voted for the AfD to express their frustration that the German border remains open and that rejected asylum applicants aren't being deported quickly enough. County Commissioner Thomas Ebeling says the number of crimes committed by foreigners in public areas did tick up slightly last year—but that the area remains "the safest region in Germany's safest state."

Polls before and during Sunday's vote, and interviews in Bavaria and Saxony, confirmed that immigration was likely the biggest motivating issue for AfD voters—but showed that their complaints run deeper. Pollster Infratest Dimap, for example, found that 60% of AfD voters described refugee policy as very important to their voting decision. But it also found that 80% of them were dissatisfied "with the functioning of democracy."

Ms. Scharf, a 60-year-old office worker in Bavaria, said she previously voted for a tiny party that focuses on animal rights. Now she backs the AfD because she says other parties broke the law by letting in refugees—something the government denies—and the party is the only true opposition. She distrusts the mainstream media and gets all of her news online, including from the U.S. website Breitbart News.

Ms. Heil, a 43-year-old on disability benefits, was of two minds about voting for the AfD because "they are somewhat Hitler-like," she said, "and I don't want that, either." But after watching politicians' stunned reactions as the election results came in, she said she was satisfied with her vote.

"They're all wetting their pants a bit," she said. "I just wanted something to change."

Macron Unveils Budget Meant to Boost Clout in EU

By William Horobin

PARIS—French President Emmanuel Macron's government presented its first budget, the centerpiece of his plan to bolster France's leverage within the European Union by shrinking the state and freeing up the slow-growing economy.

The 2018 budget foresees reducing the deficit by slashing spending in areas long protected by the state, including housing and government-sponsored jobs programs.

In an effort to encourage risk taking and growth, Mr. Macron's government said it would cut wealth and capital taxes and shift the burden of other taxes away from workers and businesses to retirees and property owners.

Investors and European policy makers are watching closely, as Mr. Macron has cast his fiscal policies as a bargaining chip in his push for a more integrated Europe. French officials say the moves will give him the credibility to push a skeptical Germany to sign up to his demands, including a shared eurozone budget that he argues would shelter it from shocks.

"It's time to change our logic and way of thinking. It's time to have a budget that aggressively encourages growth and jobs," economy and Finance Minister Bruno Le Maire said on Wednesday.

The plan aims to reduce France's budget deficit to 2.6% in 2018 from 2.9% this year, putting France on a path officials say will lead the country out of EU procedures for monitoring deficits over 3% of economic output.

France's budget equation has become an increasingly difficult issue in recent months.

Mr. Macron faced a backlash over the summer when the government announced immediate cuts to bring France's budget within the EU limit. The tensions boiled over into a public spat with the head of France's armed forces—who later resigned—and Mr. Macron's approval ratings sank.

The 2018 budget plan has drawn fire from Mr. Macron's rivals on the left and the right, and even from pensioners who are organizing demonstrations in Paris on Thursday.

GOVERN

Continued from Page One

demand the finance ministry—the second-most important job in the German cabinet after Ms. Merkel's—as part of its price for serving in a coalition government.

German policy on Europe is likely to broadly stay the same. The FDP shares Mr. Schäuble's attachment to strict fiscal rules for eurozone countries, and his doubts about bailout aid for Greece. Mr. Schäuble, a longtime believer in deeper European integration, was somewhat more open than the FDP—or Ms. Merkel—to France's current push for closer ties among euro members.

Mr. Schäuble, 75, a veteran conservative lawmaker, has been a political heavyweight for three decades. He helped negotiate Germany's reunification in 1990, the same year he survived an assassination attempt by a mentally ill gunman, leaving him paraplegic. Ms. Merkel ousted and succeeded him as conservative leader in 2000, but he later served her loyally as interior minister and since 2009 as finance chief of Europe's largest economy.

In that post, he played a leading role in negotiations about financial bailouts of crisis-hit European countries such as Greece, Ireland and Portugal. Unusually for a finance minister, he became a household name throughout Europe—especially the continent's stricken South, where his advocacy of stringent fiscal austerity made him a feared and sometimes despised figure.

Mr. Schäuble famously clashed with Greece's flamboyant finance minister Yanis Varoufakis in 2015, and argued for Greece to exit from the euro. He nearly fell out with Ms. Merkel that year when she overruled him on "Grexit."

The 75-year-old Mr. Schäuble has been a political heavyweight for three decades.

His signature policy at home was running a small budget surplus to put Germany's national debt on a downward path—to the frustration of some other European policy makers, who urged Germany to spend more to boost demand and growth.

Mr. Schäuble was known to have wanted at first to stay on as finance minister, partly to influence the overhaul of the eurozone that Mr. Macron is urging, according to people familiar with his thinking. But he recognized this week that complex coalition talks could leave him without a senior job in the next cabinet, these people say.

The FDP said before Sunday's vote that it would seek to take over the finance ministry. It hasn't said yet whom it would nominate as minister. Party chairman Christian Lindner, a 38-year-old who has served two terms in parliament but hasn't held a ministerial post, is seen as the most likely candidate. His deputy Wolfgang Kubicki is also seen as a potential contender.

The FDP wants to cut taxes at home and tighten eurozone rules on fiscal discipline. Around Europe, it is seen as taking a hard, fiscally orthodox line that could make agreement about deeper integration in the eurozone more difficult.

Since Sunday, however, Mr. Lindner has softened his tone, saying the FDP supported Ms. Merkel's policy of keeping Greece in the euro with bailout loans provided International Monetary Fund is involved in the rescue and certifies that Greece's debt is sustainable.

He also said the FDP opposes permanent fiscal transfers between euro members, but could support efforts within the EU's existing financial framework to boost investment in the euro area.

—Bertrand Benoit contributed to this article.

CHRISTOPH SCHMIDT/DPA/ZUMA PRESS

Wolfgang Schäuble this month.

WORLD WATCH

WORLD BANK

Education Falls Short For Many Students

Hundreds of millions of students around the world are spending years in school while learning virtually nothing, and many countries are neglecting to even measure their progress, the World Bank warned in its annual economic development report.

These children are reaching "young adulthood without even the most basic life skills," wrote the report's authors, Deon Filmer and Halsey Rogers, both economists at the World Bank.

Many countries remain far behind the curve at recognizing and measuring the extent to which students are acquiring any knowledge, the study said.

"Even if they attend school, many leave without the skills for calculating the correct change from a transaction, reading a doctor's instructions, or interpreting a campaign promise—let alone building a fulfilling career," according to the report.

—Josh Zumbrun

CUBA

Tillerson Discusses Embassy Illnesses

Secretary of State Rex Tillerson met with his Cuban counterpart Tuesday amid an investigation into mysterious attacks that have affected the health of at least 21 American diplomats and strained ties between the two governments.

Foreign Minister Bruno Rodríguez Parrilla told Mr. Tillerson that Cuban officials haven't identified the cause or origin of health problems that began in December and have recurred as recently as August, the Cuban Embassy in Washington said late Tuesday.

Mr. Rodríguez told Mr. Tillerson the Cuban investigation has included information provided by American investigators, and he reiterated Cuba's denial of any involvement in the attacks.

He told Mr. Tillerson the Cuban government has never permitted and wouldn't permit third parties to carry out such activities on Cuban soil, the embassy said.

—Felicia Schwartz


GLEB GARANICH/REUTERS

FIREBALL: Flames rise over a warehouse storing ammunition at a military base in Kalynivka, Ukraine.

TURKEY

Government Raises 2017 Growth Outlook

Turkey lifted economic growth forecasts and pledged reforms to slow double-digit inflation and boost employment, while emphasizing the government will maintain fiscal discipline.

The country raised its 2017 economic forecast to 5.5% from its previous forecast of 4.4%, Deputy Prime Minister Mehmet Simsek said on Wednesday during a presentation of the government's new medium-term economic program in Ankara.

Turkey's economy grew 5.1% in the second quarter of this year, driven by exports and construction investments.

The annual rate of inflation is expected to hit 9.5% in 2017 before slowing to 7% next year, 6% in 2019 and 5% in 2020, Mr. Simsek said.

"One of our main priorities is to attain permanent low inflation levels," Mr. Simsek said. He added that the continuation of a tight monetary stance is expected until inflation drops in line with target.

Turkey's annual inflation rate jumped to 10.68% in August from 9.79% in July.

Mr. Simsek said Turkey's unemployment rate is forecast at 10.8% this year and 10.5% next year. It was 10.2% in June, according to the latest data.

The country's budget deficit to gross-domestic-product ratio is expected to be 2% this year, 1.9% in 2018 and in 2019, he said.

—Yeliz Candemir

Ross Presses Beijing on Trade Access

By Natasha Khan

HONG KONG—U.S. 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 U.S. 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 senior officials, including Premier Li Keqiang, Mr. Ross stressed the need to rebalance bilateral trade, protect intellectual property, lower tariffs and guarantee free and reciprocal investment, according to a Commerce Department statement, which said the U.S. would act to defend its workers and businesses if cooperative efforts don't bear fruit.

Asked at the daily Chinese Foreign Ministry briefing on Tuesday about Mr. Ross's call for fair, reciprocal treatment of U.S. companies in China, a ministry spokesman said only that "quite good" talks were held, and that "economic and trading ties between China and the U.S. are mutually beneficial."

China Exports More to Hungry North Korea

Shipments of corn, rice, flour climbed over the summer, despite pressure on Pyongyang

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.

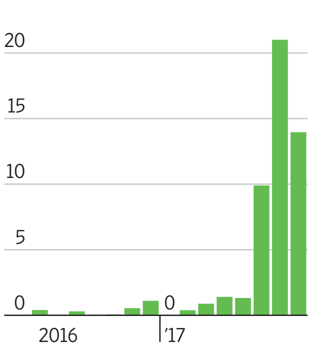
"It demonstrates that unless the Chinese are really pressured, they're not going to really crack down on trade with North Korea," said Grant Newsham, a senior research fellow at the Japan Forum for Strategic Studies in Tokyo.

"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 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.

Warmbiers Allege Late Son Was Tortured in Prison

By Paul Sonne

WASHINGTON—The parents of American college student Otto Warmbier, who died after being released from a North Korean prison with severe brain damage, accused Pyongyang of torturing their son—accusations President Donald Trump appeared to confirm in a Twitter message.

In their first interviews since his death, Fred and Cindy Warmbier told Fox News and CNN on Tuesday they believed their son's injuries were the result of torture by North Korean authorities. They said they didn't have any information confirming torture, other than the evidence of his injuries.

The couple said they had been moved to speak out after seeing North Korea present itself as a victim in the confrontation with the U.S. over Kim Jong Un's missile and nuclear-weapons program.

"They're claiming the world is picking on them," Mr. Warmbier told CNN. "We're here to tell you, as witnesses to the terror of their regime, North Korea is not a victim. We felt it was time to tell the truth about the condition that Otto was in."

The Ohio businessman described how he and his family walked up the steps of the plane that brought 22-year-old Otto back to Cincinnati in June, after he spent more than a year in North Korean captivity. Mr. Warmbier said he heard an involuntary, inhuman howling he later realized was coming from his son.

Mr. Warmbier's wife and daughter ran out of the plane horrified, while he and his younger son approached the stretcher carrying Otto, only to find the University of Virginia student with a shaved head and a feeding tube coming out of his nose. He was staring blankly into space and jerking violently, his father said.

Fred and Cindy Warmbier watched as the casket carrying their son Otto was placed in a hearse following his funeral on June 22.

"He was blind. He was deaf," Mr. Warmbier told Fox News. "As we looked at him and tried to comfort him, it looked like someone had taken a pair of pliers and rearranged his bottom teeth. Within two days of Otto being home, his fever spiked to 104 degrees Fahrenheit. He had a large scar on his right foot."

Mrs. Warmbier said she almost passed out but pulled herself together and rode in the ambulance with her son, because she didn't want him to be alone. She said she believed North Korea released Otto because authorities in Pyongyang didn't want him to die on their soil. Otto died less than a week after his return.

Mr. Trump praised the Warmbiers for their Fox News interview in a tweet Tuesday morning. "Otto was tortured beyond belief by North Korea," Mr. Trump wrote.

Mr. Trump's tweet marked what appeared to be the first official confirmation that the U.S. government believes Otto Warmbier suffered such abuse while in North Korean custody.

The State Department, however, declined to confirm or deny whether that was the official position of the U.S. government.

North Korea has denied torturing Otto Warmbier in official statements to the state news agency. A call Tuesday to the North Korean mission to the United Nations went unanswered.

North Korean authorities accused the University of Virginia student of trying to steal a poster from his hotel before sentencing him to 15 years' hard labor and imprisonment in early 2016. His parents say he was innocent and that the charges and his imprisonment were essentially kidnapping.

Trump Vows More Work on Health Care

President says he will deal with Democrats after latest Republican overhaul effort fails

BY KRISTINA PETERSON

SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Donald Trump is planning an executive order on the sale of insurance 'across state lines.'

WASHINGTON—President Donald Trump said that he would press forward on health care on Wednesday, a day after Senate GOP leaders ended their own push to dismantle the Affordable Care Act.

As he prepared to fly to Indiana to pitch the GOP tax-overhaul plan, Mr. Trump told reporters that he planned to negotiate with Democrats on health-care legislation and also issue an executive order next week dealing with the sale of insurance "across state lines."

The latest Republican health plan failed to gain sufficient traction in the Senate. Republicans could afford to lose no more than two GOP votes to pass the bill from GOP Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana, which all Democrats were expected to oppose. By Monday evening, three GOP senators had already said they would vote against the bill: Susan Collins of Maine, John McCain of Arizona and Rand Paul of Kentucky.

The Graham-Cassidy bill would have knocked down central pillars of the ACA, also known as Obamacare, and given significantly more control over health care to the states. It also would have made significant cuts to the Medicaid program for poor and disabled Americans.

Mr. Trump maintained on Wednesday that Republicans "have the votes" to pass health-care legislation but couldn't proceed because a senator is in the hospital. There were no senators in the hospital on Wednesday. Sen. Thad Cochran (R., Miss.) was treated for a urological issue recently and is recovering at home in Mississippi.

"I'm not hospitalized, but am recuperating at home in Mississippi and look forward to returning to work soon," Mr. Cochran said on Twitter on Wednesday.

Mr. Trump predicted that Republicans would hold a vote on health care early next year. GOP leaders said this week that they were moving on to the tax overhaul but would seek to revisit health care.

The push to ease interstate health-insurance sales has long been a goal of Republicans. Insurers that operate nationally already can sell plans to consumers in any state as long as they are licensed in that state and follow its rules. Republicans have sought to give insurers leeway to sell policies to consumers in a state where they aren't licensed; such policies would only need to meet the insurer's home-state regulations.

Groups such as the National Association of Insurance Commissioners have argued that insurers under such a system might flock to states with the most-limited requirements for the industry. That could result in some plans carrying bare-bones coverage, even if offering cheaper premiums.

In recent years, a handful of states passed legislation setting up special agreements that allow insurers in one state to sell coverage to individuals in another state, but participation has been sparse. A provision in the ACA allows insurers to sell individual policies across state lines through such compacts.

Meanwhile, bipartisan negotiations were expected to resume in the Senate between Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.).

The senators have been discussing how to stabilize the 2010 law's insurance marketplaces, where people purchase insurance if they don't get it through work. They had focused on authorizing subsidy payments to insurers and loosening requirements governing the law's state waivers, but GOP leaders had halted their discussions when the Graham-Cassidy bill gained momentum.

—Natalie Andrews contributed to this article.

Insurers Make Final Decisions on Health Plans for Next Year

Health insurers were set to make their final decisions Wednesday on where to offer Affordable Care Act plans next year, and so far there are few signs of a major last-minute exodus from the health law's exchanges, despite companies' nervousness about their future.

Some major insurers that had signaled that they might pull back, including **Molina Healthcare** Inc., Highmark Health and **Independence Blue Cross**, said they now will stick to the states and regions where they had filed to offer ACA coverage; Molina had previously said it would leave the exchanges in Utah and Wisconsin, but now says it will remain in seven other states where it sells ACA plans.

So far, all areas appear to have marketplace plans available next year, but some declined to answer questions about their final decisions. There is still a risk that other insurers might make 11th-hour exits, a possibility that is leaving some state officials on edge.

Wednesday's deadline to sign federal agreements to offer ACA plans marks the end of a monthslong drama in many states. Insurers have repeatedly announced they will 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.

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 29% were projected to have two, according to a tally by the Robert Wood Johnson Foundation, though those totals could change with final decisions announced Wednesday.

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.

—Anna Wilde Mathews

Blueprint Envisions Many Winners, Losers

BY LAURA SAUNDERS

Business owners who live in low-tax states, people who don't take deductions and heirs of very large estates are likely to benefit from President Donald Trump's tax framework for individuals.

Salaried workers in high-tax states and people with large medical expenses, such as those in nursing homes, aren't. Some people in both of those groups could owe more in taxes than they do today. For families with children, the outcome is unclear.

The tax overhaul unveiled by Mr. Trump leaves crucial details to Congress, including the level of income at which each tax rate kicks in or changes to the capital-gains tax. Lawmakers will struggle to fill in these blanks because of budget pressures and the tax 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 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, $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.

Higher-earning owners of so-called 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.

Business owners and wealthy heirs benefit; residents of high-tax states take a big hit.

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 so-called 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.

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 lawmakers representing these areas.

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.

Panel Probes Trips by Officials

BY JOSHUA JAMERSON

WASHINGTON—The House of Representatives 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 noncommercial 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, including leading the department's response to recent hurricanes.

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."

"I'm going to look at it," he told reporters outside the White House. "I'm not happy about it and I let him know it." Asked whether he would fire Dr. Price, Mr. Trump said, "We'll see."

Politico reported last week that Dr. Price had flown on charter flights estimated to have cost tens of thousands of dollars apiece, on travel for which driving, passenger rail or commercial flights were all viable options.

Dr. Price told Fox News on Saturday that he would stop using taxpayer funds to fly private.

—Rebecca Ballhaus contributed to this article.

TRUMP

Continued from Page One

the House and Senate.

"As the sun rises in the east, so will you have a partisan Republican plan that cuts taxes disproportionately for the well-to-do, the very rich, the top of our economic system," said Sen. Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee.

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 signature legislative win to make their mark on the U.S. economy and position themselves for the 2018 midterm elections.

Many Republicans expressed optimism Wednesday. The conservative House Freedom Caucus endorsed the framework. But tax policy is notoriously thorny. Congress hasn't overhauled the tax system in such a sweeping manner since 1986.

"We are moving forward with a unified framework that paves the way for bold, transformational tax reform—tax reform that will bring more jobs, fairer taxes and bigger paychecks," said Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee.

ALEX WONG/GETTY IMAGES

U.S. Rep. Kevin Brady, center, holds up a tax filing 'postcard' as House Speaker Paul Ryan, left, and Senate Majority Leader Mitch McConnell looks on during an event about the tax code Wednesday.

The plan, written by Mr. Brady and five other negotiators from the House, Senate and Mr. Trump's administration, calls 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.

The individual tax rates would be set at 12%, 25% and 35%, with the option of a fourth higher rate on the highest-income households, collapsing the personal-tax structure from the current seven brackets to three or four. The plan would repeal the alternative minimum tax and estate tax.

For multinational corporations, the plan provides a one-time tax on U.S. companies' stockpiled foreign earnings, with one rate for cash and a lower rate for less liquid assets, such as buildings or equipment. They would pay this tax whether or not they brought these profits back to the U.S.

The plan says companies would pay taxes on a "reduced rate" and on a "global basis," the details of which will be hotly contested by companies and lawmakers.

The tax cut for business investment, if approved by Congress, would be retroactive to Wednesday, but most of the other changes wouldn't be retroactive, a senior administration official said.

The framework—light on some critical details—left it difficult for taxpayers to calculate exactly how they would fare.

For example, though it lays out new individual tax brackets, it doesn't say at what income thresholds those brackets would apply. The child tax credit would be increased, but it isn't clear by how much.

Many lower- and middle-income households could benefit from the plan's proposal to double the basic standard deduction to $12,000 for individuals and $24,000 for married couples. But the elimination of the $4,050 personal exemption, which helps hold down reported income, would take back some of that benefit.

Under current law, because of the personal exemption and standard deduction, a married couple with two children doesn't pay taxes on the first $28,900 of income. That is bigger than the $24,000 standard deduction they would get under the proposal.

The plan calls for significantly increasing the child tax credit, which could prevent that family from seeing a tax increase, but it doesn't offer details on how big and whether that credit would be refundable. Two Republican senators, Mike Lee of Utah and Marco Rubio of Florida, said Wednesday the credit should at least be doubled.

Administration officials said that some families making under $100,000 and taking the standard deduction could save $1,000 a year. But within hours of the document's release, groups allied with Democrats, in addition to some experts, circulated scenarios in which low-income households could instead see their taxes rise.

Woes Plague Hospitals in Puerto Rico


ALVIN BAEZ/REUTERS

A patient sat on Monday outside a San Juan hospital, one of only 11 hospitals with power or fuel out of 69 in the U.S. territory.

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.

By Betsy McKay, Melanie Evans, Daniela Hernandez and José de Córdoba

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 a protracted economic crisis that led earlier this year to the largest-ever U.S. municipal bankruptcy, the U.S. 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. A mere 11 of 69 hospitals have power or fuel, the Federal Emergency Management Agency reported Tuesday. Some may not have power permanently restored for months.

The few hospitals that are up and running are dealing with a deluge of patients who were injured or need care for ongoing conditions. Many hospitals have canceled elective surgeries. Health officials are also worried that massive flooding unleashed by the 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 more diesel fuel.

But 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 can'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 due to dealing with the many electric generators pressed into service and their fumes, said Ruthmaris Nieves, administrator of the organization that runs Centro Medico.

Outpatient and elective services 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 Tuesday.

"Our main needs are communications recovery and diesel-fuel distribution," he said.

Lawmakers Want Law Waived To Help Deliver Aid

Lawmakers are calling on the Trump administration to permit foreign-flagged vessels to ship relief supplies from U.S. ports to storm-ravaged Puerto Rico, asking the Department of Homeland Security to waive a law they say will burden the aid effort and increase the cost of critical supplies to islanders.

The 1920 Jones Act, regarded as one of the cornerstones of U.S. maritime policy, requires that goods shipped between U.S. ports be carried by vessels built in the U.S., majority-owned by American firms and crewed by U.S. citizens. The Department of Homeland Security hasn't waived the act for Puerto Rico, which was devastated by Hurricane Maria last week.

The Category 4 storm destroyed the island's electrical grid and left it desperately short of food, clean water and fuel.

"Based on consultation with other Federal agencies, DHS's current assessment is that there is sufficient numbers of U.S.-flagged vessels to move commodities to Puerto Rico," spokesman David Lapan wrote in an email.

President Donald Trump told reporters Wednesday he was considering waiving the act but hesitated because "a lot of people that work in the shipping industry...don't want the Jones Act lifted." He added: "We have a lot of ships out there right now."

The Jones Act has been suspended in past natural disasters to allow cheaper, foreign-flagged ships bring in aid. President George W. Bush suspended it after Hurricane Katrina in 2005 and President Barack Obama suspended it after superstorm Sandy in 2012.

In a letter to the Department of Homeland Security on Tuesday, Sen. John McCain (R., Ariz.) criticized the department for waiving the Jones Act in the wake of hurricanes Harvey and Irma and not for Puerto Rico. Mr. McCain has long sought a repeal of the Jones Act.

"It is unacceptable to force the people of Puerto Rico to pay at least twice as much for food, clean drinking water, supplies and infrastructure due to Jones Act requirements as they work to recover from this disaster," Mr. McCain wrote in the letter sent Tuesday evening.

—Natalie Andrews and Paul Page

Russia, NASA in Deep-Space Deal

By Andy Pasztor


TRACEY NEARMY/EPA/SHUTTERSTOCK

Space officials from the U.S., Russia, EU, China and Japan meet.

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, during a space conference in Australia, stopped short of funding commitments by either side and didn't include any specific engineering details. But after months of uncertainty and public vacillation by Kremlin leaders about cooperating on such a project, the move represents an important step forward for what is intended to be an outpost near the moon to serve as a jumping-off point for manned exploration of the solar system starting in the next decade.

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, told the conference in Adelaide that the project would refine technologies needed to pursue the long-term exploration of Mars.

NASA is still studying design options and budget questions remain unresolved. A number of U.S. aerospace contractors including Boeing Co. and Lockheed Martin Corp. have been asked to develop proposed construction and risk-reduction plans. The earliest sections of the proposed modular gateway—which is expected to include crew quarters and space for scientific experiments—won't be launched for several years.

But Robert Lightfoot, the acting NASA administrator, said in a statement that the agency was "pleased to see growing international interest in moving" in this direction.

"Statements such as the one signed with Roscosmos show the gateway concept as an enabler" for "affordable and sustainable manned exploration," Mr. Lightfoot said.

NASA in the past has stressed that broad international cooperation is an essential ingredient of any plans to explore the red planet.

In spite of the continuing diplomatic friction over the Kremlin's alleged effort to influence the 2016 presidential election and subsequent clashes with Washington, Russian activities on the space station have been unaffected. Russian rockets and spacecraft continue to routinely transport U.S. astronauts to and from orbit, offering a bright spot in an otherwise troubled relationship between the two governments.

Others considering participation in the gateway include Japan, the European Space Agency and Canada. While those groups have been engaged in extensive private discussions with NASA leaders about a potential framework for joining forces, until now Russia has equivocated about its desire to participate.

In recent months, various Kremlin officials have been quoted as saying they may prefer to build an all-Russian replacement for the space station, or possibly team up with Beijing on a different project. Still others have stressed returning to the surface of the moon as the top priority.

Many U.S. space experts, however, discounted such statements on the grounds that the Kremlin doesn't have the financial wherewithal to develop projects that would compete directly with NASA's blueprint for manned exploration through the mid-2030s. The Kremlin recently delayed development of a proposed heavy-lift rocket powerful enough to carry cosmonauts to the surface of the moon.

The current space station, constructed at a cost of roughly $100 billion as an orbiting laboratory, is slated to go out of service in 2024. But some supporters, including certain NASA officials, advocate extending that to 2028. The U.S. spends more than $3 billion annually on space station operations, with NASA and industry officials envisioning most of those dollars eventually shifting to work on the gateway.

As outlined by NASA, the proposed gateway would be open to companies as well as foreign governments seeking to conduct research. The project also would be used to perfect technologies, ranging from electric propulsion to in-orbit refueling of spacecraft, required for long-distance missions to Mars.

NASA is spending roughly $2 billion annually to develop a heavy-lift rocket, called the Space Launch System, able to launch the building blocks of such a gateway and then send astronauts to the facility.

At the conference, the president of JAXA, Japan's space agency, confirmed talks are under way for its participation in the gateway project. But Boeing, which is the prime contractor for the current space station, has warned against establishing an arbitrary deadline for phasing out the station before a clear-cut replacement is available.

Families' Income And Wealth Rise

By Harriet Torry

U.S. families' wealth and incomes rose across the board as the economic recovery continued over the past three years, a shift after the economic fortunes of all but most well-off families stagnated in the aftermath of the recession, the Federal Reserve reported Wednesday.

The report also found that minority households and families with less education had larger proportional gains in income than other families between 2013 and 2016, suggesting the fruits of the recovery spread to a wider swath of society.

Median household income—the level at which half are above and half are below—before taxes and adjusted for inflation rose 10% to $52,700 in 2016 from 2013, according to the Fed's Survey of Consumer Finances, which is conducted every three years.

Households' median net worth, or wealth, rose 16% in the period, reflecting broadening gains to Americans as the economy grew 2.2% a year on average, inflation stayed low and the unemployment rate fell.

In the previous survey, conducted 2010 to 2013, median income fell 5% while median wealth fell 2%.

The results revealed sharp disparities by education. Families without a high-school diploma saw their median income grow 15% during the period, while those with a college degree saw more modest 2% growth.

Despite that improvement, more-educated families continued to have higher incomes overall.

In 2016, the typical family headed by respondents with a college degree had over three times more income and almost 13 times more wealth than families headed by respondents without a high-school diploma.

Minority households also experienced large gains. A Fed economist noted that the level of wealth and income of black and Hispanic households is very low compared with other groups, so while they did experience large gains proportionally, the gaps between white and nonwhite households are very large.

Median household income rose 10% to $52,700 in 2016 from 2013, the Fed says.

The improvements in households' wealth came as asset prices posted strong gains. The Dow Jones Industrial Average increased 47.3% from January 2013 to December 2016, while the S&P 500 rose 53.1%. Home prices rose 28% in the period, according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index.

U.S. WATCH

INFRASTRUCTURE

Trump Less Keen on Public-Private Pacts

President Donald Trump told a bipartisan group of lawmakers he didn't favor public-private partnerships to finance public works, casting doubt on a central pillar of his administration's infrastructure building plans. Speaking to members of the House Ways and Means Committee about his plans to change the tax code, Mr. Trump said Tuesday such partnerships, in which private investors help fund the construction or operation of roads and bridges in exchange for a share of future revenue, are "more trouble than they're worth," according to Rep. Brian Higgins (D., N.Y.).

Asked about the remarks, a White House official said such partnerships "have been a part of the administration's research into generating the trillion-dollar infrastructure investment that the president has promised, but they are certainly not the silver bullet for all of our nation's infrastructure problems and we will continue to consider all viable options."

—Ted Mann and Siobhan Hughes

WAREHOUSE FIRE

Two Plead Not Guilty In Oakland Case

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. *—Zusha Elinson*

Louisville Suspends Men's Basketball Coach


MICHAEL CLEVENGER/ASSOCIATED PRESS

PROBE: Rick Pitino, above, was suspended Wednesday by the University of Louisville following federal corruption allegations that implicated his program. Athletic director Tom Jurich also was suspended.

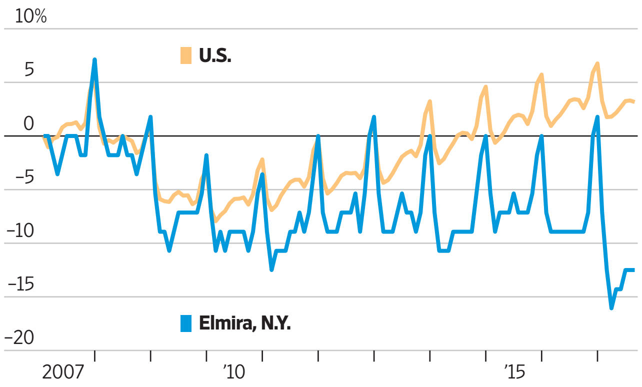
MIKE BRADLEY FOR THE WALL STREET JOURNAL

A former AT&T Store at the Arnot Mall, a one-time shopping mecca in upstate New York, has been converted to a lounge.

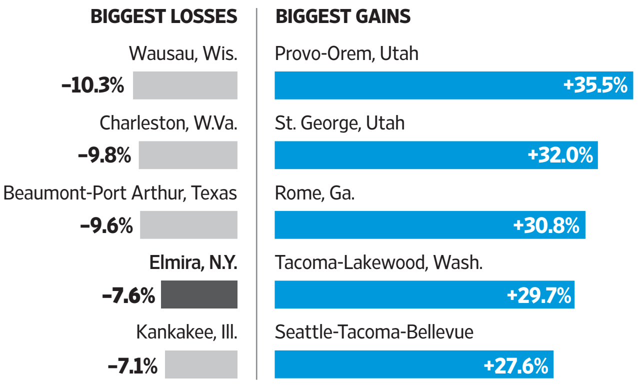
Mauled Malls

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.

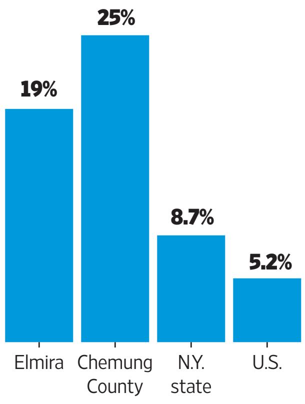
Retail employment, change since 2007



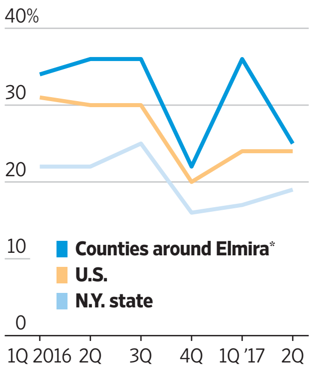
Retail employment by market, change from five years ago



Sales tax as a percentage of local government spending



Online spending, growth from a year earlier



*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)

THE WALL STREET JOURNAL.

MALLS

Continued from Page One

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 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.

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. The Arnot Mall location is safe for now.

"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 bluejeans?"

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.

When the mall opened in 1967, the now-extinct Iszard's department store sold mink fur hats for $39, cashews at the Rea & Derick drugstore candy counter cost 99 cents a pound, and shoppers lined up for a chance to meet Miss New York.

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

This year has been a reckoning for retail amid changing consumer tastes.

This has been a ground-shaking year for retail, a reckoning caused by changing consumer tastes, cutthroat pricing and the rapid growth of online retailing. Shoppers are shying away from malls, in part, because they have so many alternatives at their fingertips.

Traditional retailers are in crisis. More than 20 brands have 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.

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

Two weeks ago Bon-Ton Stores Inc. held a ribbon-cutting at the Arnot Mall to celebrate its move to the 120,000 square-feet 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. But the Elmira market has been robust for Bon-Ton 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 this month.

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 with 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 retired corrections officer 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.

Online sales in Elmira and surrounding towns are rising faster than in 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. So tax receipts from online shopping aren't yet enough to compensate for the decline of brick-and-mortar stores.

Even Peter Dugo, president of the company that owns the mall, occasionally shops online for items he can't find under its roof or he wants a lower price. He recently purchased air filters and car parts for the mall's vehicle fleet from Amazon.

"The mall's always our first choice," he says. "But if the retailers are selling it for $200 and Amazon's selling it for $50?" Then, he says, the mall must do what makes sense financially.

Over the past decade, retail employment in the Elmira area has shrunk 12.5%, compared with 3.2% growth nationally, according to data from the Bureau of Labor and Statistics. Some mall workers have been moving to other low-wage jobs at a nearby candy factory and a bill-collection call center.

Last week the mall hosted a job fair with 60 employers who were hiring, many from out of town, including truck-driving companies and the Tioga Downs casino, 40 miles away.

Lisa Wagner, 20, aspired to a steady mall job after graduating from a local high school in 2015 but found that getting hired in many stores required at least four years of experience.

She cobbled together the hours she could with part-time work at a convenience store and a temporary job last fall at a haunted house. After 15 months she finally landed a full-time position this month delivering pizzas for a locally owned restaurant.

"I just want a job where I can stay the long run and be happy with it," she says.

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 "key aspects are currently in negotiation," according to a spokesman, who declined additional comment.

The community's future 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."

WEED

Continued from Page One

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 Quintin says, and "it looks like you don't know what the hell you're doing."

That is, until harvest rolls around these days. Some makers of winter clothing are touting the white wispy floss in milkweed pods as an 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 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. 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

AMANDA GERVAIS

Vermont farmer Roger Rainville has 60 acres of milkweed.

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

It's rare for farmers to 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, 60, a 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 harks at least to World War II, when overseas supplies of kapok, an insulating fiber, were cut off. As a wartime substitute, the U.S. rallied civilians to pick milkweed pods for life jackets, says Gerald Wykes, a historian at the Monroe County Museum in Michigan.

After the war, for the most part milkweed went "back to its roots" as a humble weed, he says, because the ornery plant proved challenging to tame as a crop that could be grown in rows and harvested mechanically. The handpicking that went on in the war "wasn't terribly efficient," he says, and the rising use of synthetics lessened interest in all natural fibers.

Recently, says Ms. Darby, farmers have improved machinery that is designed to gently pick off milkweed pods without damaging the whole plant.

And milkweed has recently sprouted back into favor in some quarters because of its role not just as a green stuffing option but as the key source of food for caterpillars of the embattled monarch butterfly.

There are now more than 2,000 acres of milkweed planted in Vermont and Quebec, although in Vermont, where efforts are newer, "most of the fields are kind of hidden right now," Ms. Darby says.

"To be planting your biggest enemy," she says, "you don't really want people to know you're doing that."

A milkweed nightmare jolted Vermont farmer Roger Rainville, 63, from sleep one night. Mr. Rainville, who has 60 acres of milkweed, raises cattle and grows hay along the Canadian border, dreamed he had devalued his land by blanketing it with weeds and that he had ventured outside into air filled with milkweed fluff.

In real life, after his dream, he broke down and mowed one of his milkweed plantings that was near the road. He couldn't stand the way it looked.

"If you drive by a farmer and see they've got milkweed growing everywhere, you think he's lost it," Mr. Rainville says. "My father is rolling over in his grave, I swear to God."

LIFE & ARTS

MUSIC REVIEW

Shania Twain Tells Her Story Her Way

BY BARRY MAZOR

Nashville, Tenn.

SHANIA TWAIN'S "NOW," set for release Friday, is her first new album in nearly 15 years. She has remained, right through that prolonged hiatus, the highest-selling female country artist of all time, with over 100 million albums sold world-wide. But the context has changed dramatically in her life, and in music, since the 2002 release of her album "Up!"

Ms. Twain has struggled with dysphonia, a vocal-cord disorder that makes speech, let alone singing, difficult; and has seen the end of her marriage to rock producer Mutt Lange. He had played a large role in shaping the albums of that 1995-2002 run when her music was ubiquitous, including such cheeky, hook-heavy hits as "Man! I Feel Like a Woman!," "You're Still the One" and "That Don't Impress Me Much." Many will recall those singles as steamy, rule-breaking country videos, a testament, in part, to cable-TV video supremacy in that era. But if fans are checking out Ms. Twain's eye-catching, sometimes comic new video "Life's About to Get Good," it's likely they are doing so online—via outlets that don't necessarily provide equivalent impact.

Both her fans—many of them excited as young women by her celebrations of womanhood and her brash rebukes to overbearing men—and those who were skeptical about the synthesizer-laden dance-music sounds the Twain-Lange team brought into country will be wondering, "Now—what?"

This return album reaches listeners as Ms. Twain reports having come to terms with the vocal disorder, in part by singing in a somewhat lower register—audible, but not dramatically different. And as for the sounds of this album, and the points she makes in the songs, there's no doubt that they're exactly what she wants them to be. If it was commonly suggested during her hit run that the sounds and video images were manipulative concoctions developed by Mr. Lange, and Ms. Twain was merely his puppet, that charge is certainly well-debunked now.

As the songwriter and shot-caller here, she is singularly responsible for the album's sounds and pointed commentary on her own experiences. That "Life's About to Get Good" video features her trashing a photo of Mr. Lange, who'd left her for her best friend—a subject taken on acerbically there and in "Poor Me," but clearly painful in the haunted ballad "Where Do You Think You're Going," included on the four-track-longer "Deluxe" version of the album. Recovered and happily remarried, she is presented that way in "I'm Alright." Ms. Twain was writing songs reflective of her own experiences before stardom, to a degree in those hits records, too, but never more so than on "NOW."

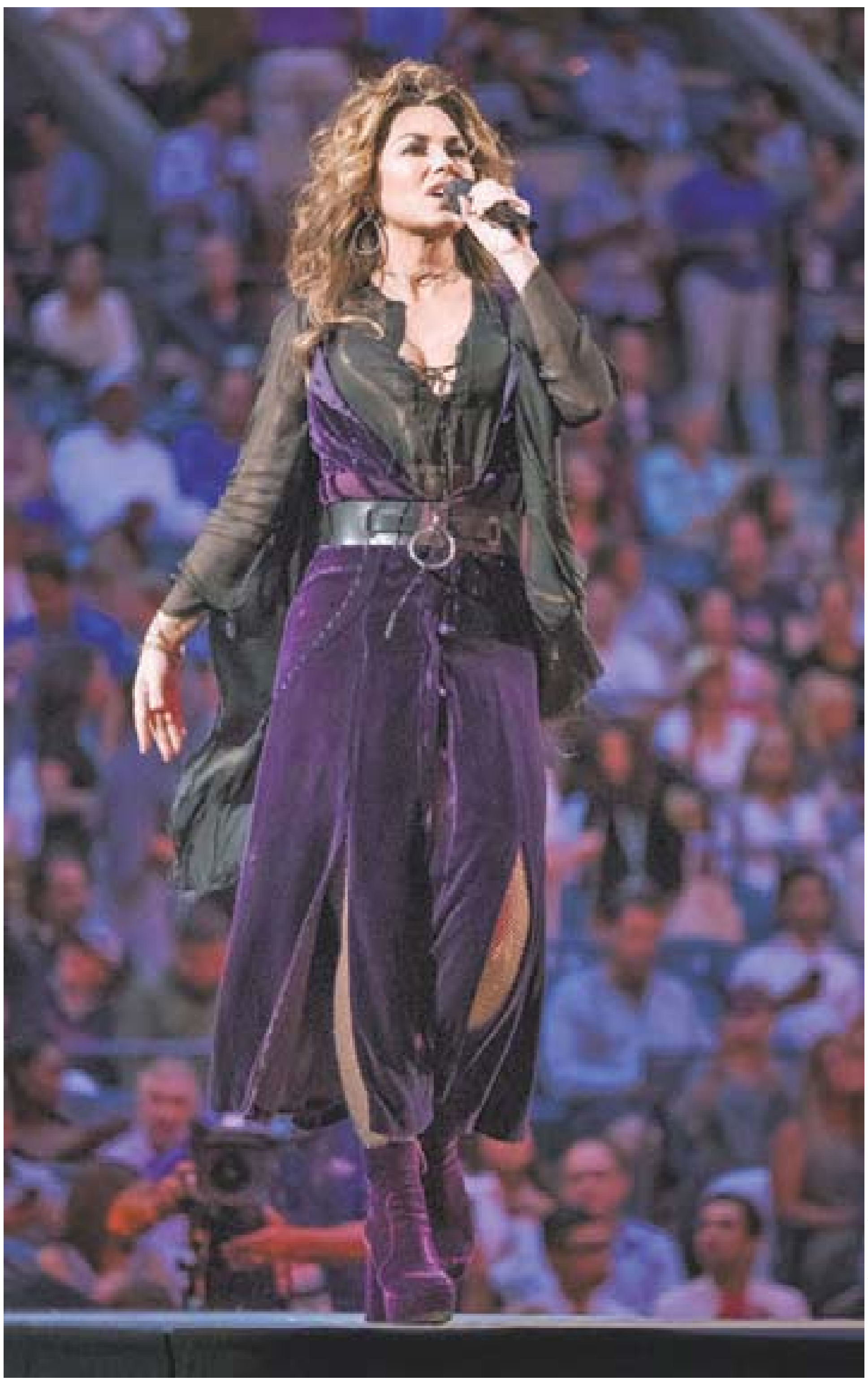
Some of the new songs are as acoustic as fans of "stripped down" country could want; "Soldier," directed at a departing serviceman, is a moving, melodic example. ("Don't close the door when you leave. It's cold out; I want to see the air when you breathe.") The once-controversial Twain dance-music style is still in the mix, in such thumpers as "You Can't Buy Love" and "Roll Me on the River," with instrumentation, percussion and vocals cleaner and clearer than in the Lange-produced sessions because the digital-music tools—so familiar today that they should shock no one—have improved. The bulk of the album splits the difference between thump and acoustic, with roots-friendly pop often influenced by Celt folk-rock.

The autobiographical stories can be both witty and catchy. In "Let's Kiss and Make Up," another deluxe track, she suggests, to an infectious melody, "Let's be open; we're not broken—not yet!" In "Poor Me," mocking self-pity with a country-style joke, she sings, "Still can't believe he'd leave me to love her; so pour me—another."

The degree of directness on display at times comes as something of a surprise. Temperamentally reserved, more inclined to reveal her midriff than her feelings, Ms. Twain had often used jokes, heavy beats or visual distractions to avoid direct emotional engagement with the situations she raises. But if maturity has brought added directness, often claimed as the country-music ideal, floating above the emotions also has some precedent. "Shania Twain: Rock This Country," an exhibit running at the Country Hall of Fame and Museum through July 15, 2018, traces her career from obscurity and poverty in Northern Ontario to world stages, focusing especially on the attention-riveting outfits seen in her hit videos and live performances: the black-tie and top-hat suit from "Man! I Feel Like a Woman!" The leopard-print hoodie from "Come On Over." The black-lace and leather motorcycle outfit from "I'm Gonna Getcha Good!" On the same floor is "Loretta Lynn: Blue Kentucky Girl," revealing an unstated parallel: Ms. Lynn's celebrated feistiness toward mistreatment, even anger, has always been encased behind a wry smile, her own sort of emotional floating. At this point, Ms. Twain's similar approach to feisty material might even be seen as traditional.

The new "NOW" album may still not prove enticing for those who find any evidence of production at all "too much," or for the thin-skinned put off by barbed comments about the male of the species, but for everyone else there is much to enjoy and admire here. Ms. Twain's nicely varying sound choices and the considered experience behind the sentiments could prove revealing to a new 21st-century audience.

Mr. Mazor, based in Nashville, reviews country and roots music for the Journal.



CHARLES SYKES/INVISION/ASSOCIATED PRESS

Shania Twain, above, performing in New York in August. Her new album, 'NOW,' is out Friday.

EXHIBITION REVIEW

ILLUSTRATING THE LETTER OF THE LAW

BY EDWARD ROTHSTEIN

New York

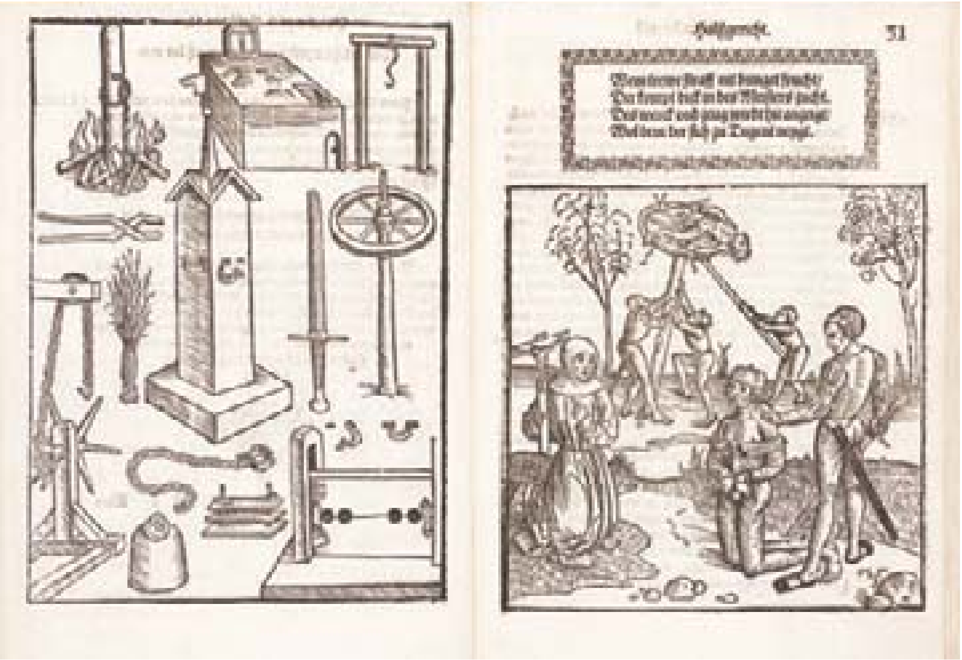
PICTURE BOOKS ABOUT the law are as superfluous as songs about economics. In legal codices and textbooks, illustrations can even seem frivolous. Before visiting the Grolier Club's exhibition "Law's Picture Books: The Yale Law Library Collection," you might also believe this is as it should be: Justice typically devalues the visual. Not for nothing is Lady Justice blindfolded—as we see in many texts displayed at this unusual exhibition. The law library's rare book librarian, Michael Widener, has been collecting illustrated law books for the institution, and now he and his co-curator, the legal scholar Mark S. Weiner, have offered an eye-opening survey of that specialty.

The idea goes so strongly against the grain that it takes a while to see how distorted the grain has become. Yes, of course Justice is blind. And this is a virtue, since issues of appearance should be less important in rendering justice than matters of essence. Ideally, all surface phenomena—personality, taste (and given contemporary preoccupations, race and gender)—should be treated as distractions. What is important is the rational application of legal principles. This may even be one of the subliminal reasons many courtrooms don't allow image-making beyond the abilities of a sketch artist. Pictures, after all, portray surface, and thus may lie.

The illustrations here, though, are illuminating, suggestive, even essential. They range from a 14th-century Italian diagram of kinship relations to help determine when ecclesiastical law allows marriage, to a contemporary rendition of iTune's epic "terms and conditions" set into the mouths of comic-strip characters who vaguely resemble Steve Jobs. These are not marginalia: They comment on the legal text, clarify it or undercut it. Such images have been created for legal professionals and for children, for lay readers and for courtroom display. As frontispieces, they proclaim the ideal of justice—in one 1609 Venetian example Lady Justice also becomes a representation of Venice, which considered itself an incarnation of her spirit. There are also images of crime rendered with suggestive clarity: A 16th-century Flemish volume by Joost de Damhoudere—"among the most richly illustrated books in the history of legal literature"—shows one image of citizens scurrying in the street as offal is poured from a chamber pot above their heads and another of men surreptitiously moving boundary markers.

Illustrations can also be invaluable. A 1580 Italian volume of "an influential treatise on alluvium and riparian rights by Battista Aimo" was apparently responsible for inspiring Mr. Widener to begin this Yale collection. We see images of water and altered land formations: As the water flows it deposits alluvium. What happens, then, to property rights? A late 18th-century Italian image measures five feet long when unfolded. It shows the river Po, "notorious for its floods—and for the legal problems those floods create." The river is dotted with references to legal cases. The Netherlands, as might be imagined, was figuratively flooded by studies of water law involving calculations of property lines in a continuously shifting landscape.

We see here, too, a 1580 edition of the "Bambergensis," the first systematic codification of a branch of law created for the Diocese of Bamberg, which became "the model for the criminal code of the Holy Roman Empire." The page to which it is open demonstrates tools and torture used in the punishment of capital crimes. It is unlikely the laws would have the same impact were these retributions not so picturesquely portrayed. A 1775 book, "On the Abolition of Torture"—we see its opening illustration—led to the abandonment of torture in Austria. Was this why, in 1801, Beethoven, as his musical style celebrated the powers of Enlightenment Reason, ended up dedicating his Opus 28 piano sonata to the book's author, Joseph von Sonnenfels?



RARE BOOK COLLECTION, YALE LAW LIBRARY

A 1580 edition of the 'Bambergensis' demonstrating tools and torture used for capital crimes

Along the way, too, we are teased by notorious cases in which illustrations depicted evidence. One image shows the knife wielded by a California Supreme Court justice, David S. Terry, during a fracas in federal court in which he was a witness supporting the claims of a San Francisco socialite; he was jailed for contempt by U.S. Supreme Court Justice Stephen J. Field. After Terry's release, he apparently threateningly approached Field, who, the exhibition tells us, shot and killed him. (Terry had earlier, in 1859, killed a U.S. senator in a duel; Field typically carried two pistols.) Illustration might also suggest a crime's sole remnants, as in the 1850 portrayal of a fractured skeleton. A Harvard Medical College professor had brutally murdered a Boston businessman and hidden his remains in a privy.

In the helpful catalog, Mr. Weiner notes that some contemporary scholars, using material in Yale's collection, are beginning to study imagery's function in the evolution of legal systems. One suggestion is that the contemporary decline in illustration reflects not greater clarity but a greater "degree of blindness" to human and cultural implications of the law. And who has not read the text of one law or another and not wished that its author had learned to diagram sentences if not the law's consequences? On the other hand, the exhibition includes a satirically illustrated tax code from 1944 occupied France; what Laocoön-like images might arise if something similar were attempted with the current U.S. tax code? We might be grateful we are spared such a rendition and left solely with that ever-expanding text.

Law's Picture Books: The Yale Law Library Collection
The Grolier Club, through Nov. 18

Mr. Rothstein is the Journal's Critic at Large.

OPINION

REVIEW & OUTLOOK

Macron's European Dream

He wants more EU integration. Voters want reform closer to home.

Say what you will about the substance of his European reform plan, Emmanuel Macron's timing is bold. The ink is barely dry on the ballots Germans used to make clear their discontent with the European Union over the weekend. Yet on Tuesday the French President issued a call for more, more and more Europe.

Mr. Macron's speech at the Sorbonne in Paris was his fullest statement so far of his demand for EU overhaul. His vision sounds a lot like a new country, a true United States of Europe. He used the words "sovereign" or "sovereignty" 23 times in his speech, including in its title. His EU would be responsible for many of the functions traditionally performed by a nation-state, such as defense, taxation, migration control and economic regulation.

Some European politicians have tried for decades to move Europe in this direction. European Commission President Jean-Claude Juncker trod much of the same ground in his state of the union address earlier this month. Mr. Macron's plan goes further on substance, and it carries more weight because it comes from someone actually elected to office.

This last point helps explain why the most persuasive parts of Mr. Macron's speech were his calls for greater democracy within the EU. This includes reforms to the European Parliament to make it more representative. If Europe is going to have a parliament, its members should be elected at least partly from pan-European political parties that address Europe-wide issues.

The problem is everything else, especially Mr. Macron's dreams of fiscal and economic union. He wants to create an EU finance ministry, funded by corporate and other taxes, that can spend money across the bloc with minimal interference from national capitals.

Mr. Macron also wants to harmonize—eurospeak for raise—corporate taxes across the EU. He'd further establish Franco-German regulatory excess as the benchmark for the rest of the EU by melding the two countries' rules on bankruptcy and other matters as a start on EU standardization.

This is a recipe for political failure because Europeans already know these policies are economic duds. That's partly why Brits voted to leave the EU, and why Germans returned a small free-market party to their parliament this weekend and are likely to object to much of Mr. Macron's program. Mr. Macron himself was elected to liberalize the French economy. To the extent French voters cared about the EU they seemed to think his reforms would involve less Brussels heavy-handedness, not more.

Those experiences are a warning to Mr. Macron and other European integrationists that the bloc needs to aim for growth. One of Mr. Macron's stronger moments Tuesday came when he criticized Europe's political class for constantly blaming Brussels for economic problems that originate closer to home. Voters see through the ruse and are demanding better leadership in national capitals. If Mr. Macron wants to save Europe, he can best help the cause by proving that even France can reform itself and deliver new prosperity.

Jeremy Corbyn on the March

He thinks he's Britain's next leader, and his opponents are helping.

British Labour Party leader Jeremy Corbyn delivered his annual address to the party faithful on Wednesday, and Britain's political class is kidding itself if it thinks there's no chance the radical leftist could ever become Prime Minister.

Mr. Corbyn's tone was energetic, authoritative and surprisingly human. And why not? He and his party's rank-and-file have been energized by their better-than-expected finish in June's general election, as well as by the chaos engulfing Conservative Prime Minister Theresa May as her cabinet feuds over Britain's departure from the European Union.

Sane people will notice that the fighting spirit in this week's Labour conference is in service of an economic plan that's a recipe for decline. Mr. Corbyn renewed his calls for utility and transport renationalization and higher personal- and corporate-tax rates, and he added a new promise of rent control. These policies haven't worked anywhere they've been tried—including in Britain in the 1960s and '70s.

The puzzle of British politics is that Mrs. May's Tories are failing to refute Mr. Corbyn's program. They disparage it as a throwback to the '70s, but their problem is that many of Labour's enthusiastic younger supporters weren't alive then. Other voters have forgotten, or think any experiment would be preferable to Tory mismanagement that's depressing the pound, raising living costs and squeezing wages.

Teachable moments abound, if only Mrs. May would make the case for free markets. Last week Labour's hip urban supporters got a rude surprise when the Labour-dominated city government in London, in a classic act of left-wing regulatory collusion, heeded pleas from taxi companies to ban the popular ride-sharing service Uber.

The Tories could be using this case to explain that deregulation leads to more choices for consumers and more economic opportunities for workers. But that runs counter to the theme chosen by Mrs. May, who ran in June promising regulatory caps on energy prices and ditching earlier Tory pledges not to raise taxes. Mr. Corbyn is effectively running unopposed.

When Mr. Corbyn was elected Labour leader in 2015, we warned that the danger of making a radical the leader of a major party is that he might one day become leader of the country. We didn't expect the Tories would help him do it. For their sake and Britain's, the Conservatives need to pitch an assertively free-market program of their own at their conference next week to halt Mr. Corbyn's march.

Trump's Too-Big-to-Fail Punt

U.S. Treasury abdicates on MetLife's Sifi designation.

The Trump Administration has been promising to restore more legal certainty to arbitrary financial rules, but we're beginning to wonder. Financial regulators on Friday failed to decide whether to remove AIG's "systemically important" label. The political punt underscores the imperative for the U.S. Treasury Department to clarify the government's opaque review process and drop its appeal of MetLife's challenge to its too-big-to-fail status.

Dodd-Frank empowered the Financial Stability Oversight Council (FSOC), which is comprised of 10 regulatory heads, with deciding whether nonbanks are "systemically important financial institutions." The Sifi label imposes bank-style liquidity and capital requirements, among other compliance burdens, in return for an implicit taxpayer guarantee.

While the law outlined myriad criteria that FSOC could consider, Dodd-Frank left enormous discretion to regulators to write and enforce the rules. After a formal rule-making, FSOC in 2012 identified six factors it would use to assess a nonbank's vulnerability to financial distress and how its potential instability could affect the broader financial system.

Yet in its analysis of MetLife, an insurance company that isn't a bank, FSOC considered only the risks to the financial system. It failed to weigh MetLife's liquidity risk or leverage, both of which showed financial strength. The council provided no explanation for why it departed from its guidance, nor did FSOC calculate the costs of its designation.

Metlife sued, and last year federal Judge Rosemary Collyer issued a scathing rebuke of the council's "arbitrary and capricious" designation. In addition to rapping FSOC for not evaluating MetLife's vulnerability, Judge Collyer explained that the council "never projected what the losses would be, which financial institutions would have to actively manage their balance sheets, or how the market would destabilize" if MetLife failed.

FSOC "hardly adhered to any standard when it came to assessing MetLife's threat to U.S. financial stability" and "purposefully" refused to consider the costs of its designation in flagrant violation of administrative law, she wrote. A cost-benefit analysis, she noted, might have shown that the designation could have made MetLife more vulnerable to stress.

The Obama Administration appealed the ruling and had the good fortune of landing the case before a D.C. Circuit Court of Appeals panel with two Obama appointees. Treasury Secretary Steve Mnuchin, who leads FSOC, refuses to drop this appeal, and the White House has been cagey about why he hasn't.

The D.C. Circuit has agreed to stay the case pending the completion of a Treasury report ordered by President Trump reviewing FSOC's Sifi designation process including the legal frailties that Judge Collyer cited in her ruling. The report, due Oct. 18, could provide the basis for revising the Sifi review process and rescinding MetLife's label.

But neither is certain or imminent since Trump Administration appointees likely won't constitute a majority of the council for several months. One of the Obama holdovers is Richard Cordray, the Consumer Financial Protection Bureau chief whom Mr. Trump refuses to fire, despite ample cause. The delay could be longer if Mr. Trump reappoints Janet Yellen as Federal Reserve Chair. Meantime, the D.C. Circuit could issue an adverse ruling that ties the Administration's hands and sets a bad precedent.

FSOC reviews a Sifi's designation each year, which ostensibly gives MetLife and others an opportunity to escape the too-big-to-fail penalty box. But the council's failure to reach a conclusion about AIG—which has shrunk its balance sheet by half since 2008—highlights the arbitrary nature of the process, which is guided more by politics than financial risk.

The broader financial system and economy would benefit from clearer rules, but politicians and regulators prefer to retain discretion that gives them more power. The Trump Administration said it would change that, but so far it's acting like Obama-as-usual.

A Mogul Meets Can't-Do America

BUSINESS WORLD
By Holman W. Jenkins, Jr.

The newest face on the milk carton for can-do America is Barry Diller's.

Two weeks ago came the legal squelching of the media mogul's offer of a splendid new public park on New York's Hudson River. His defeat was at the hands of a tiny minority representing no real interest or constituency or cause, but using the warehouses full of sandbags that the legal system grants anybody who feels likes throwing sand in the gears.

Mr. Diller had won the backing of both Mayor Bill de Blasio and Gov. Andrew Cuomo, who the New York Times noted "barely can agree on the color of the sky." The necessary state and federal agencies had signed off. Chuck Schumer and the state's congressional delegation were on board. New York's major editorial voices usually don't agree on much either but last week mourned in unison the project's demise.

"The system badly favors the naysayers and the blackmailers," said the New York Post.

Mr. Diller's opponents "can be counted on the fingers of one hand," said the Daily News. Their names should be "engraved on a plaque installed next to the current blight—a tombstone for what might have been."

Even the New York Times, while calling on New Yorkers to be ever-vigilant against "creeping privatization," whatever that means, lamented the lost opportunity.

Mr. Diller, who now runs IAC Corp., is the former head of Paramount Pictures and the co-creator of the Fox network. He agreed to cover all expenses for the project under a 20-year lease with the nonprofit Hudson River Park Trust. He also promised a steady diet of free or affordable cultural events for the public.

His plan would have reclaimed the site of New York's rotting, now-shuttered Pier 54—on which the survivors of the Titanic were landed, and from which the Lusitania departed on her final voyage. His vision included a park sitting on offshore pilings, linked by two pedestrian bridges.

Mr. Diller wasn't proposing to raze a beloved landmark or level a neighborhood. No real grievance emerged that any sensible person could relate to. A local assemblywoman complained she wasn't consulted enough. The legal opponents consisted of two activists, Tom Fox and Rob Buchanan, marching under the banner of the barely existent City Club of New York, which hadn't filed a required state disclosure form since 2003.

Their allegations were perfunctory: The park would be an inconvenience to kayakers. Its 2.4-acre footprint—in the vast Hudson—would endanger the American eel and "obscure the view of the water."

Their real incentive (we belatedly learned) was secret funding from a prominent local developer, Douglas Durst, with an unrelated grudge against the leaders of the Hudson trust.

Even so, Mr. Diller's decision this month to walk away in the middle of settlement negotiations that he had reluctantly joined was a shock. Madelyn Wils, president of the Hudson trust, fretted about the effect on other potential donors. Even the opponents were muted in their joy. "We were close to a settlement," said their lawyer—i.e., close to extorting random concessions from Mr. Diller.

Again, this wasn't a case of eminent domain. No inconvenienced or displaced party was seeking fair compensation for an injury. This was an undiluted case of activists using the law to impose a tax on, and get control over, somebody else's project.

Rebels without a cause defeat Barry Diller's magnificent gift to New York City.

Mr. Diller could only see more of the same for a proposal whose cost had already ballooned to $240 million from $130 million. Tellingly, no conspicuous voice has been raised to accuse him of sour grapes or being a bad sport. He and his wife, the fashion designer Diane von Furstenberg, with whom he also funded New York's admired High Line, have made clear that their checkbook remains open to appealing projects.

But as he explained in succinct fashion: "I couldn't in good faith agree to a settlement agreement as I felt we had done nothing wrong and that to give victory to these people was in itself wrong."

His is a necessary protest. A great deal of America's national heritage (from the Carnegie libraries to the national park system) was funded by private charity. The same obstructionism stands in the way of much public infrastructure and private business investment (try building a new refinery or expanding an airport).

Peter Thiel spoke of this problem at the GOP convention. Larry Summers publicly lamented Boston's inability, in five years, to complete repairs to a bridge that was built in 11 months in 1912. One or two even noticed that President Trump's infamous Charlottesville press conference started out being an eloquent statement on the regulatory obstacles to infrastructure investment.

At least the outcome may be a useful shock to Democrats (which New York dwellers overwhelmingly are). Their party especially has become too comfortable with legal obstructionism by fake public interest groups that are mostly interested in perpetuating their own negative power to block things.

The Problem With Saying 'No Problem'

By Gregg Opelka

I have a little problem. Actually, it used to be a little problem but lately it's become a big problem. It may be your problem too. The problem is "No problem."

Forget about climate change. The real change we need to worry about is language change. And unlike meteorological doomsayers, I don't need an apocalyptic documentary to prove my claim.

No, esteemed language-change denier, I will neither bludgeon you with sanctimony nor shame you with guilt. I merely entreat you to walk into your local coffee shop. Once that preternaturally perky barista hands over your order and you've said your perfunctory "Thank you," stand back, because here it comes, the trisyllabic phrase that's toppling a civilization: "No problem."

The phrase glides from the server's lips with the easiness of a Cary Grant pickup line. You walk out the door bewildered, while the barista presses the next patron's order, blithely oblivious of the affront just committed.

"You're welcome" has been replaced. This is 2017 and it's now "No problem" as far as the ear can hear.

What's my problem with "No problem"? Why do I pine so for "You're welcome"? Is it just sentimental nostalgia? Nothing of the kind. It's the informality.

The polar ice caps of language and etiquette have been melting for decades, and the inconvenient truth is we've been too busy to care. Before the internet, we opened our missives with a full heading and a salutation: "Dear Mr. Smith"—an epistolary Homeric herald announcing the arrival of an important guest. These days you're lucky to get a salutation at all. Or if you do, it's a dressed-down "Hey, Julie" or "Yo, Bill." Gone the formal "Dear," here to stay the casual "Hey." Familiarity, thy name is email.

There was a time when we addressed superiors in the workplace by their surnames. First-name usage rights were a privilege doled out only to company elites, like stock options. Egalitarians no doubt applaud this surnominal softening, yet not all companies can or should be run on a primus inter pares basis. Along with that last name vanishes a certain measure of respect and recognition. That first great English-language lyricist, Sir William Gilbert, sounded the alarm in "The Gondoliers" more than 120 years ago: "When everyone is somebody, then no one's anybody."

'You're welcome' is much more civilized, thank you very much.

This latest erosion of politeness is an ice cap too far. The rapid disappearance of "You're welcome" goes beyond letter headings and corporate boardrooms.

There's an implicit, albeit unintentional, condescension in the "No problem" comeback. As if to say "You're interrupting my busy life, but I'll make a little time for you because I'm just that magnanimous." Not to mention, it's negative.

"You're welcome," on the other hand, is the picture of sunny benevolence. More than a mere affirmation ("You are well come!"), it's an invitation. Where "No problem" hustles you out the back door, "You're welcome" opens its big, wide, friendly arms and says: "Stay!"

Language change will continue with or without my permission. Still, if Justin Timberlake could do it with "sexy," maybe—just maybe—I can bring "You're welcome" back.

Mr. Opelka is a musical-theater composer-lyricist.

OPINION

CEOs Should Swear Off Tax Loopholes

By Steven A. Kandarian

There are more than 4,000 tax lobbyists in Washington now waiting on marching orders from people like me: CEOs of large companies who are watching closely as U.S. Congress undertakes what could be the most comprehensive tax reform in a generation.

I've already told my shareholders that this opportunity shouldn't be missed. As long as tax reform doesn't fundamentally threaten my company's business model, I will support it. If every company and industry views its tax preferences as sacred, reform will be impossible.

Thirty years ago, when Congress last overhauled the tax code, many business leaders had reached the same conclusion. The broader goal of lower tax rates and faster economic growth transcended short-term corporate self-interest.

If Congress is to succeed on tax reform, businesses like mine need to put the national interest first.

PHIL FOSTER

The Tax Reform Act of 1986 closed loopholes, cut credits and deductions, and lowered rates. Congress worked hard to wring out preferential treatment, and the result was a simplified system and a broadened tax base.

After President Reagan signed the bill into law on Oct. 22, 1986, the top corporate rate dropped to 34% from 46%, giving America one of the most competitive tax codes among major industrialized nations at that time.

Unfortunately, the U.S. has since fallen to the back of the pack. America's top statutory corporate rate, now 35%, is the highest in the developed world. Add state and local taxes, and the average statutory rate rises to about 40%. In contrast, KPMG reports that the average corporate-tax rate in Asia is 21.4%; in Europe, it's 19.7%.

Most American corporations don't pay taxes at the full statutory rate, and their effective tax rates have fallen as lawmakers and lobbyists have chipped away at the 1986 reforms. In 1989, the first full year of the 34% statutory rate, the nation's largest companies paid an effective tax rate of 32.9%, according to a 1992 study by the General Accounting Office.

Compare that with the five years from 2007 to 2011, when corporations with more than $10 million in assets paid an average effective rate of just 22%, according to a report last year by the U.S. Treasury Department. This de facto repeal of the 1986 reforms creates distortions that now drive business behavior.

The argument for high corporate-tax rates is that companies ought to pay their fair share. But businesses merely pass on the value they create to real people—owners, customers or employees.

Fifty years ago the economic consensus held that almost the entire burden of the corporate tax would fall on shareholders. But that assumed a closed economy in which American companies competed for the same workers and customers. Today, capital moves relatively freely across borders and businesses must compete globally. The country with the lowest corporate-tax rate has a competitive edge.

America's current system has also induced American companies to park an estimated $2.6 trillion abroad. Under current U.S. law, these corporate profits are taxed twice—once by the country in which they are earned, and again by Washington when they are repatriated. The U.S. is one of the few developed nations that still adheres to this outdated notion of taxing profits world-wide.

Switching to a so-called territorial system, under which the U.S. would tax only profits earned within its borders, would encourage companies to bring that $2.6 trillion home and put it to productive use.

To achieve meaningful tax reform, America's business leaders need to do our part, as our predecessors did 30 years ago. If Congress is to succeed, we must be willing to put the national interest ahead of our narrow self-interest.

It won't be easy. The lobbyists and special interests have been busy since 1986. The tax code is again stuffed with loopholes, credits and deductions. Every provision benefits some company or industry, my own included.

The lobbyists hired to protect such preferences always predict doom if they are stripped away. But if our businesses cannot survive without tax subsidies, we should ask ourselves how much value we are truly creating for customers and shareholders.

Done right, tax reform will drive faster economic growth, create additional jobs and foster a more-dynamic economy as capital-allocation decisions are no longer distorted by the tax code.

The instinct for self-preservation tells business leaders to defend our preferences at all costs. But enlightened self-interest shows that putting the good of the overall economy first will benefit everyone in the end.

Mr. Kandarian is chairman, president and CEO of MetLife Inc.

Conservatives For Criminal Justice Reform

By Grover Norquist

Every so often I'm asked to list the conservative movement's most important recent accomplishments. One always ranks near the top: criminal justice reform.

With leadership from Republican governors and legislators and groups such as Right on Crime, conservatives have pushed to rein in runaway prison spending and adopt cost-conscious correctional policies that improve public safety. Starting 10 years ago in Texas, more than half of all states have now shifted course, changing laws to ensure that violent offenders serve hard time while those who aren't a danger are steered toward less-expensive alternatives that can help alter the paths of their lives and make communities safer.

More than 30 mostly Republican states have reduced crime and imprisonment.

Taxpayers benefit. In 2007 the Pew Charitable Trusts projected that state prisons would grow 14% over five years, costing states $27.5 billion more. Instead, the reforms have bent the curve. The state prison population is down 5%. Between 2010 and 2015, 31 states reduced both crime *and* imprisonment, proving that fiscal discipline and safe streets can go hand in hand.

Many of us on the right are concerned by rumblings we're hearing in Washington and beyond. It's disturbing that reports of isolated increases in violence in a handful of cities are fueling predictions of a looming American crime wave. There's no evidence for such predictions. The U.S. violent crime rate rose 3.4% last year, but it remains about half of what it was in 1991, when crime reached its modern-day peak.

While any uptick in crime merits our attention, we must be clear-eyed in our interpretation of the numbers and while developing an effective response. Americans are safer than they've been at almost any time in the past quarter-century, and returning to the failed policies of the past would be a costly mistake.

For decades, state spending on prisons and jails was the second-fastest-growing area of state budgets, behind only Medicaid. From 1980 to 2009, state corrections spending grew more than 400%. In North Carolina in 2016, the average cost of incarcerating an inmate was $89.30 a day, or $32,594 a year—compared with only $4.85 a day ($1,770 a year) for probation or parole.

Some criminals need to be in expensive prison cells, but shouldn't we be doing a better job of determining who? For too long, courts and corrections officials were given a blank check to incarcerate at will yet were never held to answer for the poor results: high recidivism rates, driven by offenders who left prison with unresolved drug and mental-health problems and no job prospects.

We must not go backward, and the states are showing us why. In 2007, the Texas Legislature projected the state would need 17,000 new prison beds over the next five years, at a cost of $2 billion. Conservative lawmakers and then-Gov. Rick Perry instead expanded the use of drug courts, community treatment and other alternatives. Ten years later, the reforms have allowed Texas to avoid more than $3 billion in new spending and close four prisons with four more planned closures. Crime has dropped to levels not seen since the 1960s.

Since Texas' pioneering move, other states have followed. After South Carolina passed substantial criminal justice reforms in 2010, the state cut its prison population by 14%, closed six prisons and saved $491 million—all while crime continued to decline.

The latest example is Louisiana, the state with the highest incarceration rate. In June its Legislature enacted a 10-bill reform package that is expected to reduce incarceration by 10% and save more than $250 million over the next decade. Some savings will be directed to programs that reduce recidivism and help crime victims. Six of the nine bill authors were Republicans.

Many of America's most conservative states are proving that criminal justice reform works: Georgia, South Dakota, Utah—the list goes on. Strong conservative leadership has been essential. Continued progress won't be possible without it.

Mr. Norquist is president of Americans for Tax Reform and a Signatory to the Right on Crime Statement of Principles.

Europe Needs an Uber for Defense

By Elisabeth Braw

The sharing economy has come to the military world. Just as drivers who don't always need a car can join car-sharing services so they can drive on demand, some of Europe's armed forces are learning they can share their transportation equipment. It's a success story that should be more widespread.

The European Air Transport Command (EATC) was founded seven years ago by Belgium, France, Germany and the Netherlands. Luxembourg joined in 2012; Italy and Spain in 2014. During these past seven years, the members' 220 transport aircraft have transported more than two million passengers and 730,000 tonnes of cargo, completing some 320,000 flying hours on nearly 54,000 missions. None of the participating countries could operate such a fleet on its own.

"The EATC is successful because it has a good business model," the German Air Force's Maj. Gen. Christian Badia, who commanded the EATC until this summer, told me. "In the military as well as in business, in order to be successful you have to have something you can sell."

What the EATC sells is access. Members lend their planes (and crews) to each other, paying one another not in money but in flying hours. Participation is voluntary; members have a right to refuse a particular request. The only requirement is that each member must ultimately contribute to the pool. "You buy something, you get something," Gen. Badia explains. Even Luxembourg brings assets—a personnel transport plane that the other countries like to use.

Unlike the much-discussed idea of a European army, the EATC is a pragmatic answer to an existing need. Based out of the Dutch city of Eindhoven, the EATC isn't linked to the European Union. "Europe doesn't need an extra supranational structure for military sharing, and neither the EU nor NATO tells the EATC what to do," Gen. Badia points out.

It also raises the question: If the sharing economy works for transport aircraft, can it work for other equipment? Could there one day be a pool of frigates? Fighter jets? Tanks?

Europe's defence dilemma, after all, is duplication rather than underspending. Last year, EU members invested an estimated €213 billion ($251.61 billion) in their armed forces, around 20% of it on equipment. The EATC's experience shows that through pooling and sharing, its members save an estimated 15% on operations and, more crucially, millions of euros on aircraft they don't have to buy.

Militaries can benefit from the sharing economy, too, although it's a little more complex than an app.

Some pooling ideas are already being floated. France and Germany have, for example, proposed a European medical command and a joint logistics hub.

Gen. Badia sees plenty of potential pools: transport helicopters, logistics support ships, road logistics. Armed forces need all these capabilities but don't use them to full capacity throughout the year. The Baltic states could decide to pool their naval vessels, as each country only has a small fleet. The Nordic countries could launch their own air-transport pool. European countries that own F-16 jets could share spare parts and ammunition.

"We need to reinvest in our security, as part of a collective step-by-step approach in which practical bottom-up initiatives by small groups of likeminded countries are actively encouraged," Jeanine Hennis-Plasschaert, the Netherlands' defense minister, wrote in an email.

Unsurprisingly, the military sharing economy is a bit more complex than its Silicon Valley sister. "In any military sector, pooling resources requires full harmonization of training methods and internal regulations, including professional qualifications," retired General Vincenzo Camporini, an Italian air force officer and former chief of defence, told me.

Judging from the EATC, whose members have very different military cultures and speak different languages, that's not insurmountable. The important thing is to start simple. A country may be hesitant to lend its fighter pilots and jets to a foreign military operation. But given that armed forces frequently deal with much more than military action, there's plenty of scope for sharing.

Ms. Braw is a nonresident senior fellow at the Atlantic Council.

The Populist Wave Reaches Germany

POLITICS & IDEAS
By William A. Galston

Germany's economy is so fundamentally strong and its historical memories so potent that some hoped it would be immune to the populism surging through the West. Sunday's elections showed this notion to be an idle hope, while underscoring what is mainly driving the populist swing: immigration. The outcome will reshape politics in Germany and throughout Europe.

The share of the popular vote won by Germany's ruling coalition dropped to just over half from two-thirds in 2013, and the center-left Social Democrats have announced they will not participate in the next government.

Now Chancellor Angela Merkel and her center-right Christian Democratic Union/Christian Social Union bloc face a difficult choice: either form an unprecedented coalition with the Greens and the business-oriented Free Democrats, or create a minority government dependent on the tacit support of other parties.

The unreliability of the latter option is obvious. The problem with the former is reconciling the would-be coalition's broadly divergent views. The Greens, whose support held even compared with 2013, are demanding a phaseout of the internal combustion engine, to the consternation of Germany's automobile industry, which employs more than 800,000 workers.

Meanwhile the Free Democrats, who gained 5.9 points in the popular vote, are skeptical of calls for an "ever deeper" European Union. Their leader, Christian Lindner, wants to phase out the European Stability Mechanism, which rescued hard-pressed EU members during the economic crisis.

Mr. Lindner rejects French President Emmanuel Macron's call for a common eurozone budget, a stance he says is his party's red line in coalition talks. Because no CDU-led majority coalition is possible without the Free Democrats, and because no changes in the EU can occur without German support, the election will force Mr. Macron to scale back his ambitious plans to reform European institutions.

Then there's the 7.9-point gain by the Alternative for Germany, or AfD, a far-right populist party that displays disquieting overtones of the darkest period in German history. The AfD is now Germany's third-largest party, the second-largest in the former East Germany, and the leading party in the eastern state of Saxony. This is alarming. The AfD threatens the entire postwar order.

In an interview two weeks before the election, Germany's foreign minister, Sigmar Gabriel, said that if the AfD achieved parliamentary status, "we will have real Nazis in the German Reichstag for the first time since the end of World War II." He may be right.

Jens Maier, a member of the AfD's parliamentary list, condemned the creation of "mixed races," a classic Nazi term. Björn Höcke, leader of the AfD in the eastern state of Thuringia, said Germany should stop atoning for its Nazi past. Even Alexander Gauland, the AfD's co-leader and a former member of the CDU, says that "we have the right to be proud of the achievements of the German soldiers in two world wars."

This said, the AfD's rise highlights widespread grievances that the governing coalition has largely ignored. Founded just four years ago in opposition to the EU's bailout of Greece, the AfD shifted its focus to immigration during the refugee crisis in 2015, demanding that Germany close its borders. Outbreaks of criminality and the fear of terrorist attacks by asylum seekers strengthened the party's hand, and it rode the issue to Sunday's electoral breakthrough.

Some analysts of populism's recent rise emphasize economic factors, such as deindustrialization. Others focus on identity issues, such as immigration and national sovereignty. Research conducted in the wake of the Brexit vote and Donald Trump's election lends support to the identitarian thesis, and the German vote further strengthens it.

The German unemployment rate is low, and the German economy has recovered fully from the Great Recession. Although the former East Germany still lags the rest of the country, the gap has narrowed substantially.

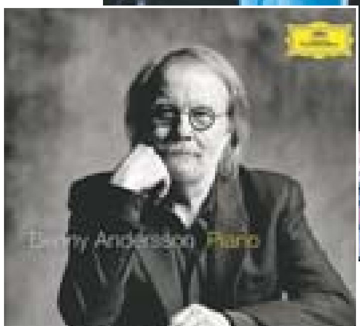
There are no economic developments between the 2013 and 2017 elections that can account for last Sunday's political upheaval. If Mrs. Merkel hadn't surprised the German electorate by opening her country's gates to an unprecedented number of refugees without adequately handling the ensuing difficulties, the AfD probably would have remained a fringe party. Historians will judge whether it was worth it.

One thing is clear: If parties of the center-left and center-right cannot agree on politically sustainable responses to immigration, the issue will continue to fuel extremist politics throughout the West. And shifting sentiment within Mrs. Merkel's own party may force her to change course.

MUSIC REVIEW | By Jim Fusilli

ABBA, Melancholy and More

An ABBA alum recasts his buoyant compositions as solo renditions



RON FREHM/ASSOCIATED PRESS

ABBA performing in New York in 1979, above; Benny Andersson's new album, left, features several of the group's songs in addition to his solo and theatrical compositions

WITH "PIANO" (Deutsche Grammophon), out Friday, Benny Andersson reclaims his compositions, recasting them as solo renditions that are most often somber, restrained, wistful and altogether lovely. Considering that six of the album's 21 tracks were written for ABBA, his still immensely popular Swedish quartet, the 70-year-old is treading on pop's sacred ground. But on "Piano," thanks to his elegant performances, the songs he wrote alone or with collaborators, most notably his ABBA band mate Björn Ulvaeus, easily withstand charges of heresy.

Mr. Andersson's biography is understandably overwhelmed by his achievements with ABBA, which formed in 1972 and disbanded 10 years later. In addition to co-composing the group's many flawlessly constructed hits, his keyboards were vital to the arrangements of such tracks as "Dancing Queen," "Knowing Me, Knowing You," "S.O.S.," "The Winner Takes It All" and "Take a Chance on Me"—all of which appear in the stage musical and film "Mamma Mia!" "Mamma Mia: Here We Go Again!" a sequel to the film, is in production and scheduled for release in July 2018. It won't suffer from a lack of catchy tunes: The ABBA catalog is bountiful enough to populate a new score.

But Mr. Andersson has had a rich and varied career outside of ABBA. With lyricist Tim Rice, he and Mr. Ulvaeus wrote the score for "Chess," which was released in 1984 as a concept album two years before the Cold War-era musical opened in London's West End. (New Wave fans may recall "One Night in Bangkok," a crossover hit culled from "Chess.") He issued his debut solo album, "Klinga Mina Klockor," in '87 and followed it two years later with "November 1989." After reimagining a series of novels by Vilhelm Moberg for the musical "Kristina från Duvemåla," he formed Benny Anderssons Orkester. Each of these projects is represented on "Piano."

Shorn of radio-friendly or theater-minded presentations, Mr. Andersson's performances reinforce his affinity for the Swedish folk music and *schlager*—a kitschy form of pop—that informed ABBA's sound. Classical music, particularly the compositions of Bach, has been his great passion for the past 25 years. Unlike other pop master-craftsmen of the era, his writing is all but void of the influence of African-American musicians, though in his new reading of "Thank You for the Music," he adds a touch of ragtime. "Scott Joplin," he said with admiration when we spoke by phone last week. "I could have done it entirely in his style."

On "Piano," Mr. Andersson proves a superior instrumentalist who communicates the emotional core of the compositions. Here, that core is inherently melancholy and bittersweet, humble and contemplative. The overall effect evokes sadness but not misery. There is hope, not only in the occasional flick of the right hand or the ticklish introduction of "The Day Before You Came," but in the transmitted beauty and sincerity.

Mr. Andersson, who was in his studio in Stockholm when we spoke, said he was surprised by the overall muted tone of "Piano" when he listened to the 21 tracks in one sitting, after having recorded two or three per session. "I'm definitely not a melancholy guy," he said, adding: "There is something holding them all together. When everything else is gone, the core is melancholy. When I make my choices, this is what comes out."

Those who know ABBA only through its chipper hits may be unaware that melancholy was among its defining characteristics. ABBA's version of "The Day Before You Came" is set amid feathery funk, but the lyrical narrative is the tale of a discontented woman "living without aim." Mr. Andersson's new rendition lays bare the composition's haunting meaning. The group's "Happy New Year" tells of a dying romance, albeit with a rousing chorus that distracts from its message. On "Piano," the song is a poignant lament. Mr. Andersson sets aside the brawny theatricality of ABBA's "I Let the Music Speak" and frames it as a fragile waltz, its jaunty interlude surrendering to the weight of sorrow.

"Piano" includes six songs from "Chess," and Mr. Andersson recasts them as well. "Anthem" is whispered. Boisterous on stage, "Mountain Duet" is almost tranquil here with no shortage of sentimentality as the pianist eases into its melodramatic shifts. His performances quietly demand a fresh visit to the musical. He said he and Messrs. Rice and Ulvaeus would meet next week to discuss its future; it's been reported that "Chess" will return to Broadway in 2018.

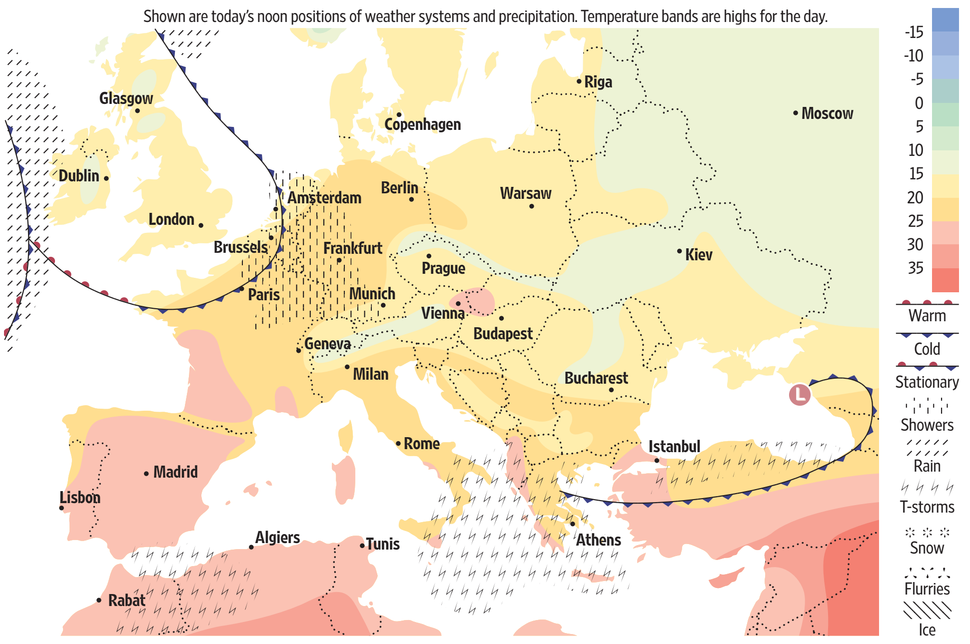
More than a curiosity or an appendage to the ABBA legacy, "Piano" affirms that Mr. Andersson, presented in stark relief, is a composer and instrumentalist of the first rank. Irrefutably melancholic, the album is also irrefutably beautiful. With virtuosity in service of elemental emotions, its effect lingers long after the final track fades.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

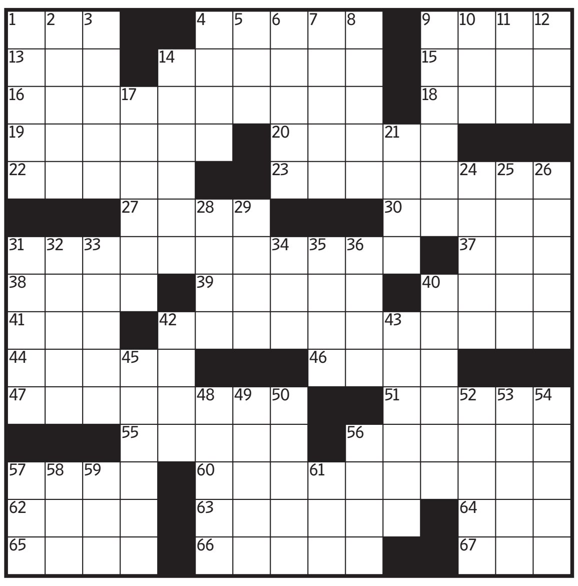


Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	19	13	pc	21	12	t
Anchorage	13	7	r	11	4	c
Athens	24	18	t	22	17	t
Atlanta	31	20	s	30	19	s
Baghdad	38	23	s	38	25	s
Baltimore	25	11	s	23	11	s
Bangkok	33	25	t	32	25	t
Beijing	23	9	s	26	11	s
Berlin	19	10	pc	18	9	pc
Bogota	19	9	r	19	9	r
Boise	25	10	s	25	12	pc
Boston	24	11	pc	18	11	s
Brussels	20	14	pc	22	13	t
Buenos Aires	17	12	c	19	13	c
Cairo	30	21	s	30	22	pc
Calgary	22	6	pc	23	8	s
Caracas	31	25	pc	32	26	pc
Charlotte	32	17	pc	26	15	pc
Chicago	23	12	s	22	11	s
Dallas	27	18	c	25	17	c
Denver	15	6	r	20	8	c
Detroit	21	11	s	19	9	sh
Dubai	38	29	s	38	29	s
Dublin	16	11	pc	15	7	sh
Edinburgh	17	9	pc	16	7	r
Frankfurt	20	11	pc	20	12	pc
Geneva	22	11	pc	23	11	pc
Hanoi	33	25	pc	32	26	c
Havana	28	22	t	28	22	t
Hong Kong	34	29	s	32	28	t
Honolulu	32	24	pc	31	23	pc
Houston	32	22	pc	32	19	pc
Istanbul	23	17	pc	21	17	pc
Jakarta	33	25	c	33	25	pc
Johannesburg	21	10	pc	23	12	c
Kansas City	23	12	s	24	11	s
Las Vegas	31	19	s	32	19	s
Lima	20	15	pc	20	15	pc
London	19	12	pc	19	10	sh
Los Angeles	32	18	s	32	17	s
Madrid	29	14	s	29	14	s
Manila	31	26	t	32	26	t
Melbourne	16	8	pc	18	9	pc
Mexico City	21	14	t	21	14	t
Miami	32	25	c	30	25	t
Milan	24	13	pc	23	13	pc
Minneapolis	22	10	pc	19	7	pc
Monterrey	29	21	t	28	21	t
Montreal	17	6	c	15	7	pc
Moscow	11	4	c	10	6	c
Mumbai	32	27	t	32	26	t
Nashville	26	13	s	26	13	s
New Delhi	35	24	s	35	24	s
New Orleans	33	24	s	32	23	s
New York City	25	13	pc	22	14	s
Omaha	24	11	s	23	10	pc
Orlando	34	23	s	32	23	t
Ottawa	16	6	c	14	5	r
Paris	22	14	pc	25	13	t
Philadelphia	25	13	pc	23	13	s
Phoenix	35	23	s	37	25	s
Pittsburgh	21	8	s	21	9	pc
Port-au-Prince	35	23	pc	35	24	t
Portland, Ore.	29	14	s	19	12	sh
Rio de Janeiro	31	21	s	27	21	c
Riyadh	40	22	s	39	21	s
Rome	24	13	pc	24	13	pc
Salt Lake City	20	9	s	23	11	pc
San Diego	28	18	pc	27	19	s
San Francisco	27	14	s	22	15	s
San Juan	32	26	pc	31	26	sh
Santiago	23	12	pc	24	9	pc
Santo Domingo	32	23	pc	31	23	t
Sao Paulo	26	16	t	24	17	t
Seattle	28	15	s	19	12	c
Seoul	24	11	s	22	13	s
Shanghai	25	18	pc	26	21	pc
Singapore	31	26	pc	31	25	pc
Stockholm	17	10	c	15	8	c
Sydney	25	14	c	25	15	s
Taipei	35	27	t	31	27	t
Tehran	30	17	s	27	15	s
Tel Aviv	28	20	s	28	22	pc
Tokyo	27	20	r	24	18	pc
Toronto	19	9	pc	17	6	sh
Vancouver	23	13	s	18	11	r
Washington, D.C.	26	14	s	24	14	s
Zurich	22	11	pc	22	11	pc

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
22 Hired muscle
23 Cancer-detecting aids?
27 Rascally bunch
30 Surname of the "It's Your Thing" singers
31 Its 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"
44 Main
46 Object of pitching outside?
47 Some special deliveries, and a hint to solving this puzzle
51 Opposite in character
55 Three for the price of one, say
56 Sudden enlightenment
57 Mud
60 They occupy the same orbital
62 Biz bigwig
63 Make like the dinosaurs
64 Styling stuff
65 What la guillotine removes
66 Failed to deal with
67 Two-time British Open champ

Down

1 Clear, in a way
2 Lt. Col. William B. Travis's last battle
3 Outmoded copy
4 H.A. and Margret, who created Curious George
5 Following
6 Tips for a lady, perhaps
7 Comparable to a pig
8 Stock-acquisition tool?
9 Job follower
10 Prune
11 Celebratory piece
12 Surf shop buy
14 Transfusion substance
17 Light
21 Trilling performance
24 Suffix meaning "pain-related"
25 Jeopardy
26 Site of the Burj Islam beach
28 Trick out
29 Irritated state
31 Truffle coating
32 Some wooden counters
33 Pan, e.g.
34 With 41-Across, Nestlé nonpareil
35 Division of the Kenyan shilling
36 Carwash sight
40 Completely
42 Army division
43 To some extent
45 Strasbourg's region
48 Network-to-affiliate transmissions
49 Sly's on-screen wife in four sequels
50 Cold shower
52 Ultimate Miami sound?
53 Adrien of skin care fame
54 Omani money
56 Leave flabbergasted
57 Shark's foe
58 Cut abruptly
59 Chicken tender
61 Sound in the park

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

Previous Puzzle's Solution

TECHNOLOGY: THE LATEST LEAP IN HIGH-END CAMERAS B4

Euro vs. Dollar 1.1752 ▼ 0.36% | FTSE 100 7313.51 ▲ 0.38% | Gold 1283.40 ▼ 1.05% | WTI crude 52.14 ▲ 0.50% | German Bund yield 0.470% | 10-Year Treasury yield 2.309%

Google Acts to Avoid EU Penalty

Search firm opens up bidding for shopping ads to comply with order in antitrust case

By Sam Schechner

Google has started overhauling millions of search results in Europe—and neither the internet giant nor its detractors are happy about it.

The **Alphabet** Inc.-owned search engine on Wednesday said it has started allowing rival shopping-comparison services to bid for and resell advertising space at the very top of Google search results in Europe. The new ads appear alongside similar product ads from Google's own shopping-ad unit, which Google said is bidding independently in the same auctions.

The changes are part of the tech company's effort to comply with a European Union antitrust decision that fined the company €2.42 billion ($2.85 billion) for favoring its own shopping ads at the expense of competitors through its dominant search engine—and ordered Google to start treating itself the same as its competitors as of Thursday.

Google is appealing the decision, but is acting to avoid noncompliance fines that can total 5% of the company's global daily revenue, or more than $12 million.

Google says it thinks the remedy is unwarranted.

Rivals say it doesn't go nearly far enough.

Richard Stables, chief executive of Kelkoo, a shopping-comparison engine that is an interested party in the case, says Google's remedy will likely require his firm to pay the 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 decided to participate in Google's new auctions despite misgivings. "I'm sort of shocked that they've come out with this."

Google promised that Google Shopping, the unit that sells ads to merchants, would be run as a stand-alone business and participate in auctions in an arm's-length capacity. It said it would operate the unit profitably, which means it wouldn't 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 Google's thinking.

A spokesman for Google said it is giving rivals the "same opportunity to show shopping ads from merchants" as Google gives itself.

The European Commission said it would be "premature at this stage" to comment on whether Google's moves would be sufficient to avoid fines. EU antitrust chief Margrethe Vestager said Wednesday that her office would "actively monitor" Google's response to 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.

Please see GOOGLE page B2

Uber Drivers' Status Is Weighed

By Stu Woo And Greg Bensinger

LONDON—As **Uber Technologies** Inc. tries to negotiate with London regulators over its operating license, the ride-hailing company is fighting another battle in Britain with high stakes for its broader business model.

On Wednesday, following a monthslong dispute, Uber argued in a London appeals tribunal that its U.K. drivers should be treated as independent contractors, not as workers, and so shouldn't be entitled to benefits such as minimum wages and paid vacations.

Uber is planning to take up a separate appeals process relating to last week's decision by London's top transportation authority that it wouldn't renew the ride-hailing service's operating license citing a lack of corporate responsibility.

Both London skirmishes are adding to Uber's regulatory and legal headaches around the world. The threat to its operating license could eventually shut it out of one of its biggest global markets.

The case at the heart of Wednesday's tribunal over the legal status of its drivers also carries large, long-term repercussions.

The worker-or-contractor question has been one of Uber's biggest regulatory hurdles, both in the U.S. and further afield. At the heart of the issue is whether Uber drivers should be considered employees of the company—and be granted worker benefits and rights that typically go with such status.

Many drivers and their representatives say they should. Uber has said they shouldn't. In the U.S., drivers have repeatedly sued Uber over their status as contractors.

One current case could affect several hundred thousand drivers in California and Massachusetts.

The question of whether "gig economy" workers should be treated and paid like regular employees has vexed Silicon Valley investors and entrepreneurs. Uber's business model, as well as those of startups including TaskRabbit Inc. and delivery-service Postmates Inc., relies on workers assuming costs including fuel, vehicle maintenance, registrations and insurance.

That keeps overhead costs down. Labor costs for such app-based companies could rise 20% or higher if they must treat workers as employees, by some estimates. The companies say they would have to cut workers and raise rates for customers.

Please see UBER page B2

◆ Uber plans to end its car-leasing business in U.S....... B4

HEARD ON THE STREET

By Paul J. Davies

Insurers May Be A Problem For the Fed

Everyone is wondering how markets will react when central banks unwind their huge bond-buying programs. One sector in which regulators have definite concerns is insurers.

The industry represents a huge pool of investment—roughly $23 trillion worldwide, according to BlackRock—and its activity has a big effect on markets. The big worry is that when interest rates start to rise, the investment incentives of life insurers in particular will lead them to sell government debt, especially long-term bonds, and turbocharge the rise in market interest rates.

Since 2008, the bond buying, or quantitative easing, by central banks in the U.S., Europe and Japan pushed down market interest rates, and insurers appear to have accelerated rate changes, according to Hyun Song Shin, head of research at the Bank for International Settlements.

This was down to a perverse quirk: When long-term debt gets more expensive, insurers need more of it. One of the main things life insurers do is make long-term promises to pay pensioners. They need to meet these promises with cash flows from long-term investments, but falling long-term rates mean those cash flows shrink.

A study of the German market by the BIS found that since 2008, insurers had more than quadrupled their holdings of ultralong-term bonds—those with maturities of more than 20 years—as long-term interest rates fell. As Mr. Shin notes: "The more

Please see HEARD page B2

FAYEZ NURELDINE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Zain al-Abidin Tawfiq created the anonymous messaging website Sarahah for office workers in Saudi Arabia. It is popular with teenagers.

Saudi App Turns Viral in the U.S.

When Zain al-Abidin Tawfiq developed the anonymous messaging website Sarahah, he was intending to make the digital equivalent of a suggestion box for confrontation-shy office workers in Saudi Arabia.

By Margherita Stancati in Beirut and Georgia Wells in San Francisco

He never expected it to become this summer's viral sensation among American teenagers.

Sarahah, Arabic for "candor," lets anyone send short, anonymous messages to registered users, who in turn have no way of interacting with the sender. Mr. Tawfiq made a free app version of Sarahah in June, and within weeks it was the most downloaded app in Apple's app store in the U.S. and dozens of other countries. It now has 95 million registered users, and the U.S. is its biggest market.

Sarahah owes much of its popularity to Snapchat. In July, **Snap** Inc., Snapchat's parent company, added a feature to its messaging app that lets people include links in their short messages. That is when teens started using Snapchat to circulate one another's Sarahah accounts and send anonymous messages.

"Some comments were hilarious, some were gross and some were hurtful," said Didi Rio, a 14-year-old in San Diego who received some 500 messages after posting his Sarahah profile link on Snapchat earlier this month.

He took screenshots of what he deemed the best comments—such as "You're funny except you look like a french fry"— and then posted them to Snapchat, where he has built a following with his comedy videos.

Like many anonymous messaging platforms before it, Sarahah has come under fire for enabling cyberbullying among U.S. teenagers.

"Everyone has that 'Oh, I wonder what people say about me' moment," said 17-year-old Samantha Neely, who lives near Orlando, Fla., and writes for the teen magazine Affinity. She downloaded Sarahah after seeing her friends' Snapchat posts sharing the anonymous messages they had received on Sarahah. "It's morbid curiosity. But in the hands of high schoolers...it could really destroy you," Samantha said.

One of her friends received messages that called her "fake" every day for a week, she said. "She was beaten down by it."

Sarahah has moved to discourage bullying by introducing filters and an option to block particular senders. Sarahah invites users, before they press send, to "leave a constructive message :)" but that isn't always enough.

Sarahah has just two full-time employees working out of an office in the eastern Saudi city of Dhahran, including the 29-year-old Mr. Tawfiq. They have three part-time customer-service representatives.

Under a startup-sponsorship program earlier this year, Sarahah obtained free cloud storage from Microsoft Corp. worth $120,000. That credit has run out, and Sarahah recently introduced limited online advertising to cover costs.

Please see APP page B2

Guess Who's Talking

Top five markets for the Sarahah app, by operating system

iPhone		Android	
U.S.	35.2%	India	38.8%
India	10.4	U.S.	10.7
Saudi Arabia	8.3	Indonesia	7.1
U.K.	5.2	Argentina	6.2
Vietnam	4.5	Brazil	5.7

Source: Sarahah

THE WALL STREET JOURNAL.

Production Glitch Hits Apple's iPhone X

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 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 several 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.

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.

—Tripp Mickle in San Francisco and Yang Jie in Beijing contributed to this article.

INSIDE

ITALY AND FRANCE JOIN FORCES IN SHIPPING

BUSINESS, B3

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.

INDEX TO PEOPLE

HEARD

Continued from the prior page

expensive the bonds are, the more the insurance sector holds."

The trouble is that mechanism is also likely to work in the opposite direction, the feedback from higher yields and cheaper bonds being a big fall in demand and thus even higher yields.

Bank of England researchers also have been looking at the problem of insurers' investment incentives, studying how the industry would respond to a 2008-type crisis under new European regulations.

But that may also hold lessons as rates rise. Their conclusion was that a cut in interest rates would pressure insurers' capital bases by increasing the theoretical cost of selling their liabilities, an important calculation under new European capital rules.

That could push them to cut riskier assets such as corporate bonds and move to safer ones like government bonds, again potentially creating a feedback loop that further squeezes market interest rates.

The reverse in this case—higher rates encouraging greater risk appetite and a move away from safer bonds (just as central banks are selling safer bonds)—could also become an accelerant to higher market rates.

Much of this is theoretical, and insurers in various countries could react differently.

When long-term debt gets more expensive, insurers need to have more of it on hand.

U.S. variable annuity writers, for example, may be more exposed to what stocks do. But this huge sector is one of the biggest investors in government debt.

Regulators, central bankers and other investors need to keep a close eye on insurers' response to the end of quantitative easing. It could get messy.

BUSINESS & FINANCE

Delphi Automotive Is Now 'Aptiv'

By Chester Dawson

DETROIT—**Delphi Automotive** PLC is shedding its name as part of a business makeover to shift from hardware to software.

The automotive systems supplier said Wednesday it will rename itself Aptiv and that its current chief executive, Kevin Clark, will continue to run that part of the company after it splits in two by next March. It said it would seek shareholder approval of the name change in November.

The senior management of Delphi, which itself was spun off from General Motors Co. in 1999, decided in May to jettison the company's engine components unit and focus instead on higher tech electronics for advanced safety and self-driving applications.

The company which is based in Britain for tax purposes but is run from its headquarters outside of Detroit, aims to stave off incursions by Silicon Valley into the auto industry by harnessing the latest technology to develop autonomous and connected vehicles.

"The vehicle has evolved and so have we," Mr. Clark said in a statement, adding that the neologism Aptiv "reflects knowledge, adaptiveness and drive."

As part of that new strategic focus, Delphi is leaving behind its legacy as a supplier of commodity-like components for car makers' assembly-line parts bins.

The decision was cheered by Wall Street for creating one of the few larger capitalization "pure plays" on next-generation automotive technology. Investors have pushed the value of Delphi's stock up by 31% since the spinoff was announced on May 3.

Delphi's $12 billion advanced electronics business is its top revenue generator and employs about 145,000 people globally. Its $4.5 billion engine, or powertrain, business has about 20,000 employees world-wide.

The company said its hardware-dependent engine parts business will retain the Delphi moniker and be re-christened Delphi Technologies. That will be run by Liam Butterworth, who will transition to the CEO role from his current position as a senior vice president in charge of Delphi's powertrain operations, it said.

Aptiv will trade under the stock ticker APTV and Delphi Technologies will trade under the current ticker DLPH.

KRIS TRIPPLAAR/SIPA USA/ASSOCIATED PRESS

The name change comes as part of a shift to higher tech electronics.

UBER

Continued from the prior page

Some companies, including grocery delivery service Instacart Inc., have converted some contractors to full- or part-time employees, in part to ensure they get proper training and can be told when and where to work, as well as requiring they wear uniforms.

The tribunal in London is one of the highest-profile legal cases concerning the employee-versus-contractor question. The body's decision would have no impact on Uber operations in the U.S., but it could require Uber to make costly changes to its relationship with tens of thousands of drivers in the U.K. It also carries with it the prospect of serving as a precedent across Europe and Asia, where Uber has expanded rapidly.

Uber is appealing the October 2016 British tribunal ruling that said drivers were entitled to workers' rights. The appeals-tribunal judge heard arguments on Wednesday; the hearing is planned to continue into Thursday. The claimants, two Uber drivers, have been assisted by a local labor union: The Independent Workers Union of Great Britain.

As dozens of members of the union protested outside the central London tribunal, Uber's lawyer, Dinah Rose, laid out Uber's case for considering drivers contractors: They can work whenever they like, or not at all; they aren't required to wear uniforms; they can seek fares from other apps as they are looking for riders via Uber's app.

A decision isn't expected for weeks or months. Uber's separate appeal over its ability to renew its operating license in London would progress in parallel.

Last week, London regulators vowed not to renew Uber's license, citing what it said were failures in corporate governance, including in areas such as driver background checks and reporting serious crimes. Uber has contested this characterization. The company says it uses the same background-check process as London's black cabs, and said it follows all rules related to reporting crime.

MARY TURNER/REUTERS

Protesters demonstrated against Uber and for labor rights in central London on Wednesday.

APP

Continued from the prior page

While anonymous messages remain free, Mr. Tawfiq is trying to generate more revenue with new paid features for corporate clients. He said the company isn't profitable.

Mr. Tawfiq came up with the idea for an anonymous messaging platform about a year ago while thinking about the corporate culture at the company where he is employed as a financial analyst: Aramco, Saudi Arabia's oil giant. With the idea that supervisors could benefit from frank employee feedback, he developed the platform in his spare time, often working out of the company's cafe.

"In the workplace, people are worried about telling their honest opinion," said Mr. Tawfiq, who was born and raised inside Aramco's sprawling residential compound in Dhahran and is on a leave from the company. "The Arab culture gives age a lot of respect."

It was only in June, after its release as an app in both English and Arabic, that Sarahah became a global hit.

Unregistered users can send anonymous messages, while only registered ones can receive them.

Mr. Tawfiq said "close to a billion" messages have been sent on the service.

The startup now faces the challenge of turning popularity into profit.

"When this happens to a developer—seeing insane numbers of new users—it's like Christmas Day every day," said Niko Bonatsos, managing director of venture-capital firm General Catalyst, which was an early investor in Snap Inc. "But if you don't move quickly, it gets buggy and people stop using the product."

A similar anonymous messaging platform, Yik Yak, which drew a $400 million valuation in 2014, shut down this year after failing to build on its initial success.

GOOGLE

Continued from the prior page

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 down the decisions years down the road. The changes won't affect users in the U.S.

The EU's "equal-treatment" order could be repeated for 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 for mobile phones to promote, among other things, its search engine as a default on 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 underappreciating the regulatory risk," said Mark Mahaney, an analyst at RBC Capital Markets, in a research note earlier this month.

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. For instance, a search for "baby cribs" or "patio furniture" could bring up display ads for those products, with links to merchants who sell them. Until now, Google sold those ads exclusively.

The EU contends the company, by putting those Google-sold ads on top of search pages, disadvantages other companies that sell shopping ads. Product pages on those other companies' websites, which also sell placement to merchants, often appear much further down in a search.

—*Laurence Norman contributed to this article.*

BUSINESS WATCH

SCANIA

VW Truck Unit Fined In Cartel investigation

The European Union's executive body said Wednesday that it was fining **Volkswagen** AG's Scania €880 million ($1.04 billion) for the company's participation in a trucks cartel.

The decision came after the EU last year hit five truck makers with the block's highest-ever cartel fine of approximately €3 billion for colluding on prices and the implementation of emissions technologies.

At the time, Scania decided not to settle the cartel case, unlike the five other companies, saying it didn't accept the commission's accusations.

The 2016 cartel fines targeted Volkswagen's **MAN** SE, **Volvo** AB, **Daimler** AG, **Paccar** Inc. and **CNH Industrial** NV's Iveco.

—*Laurence Norman*

FABIAN BIMMER/REUTERS

A Scania vehicle at a truck show in Hanover, Germany, last year.

PARKER HANNIFIN

Clarcor Deal Draws Antitrust Lawsuit

The U.S. Justice Department has filed an antitrust lawsuit challenging **Parker Hannifin** Corp.'s $4.3 billion acquisition of Clarcor Inc., alleging the deal created an unlawful monopoly.

The department, in a legal challenge filed in a Delaware federal court Tuesday, argued that Parker Hannifin's acquisition, completed in February, had eliminated the company's only competitor in the market for products that filter fuel for airplanes. Aircraft fuel must be filtered to remove particles that could cause engine failure.

The case marks the first merger challenge brought by the Justice Department under the Trump administration. The lawsuit asks a federal judge to order Parker Hannifin to sell off either its own aviation fuel filtration business or Clarcor's to restore the previous competition in the market.

Parker Hannifin, based in Cleveland, said that it had cooperated fully with the Justice Department and "is now reviewing the complaint."

—*Brent Kendall*

SK HYNIX

Board OKs Venture To Buy Toshiba Unit

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).

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.

—*Kwanwoo Jun*

Italy, France to Join Forces in Shipping

Complex deal between Fincantieri and STX France would create a marine transport giant

By Nick Kostov

PARIS—Italian shipbuilder **Fincantieri** SpA reached a deal with the French government to take effective control of **STX France** shipyards under unusual conditions that highlight the political hurdles to building a European champion.

State-owned Fincantieri will buy 50% of the shipbuilding firm from the French state, which will loan the Italian company an additional 1% to give it temporary control of STX, according to officials on both sides. The majority stake allows Fincantieri to name STX's chairman, CEO and most of its board members.

A clause inserted into the agreement, however, allows Paris to take back 1% if the Italian firm fails to fulfill industrial commitments, the officials said.

The complex deal, negotiated between French President Emmanuel Macron and Italian Prime Minister Paolo Gentiloni, aims to overcome the national rivalries that have long scuttled cross-border mergers in Europe and create a shipping giant with the scale to compete with firms in the U.S. and China.

The French government temporarily nationalized STX over the summer to stop Fincantieri from taking over the firm after critics in France warned the country was about to lose a major pillar of its industrial base. In recent years, STX has been a rare fount of growth in the French economy, building massive cruise ships that generated jobs and revitalized the port of St. Nazaire.

Mr. Macron is trying to strike a delicate balance in opening France Inc.'s doors to European rivals.

As a defender of the European Union's single market, he wants to show the continent is fertile ground for cross-border mergers that help its companies bulk up. However, the young president needs to ensure that any transactions don't come at a cost of deep job losses at home.

LOIC VENANCE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Under the deal, Italy's Fincantieri would take effective control of STX France's shipyards.

On Tuesday, Mr. Macron allowed German industrial group Siemens AG to buy a majority stake in Alstom, maker of the TGV high-speed train that has long been a symbol of France's engineering prowess. However Siemens agreed to locate the merged company's headquarters in France under the management of Alstom's French chief executive.

The French government considers STX a strategic asset because it owns the only dock in France that is big enough to build the hull of an aircraft carrier.

Eric Woerth, an opposition lawmaker who chairs parliament's finance committee, praised the government's handling of STX, but the lawmaker criticized the Alstom deal, saying France was handing over a "jewel" of its industry in a "totally unbalanced" pact with Germany.

Mr. Woerth summoned France's Economy Minister Bruno Le Maire to face questions from his committee.

CLODAGH KILCOYNE/REUTERS

A Bombardier aircraft factory in Belfast. On Tuesday a U.S. trade body ruled against the Canadian company, and its hopes for a transportation alliance were dashed.

Bombardier Receives Double Dose of Bad News

By Doug Cameron And Jacquie McNish

Bombardier Inc. received a double blow on Tuesday when a U.S. trade body slapped sanctions on its new jetliner and a long-sought deal with its main transportation partners evaporated.

U.S. trade officials said they are planning a large tariff on sales of a new Bombardier jetliner to U.S. airlines, inflaming a simmering trade spat with Canada that has attracted opposition from other countries.

In addition, Bombardier was left on the sidelines when Germany's **Siemens** AG announced that it is forming an alliance with French train maker **Alstom** SA to create a train business with $18 billion of annual sales. The combination creates the world's second-largest train maker. Bombardier had been in discussions with Siemens since early this year to form a similar partnership, but talks broke down in August.

The International Trade Commission ruled in favor of a complaint from **Boeing** Co. and said it would add a 220% tariff to the cost of the new CSeries jet. The jet's sale to **Delta Air Lines** Inc. last year prompted a complaint from Boeing. A final decision on any duty is expected next year.

The U.S. agency's decision was widely ridiculed by aerospace-industry experts, who said cutting prices to boost sales was a common practice.

"The Commerce Department will instruct U.S. Customs and Border Protection to collect cash deposits from importers of 100- to 150-seat large civil aircraft based on these preliminary rates," the department said in a statement.

Delta, whose 75-jet order for the CSeries triggered the case, said it was confident the U.S. would take no action against it.

"Boeing has no American-made product to offer because it canceled production of its only aircraft in this size range, the 717, more than 10 years ago," it said in a statement.

The Commerce Department ruled in favor of Boeing's claims on the jet pricing despite vehement denials from Bombardier and Canadian officials.

Boeing said that "subsidies enabled Bombardier to dump its product into the U.S. market, harming aerospace workers in the United States and throughout Boeing's global supply chain."

Bombardier said it strongly disagrees with the trade ruling.

"The magnitude of the proposed duty is absurd and divorced from the reality about the financing of a multibillion-dollar aircraft program," the company said.

The Montreal-based company accused Boeing of using a "skewed process" to "stifle competition and prevent U.S. airlines and their passengers from benefiting from the CSeries."

Canadian Foreign Minister Chrystia Freeland said that Canada strongly disagrees with the U.S. tariff ruling.

"This is clearly aimed at eliminating Bombardier's CSeries aircraft from the U.S. market," she said, reflecting the strident tone her Liberal government has taken in recent weeks about Boeing's trade complaint.

The trade decision was issued after the close of markets Tuesday. Speculation about failed talks with Siemens last week sent the price of Bombardier's Class A shares tumbling. Wednesday afternoon, the stock was off 8.3% at 2.11 Canadian dollars.

Diamond Company Files for Chapter 11

By Lillian Rizzo

Belgian diamond wholesaler and distributor **Exelco** NV, a De Beers-listed customer, has sought chapter 11 protection in the U.S. Bankruptcy Court in Wilmington, Del.

In court papers filed Tuesday, the company listed assets of between $10 million and $50 million, and liabilities of between $50 million and $100 million, according to court papers. Judge Kevin Gross will be overseeing the case. A first-day hearing has yet to be set.

The firm, based in Antwerp, is still listed as one of De Beers's customers, according to the De Beers website. Exelco was once considered a diamond-trading-company sightholder, meaning it was on the authorized bulk purchaser list of rough diamonds.

Court papers show that Exelco's ownership is split between Lior Kunstler and Jean Paul Tolkowsky, prominent names in the diamond industry.

While Mr. Kunstler is a third-generation diamantaire—or someone to be considered a specialist in buying and cutting diamonds—Mr. Tolkowsky's lineage dates back seven generations in the diamond industry.

The Tolkowsky diamond dynasty, known for its "Ideal Cut" diamond, dates back to Abraham Tolkowsky in 1800, an artisan who became a jeweler to nobles. The "Ideal Cut" diamond was made popular after the 1920s, and Jean Paul Tolkowsky is known for the Princess Ideal Cut diamond, which is sold through Signet Jewelers Ltd. The "Ideal Cut" diamonds are available in the U.S. at Kay Jewelers and Jared The Galleria of Jewelry.

Exelco, established in 1993, and has two factories in Africa and Thailand, according to De Beers's website. Exelco's top three trade creditors—**Eurostar Diamond Traders** NV, **I.D.H. Diamonds** NV and **Vitraag** BVBA—are collectively owed nearly $12 million, court papers show. Antwerp-based wholesaler Eurostar is owed the most, about $6.04 million.

Representatives of Exelco couldn't be reached for comment.

The chapter 11 filing comes several months after Exelco's assets were seized by one of its lenders, KBC Group NV. The bank was later ordered to return the assets by a Belgian court, according to a Bloomberg report. The company was on the hook for repaying €26 million ($30 million) to KBC, and the lender was reported to have searched Exelco's Antwerp offices, according to Bloomberg.

The diamond industry has been going through a rough patch in recent years, as there has been a decline in demand and low prices for diamonds.

In 2016, De Beers, which is majority owned by global mining company Anglo American PLC and considered one the largest diamond producers in the world, cut production, which helped keep prices afloat.

U.K. Says Thousands of Jobs at Risk From Jet Levy

By Jenny Gross

LONDON—British Prime Minister Theresa May said she was "bitterly disappointed" by a U.S. decision to place punitive import duties on a new jetliner made by Canada's **Bombardier** Inc., putting thousands of jobs at a Northern Ireland factory at risk. Her defense secretary said the ruling could jeopardize **Boeing** Co. contracts with the U.K.

The preliminary ruling by U.S. trade officials to side with Boeing in a trade spat with Canadian competitor Bombardier has political ramifications for the British leader, whose minority government relies on support from a small Northern Irish party, the Democratic Unionists, to pass some legislation.

"The government will continue to work with the company to protect vital jobs for Northern Ireland," Mrs. May said in a tweet published by her office's verified Twitter account on Wednesday. Bombardier's Northern Ireland factory, which employs 4,200 people, produces 10% of the region's total manufacturing exports.

Aside from creating a headache for Mrs. May as she seeks to pass legislation on her country's withdrawal from the European Union, the decision could also foreshadow complications as the U.K. and the U.S. prepare to expand trade ties once Britain has left.

The dispute underscores the potential for disagreements in industries like aviation, financial services and agriculture based on President Donald Trump's pledge to protect American jobs.

Arlene Foster, head of the Northern Irish Democratic Unionists, said the U.K., Canada and the U.S. must continue to work together to find a solution. "Bombardier jobs vital for Belfast," a message from her Twitter account said. She said her party would use its influence in government to protect the jobs.

TOM NICHOLSON/LONDON NEWS PICTURES/ZUMA PRESS

Theresa May says she will work to project jobs in Northern Ireland.

U.K. Defense Secretary Michael Fallon, speaking in Belfast, said Boeing's challenge could put at risk the company's defense contracts with the U.K.

"This is not the behavior we expect from Boeing and it could indeed jeopardize our future relationship with them," Mr. Fallon said. "Boeing has significant defense contracts with us and still expects to win further contracts. Boeing wants and we want a long-term partnership but that has to be two way."

A spokesman for Boeing U.K. said, "We have heard and understand the concerns from the prime minister and the government about Bombardier workers in Northern Ireland.

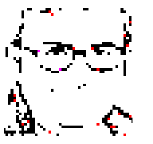
"Boeing is committed to the U.K. and values the partnership, which stretches back almost 80 years."

A bilateral trade agreement, which U.S. and U.K. officials have said could be implemented soon after Brexit in early 2019, would allow the U.K. to show that leaving the EU has given it more leeway to expand trade with non-EU countries. The U.S., meanwhile, could use any agreement to say that bilateral deals, as opposed to multinational ones, help create jobs for Americans.

Hugo Swire, a Conservative lawmaker, said the trade spat "does not bode well for any U.K.-U.S. trade deal." Labour leader Jeremy Corbyn said the U.K. should stand up to the U.S. in the dispute.

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 up to five times closer.

After you've snapped a photo, you can use the L16's software to change the level of 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 know a lot of photographers who would benefit from the L16 and a few who've been patiently waiting for this first model. For now, I'd say only the adventurous should buy now—Light is still working out kinks in focus and speed, hopefully all through software updates.

Still, my field experience with the L16 proves that Light's crazy idea actually 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—some are wide angle, others are long distance, two are black-and-white.

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, even exporting raw files to edit in Photoshop.

I was initially dubious about this stitching operation. But I pored over my shots and couldn't spot many errors. Light plans to keep refining 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.

And 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 stereo-vision lenses to recreate the effect in software, entirely after the fact.

Sometimes, it didn't quite get the edges right, like around hair, but there are fine-tuning tools to fix that.

The software even lets you make micro adjustments to the focus point—a function that saved one of my favorite portraits.

For serious photographers, many of whom have been anticipating the L16 since its 2015 unveiling, 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—it even runs Android—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 view finder 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, particularly with noise in low light. 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.

Those are mostly software issues. 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.

F. MARTIN RAMIN/THE WALL STREET JOURNAL

The Light L16 makes camera software as important as hardware—and its use of small lenses helps keep its weight under a pound.

Ford, Lyft Team Up For Rides

By Greg Bensinger

Ford Motor Co. and **Lyft** Inc. said Wednesday they would develop self-driving vehicles for the ride-hailing service, adding to a growing number of alliances between auto makers and tech companies jockeying for control of the road.

The two companies plan to design software that lets Ford vehicles communicate with Lyft's app-based services. Lyft, based in San Francisco, is playing catch-up in some respects to larger crosstown rival **Uber Technologies** Inc., which has been testing robot cars in Pittsburgh, Tempe, Ariz., and parts of California.

Lyft has struck a series of partnerships with companies developing the technology, including Waymo, the self-driving car unit of Google parent **Alphabet** Inc., **Tata Motors** Ltd.'s Jaguar Land Rover and startups **Drive.ai** and **NuTonomy** Inc. And Lyft is forming its own autonomous-car development division.

Lyft also has a partnership with Ford rival **General Motors** Co., which invested about $500 million in the company and added a board member. Last year, GM said it planned to work with Lyft to put self-driving taxis on the road sometime this year. A Lyft spokeswoman said the GM agreement wasn't exclusive.

Last month, new Ford Chief Executive Jim Hackett said his company was evaluating how it could deploy fully autonomous vehicles within the next four years. The Dearborn, Mich., company envisions vehicles with no steering wheels or pedals and no need for a human driver. And it plans to invest $1 billion over the next five years in **Argo AI**, an artificial-intelligence company in which it acquired a majority stake.

Lyft, meanwhile, is considering accepting a roughly $1 billion investment from Alphabet, people familiar with the matter have said. The possibility points to the complicated web of relationships in ride hailing, as Google is also an investor in Uber.

JOHN GASTALDO/SAN DIEGO UNION-TRIBUNE/ZUMA PRESS

An Uber driver in San Diego last year with a vehicle leased through the ride-hailing company.

Uber to End U.S. Car Leasing

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 to a rival.

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 matter. The division was financed in part by a $1 billion credit facility from a consortium of banks, including Goldman Sachs Group Inc., Citigroup Inc. and Morgan Stanley.

$600M

Uber's investment for creating the Xchange Leasing division

The idea was to sign up new drivers whose spotty or nonexistent credit histories prevented them from getting their own cars. Uber wanted to maintain a healthy supply of drivers, crucial to holding down fares and wait times.

But by charging high-lease fees in exchange for the risk, many drivers worked longer hours and returned the vehicles in poor shape, damaging their resale value, people familiar with the matter have said.

Uber had relied on a network of established dealers to offer leases, but soon found they were pushing drivers into more expensive vehicles, lowering their likelihood of turning a profit, according to a person familiar with the business.

In July, Uber executives discovered the unit was losing around $9,000 per vehicle, compared with previous estimates of just $500, and decided to halt the business, according to these people. Uber had about 40,000 car titles in Xchange Leasing and had begun opening branded showrooms in some key U.S. markets, rather than relying on existing dealers.

Uber plans to honor existing leases, most of which have a three-year term, a person familiar with the matter said. It is unclear what Uber will do with the vehicles it holds under title.

The company is expected to continue its vehicle-leasing operation in Southeast Asia, known as Lion City Rentals Pte Ltd.

That business has had its own issues: In August, The Journal reported the unit knowingly leased defective cars to drivers in Singapore, and delayed taking them off the road. Uber said it has since added safety measures and has addressed the problem.

Data Breach Hits Fast-Food Chain

By Cara Lombardo

Fast-food chain **Sonic** Corp. is the latest company contending with a breach of customer data.

The operator of Sonic Drive-In hamburger 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 in a statement that 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 statement 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 first reported the breach Tuesday. The website, run by cyber expert Brian Krebs, 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 regarding the data breach.

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.

Avi Gesser, a partner at law firm Davis Polk & Wardwell LLP who specializes in cybersecurity issues, said state-disclosure laws can require companies to notify affected customers, credit-rating firms and attorneys general, but don't tend to prescribe exact timelines.

As a public company, Sonic is also required to promptly report events that could have a material impact on its stock price to the Securities and Exchange Commission.

If the breach affected only a few locations, it probably won't trigger that requirement, Mr. Gesser said. "But if it's all over the place, it may rise to the level of meeting an event that is material."

Sonic shares were ahead 1% at $24.84 in afternoon trading on Wednesday.

The attack comes weeks after credit-rating company Equifax Inc. acknowledged a massive data breach exposed the personal information of as many as 143 million Americans. The company's handling of the incident, which was sharply criticized by customers, led to the departure of Chief Executive Richard Smith on Tuesday.

LUKE SHARRETT/BLOOMBERG NEWS

A Sonic location in Tennessee. The chain is investigating a breach.

Chinese Builders Face Debt Reckoning

Bond repayments are expected to rise over next several years as Beijing cools market

By Dominique Fong


GREG BAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES

A housing complex in Beijing. China's property sector contributes nearly one-third of the nation's overall growth, according to Moody's.

BEIJING—A wave of local-currency debt coming due next year, alongside new stricter lending rules, is bearing down on China's developers and posing a risk to the country's economy.

The twin threats, combined with a widely expected property-market slowdown, portend a shift in fortunes for many home developers after they rode a housing boom and strong profits in this year's first half.

The volume of maturing yuan bonds will jump 64% in 2018 for home builders to at least 230 billion yuan ($35 billion), and rise another 87% the year after that, according to data provider Wind Information Co. Meanwhile, many yuan bondholders have the option to demand early repayment starting next year and increasingly in 2019 and 2020.

Those circumstances could force a wave of asset sales and deprive developers of cash for new projects, potentially leading to a further deterioration in their finances, credit analysts say.

How the real-estate scenario plays out has major implications for China's economy, a bellwether for many investors on the prospects for global growth. The property sector contributes nearly one-third of China's overall growth, according to Moody's Investors Service.

The latest trends reflect in part Beijing's efforts in the past year to restrict home sales for fear that an overheated market fueled by a surge of mortgage lending could burst and ripple across the economy. Now, concern is rising that in parts of China the market may cool even more than policy makers had hoped.

"This year's very strong sales in tier three cities is unlikely to be sustained," said Larry Hu, China economist at **Macquarie Group**. "For next year, they're going to enter a down cycle."

Developers also are likely to pay more dearly for debt after home prices slowed for three straight months this summer, save a few small cities. Last year, only about 25% of developers paid 6% or higher for their yuan bonds, according to Wind Information. This year the ratio exceeds 33%, and credit analysts expect a further rise.

Since property serves as collateral for many loans, declines in value could exacerbate any chain of defaults for yuan bonds and bank loans and in China's lightly regulated informal lending sector, potentially infecting the country's financial system.

"The wall of bonds is just one symptom of the whole problem," said Anne Stevenson-Yang, founder of J Capital Research.

Large developers such as **China Evergrande Group**, **Sunac China Holdings** Ltd. and **Guangzhou R&F Properties** Co. prospered through China's property boom in recent years. But they also racked up debt to fund land purchases while monetary policy was looser and credit was cheaper. Five large developers hold nearly half the bonds and options coming due next year, according to Moody's.

As the economy continues to ease—the government targets about 6.5% growth in gross domestic product this year—some analysts wonder how vulnerable developers are.

The recent rules aimed at cooling the market are also constraining developers' ability to raise money. That, in turn, could discourage smaller ones from investing in new projects.

Regulations include property-buying controls in big Chinese cities, such as caps on new-home sales prices and higher down-payment ratios.

As the economy eases, some analysts wonder how vulnerable developers are.

Other rules limit yuan bond sales on mainland exchanges and ban private asset managers from engaging in certain types of debt financing for real estate. The likely result: slower home sales and a higher risk of defaults.

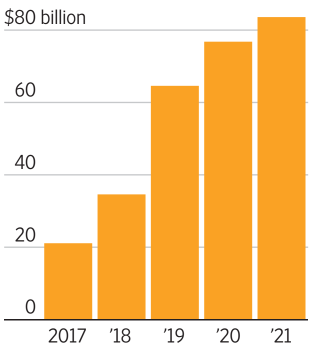
Smaller developers are particularly vulnerable because of their high debt loads, observers say. For example, the net debt of state-backed **Yunnan Metropolitan Real Estate Development** Co. is 57 times earnings before interest and taxes, according to research firm Granite Peak Advisory. The ratio is 37 times for Fuzhou-based commercial real-estate developer **Tahoe Group** Co. and more than 23 times for Shanghai-based **Yango Group** Co.

In comparison, the leverage for all mainland-listed developers is 6.4 times, and 4 times for all Chinese companies excluding financial institutions, according to Granite Peak Advisory.

Most developers have adequate liquidity if they can't refinance debt and must repay bonds in full with cash next year, Moody's says. But their ability to do so is weakening. Rated developers' cash was 1.6 times short-term debt coverage, compared with two times last year, S&P Global Ratings says.

Mounting

Yuan debt issued by Chinese developers, by maturity



Note: Values are converted at a foreign-exchange rate as of Aug. 25.

Source: Wind Info

THE WALL STREET JOURNAL.

Moves are afoot to address the concerns. Evergrande pledged to cut its net debt ratio to 70% from 270% by 2020 after reporting a ninefold jump in half-year earnings.

In central Hubei province, a state-assets regulator ordered state-owned enterprises to speed up construction and sales to quickly book the revenue and lower financial leverage.

Despite the risks to China's real-estate market, global investors have continued to pile into the dollar-denominated bonds of Chinese developers. Those developers issued $58 billion offshore over the year through late August, the highest volume for the period since 2014, according to data provider Dealogic.

Other investors however are avoiding the market, concerned they aren't getting paid enough for the risk.

"Coupons have to be much higher than where we are now," said Jennifer James, head of corporate research for emerging market credit at Janus Henderson Investors, which holds the offshore debt of one Chinese developer. "Headwinds are too strong to warrant this kind of return."

Saudi Arabia Launches Bond Sale

By Nicolas Parasie

DUBAI—Saudi Arabia sold $12.5 billion of bonds, the largest sovereign-debt issue this year, as the kingdom taps the international markets again to bolster finances hurt by lower oil prices.

The kingdom Wednesday raised $3 billion of five-year debt at 1.1 percentage points over Treasurys, $5 billion of 10-year bonds at 1.45 points over Treasurys and $4.5 billion of 30-year bonds at 1.80 points over Treasurys, according to one of the lead arranging banks.

Saudi Arabia and other major oil exporters of the Persian Gulf have increasingly turned to the international debt markets to plug budget deficits caused by the sharp fall in the price of oil since mid-2014.

The cash will help reduce the country's budget deficit, which the Saudi finance ministry said would come in at nearly 200 billion Saudi riyals ($53 billion) this year. The country hopes to balance its finances by 2020.

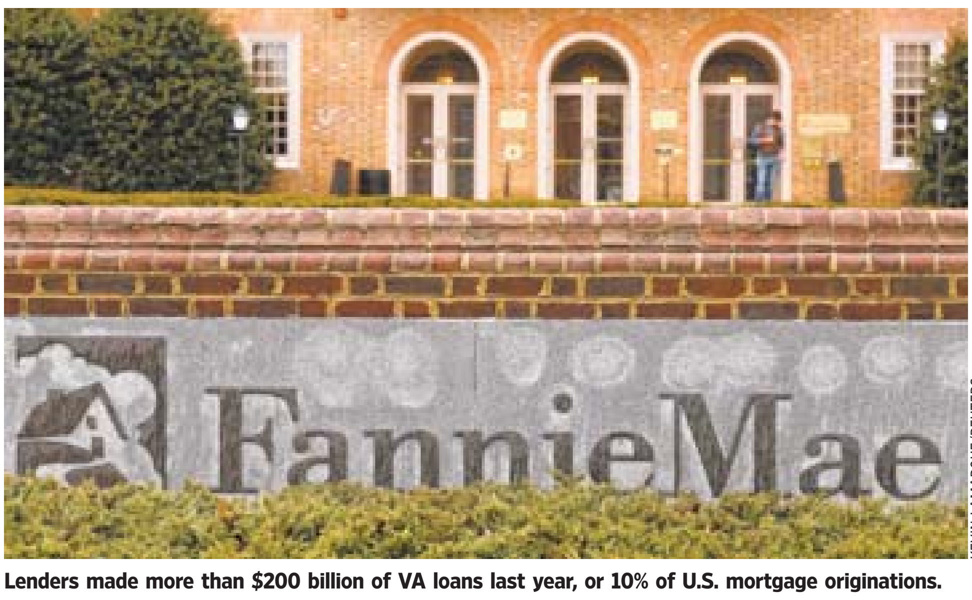
The kingdom is also in the middle of a far-reaching economic-overhaul plan aimed at weaning the country off its oil dependence by boosting the private sector, attracting more foreign investments and diversifying income sources.

The bond sale marks Saudi Arabia's third foray in the international markets since the last quarter of 2016, when it raised $17.5 billion, followed by $9 billion of Islamic bonds earlier this year. The kingdom has also sold billions of dollars of domestic bonds.

International investors have shown considerable interest in emerging-market debt in search of higher yields, allowing Gulf sovereigns to raise record debt in the past year and a half. Fellow Gulf state Bahrain raised $3 billion earlier this month with the sale of conventional and Islamic bonds.

U.S. Is Reviewing Home Loans to Veterans

By Christina Rexrode



KEVIN LAMARQUE/REUTERS

Lenders made more than $200 billion of VA loans last year, or 10% of U.S. mortgage originations.

A government agency is targeting lenders who push military veterans to refinance their home loans, leading the borrowers in some cases to rack up thousands of dollars in unnecessary fees.

Ginnie Mae, the government-owned corporation that guarantees certain mortgage securities, said it is planning to discuss with at least half a dozen lenders their refinance practices. It is also contemplating civil legal action against some lenders, and recently has formed a "Lender Abuse Task Force" with the Department of Veterans Affairs.

Michael Bright, Ginnie Mae's acting president, said in an interview that the consequences of refinance "churning"—where loans are refinanced more often than normal, usually at no benefit to the borrower—have rippled across the mortgage ecosystem. This creates uncertainty for investors and higher prices for many borrowers, he added.

Ginnie Mae this year instituted new rules to curb rapid refinancing, including telling lenders that in some cases they would have to wait until a loan was at least six months old before refinancing it. But Mr. Bright said in a recent letter to Sen. Elizabeth Warren (D., Mass.) that some lenders are intentionally trying to evade efforts meant to curb churning.

"When people say the mortgage industry has learned its lesson, this seems to suggest that that may not be the case," Mr. Bright said, referring to the financial crisis.

The VA said in a statement it is "evaluating potential regulatory or policy changes" to ensure that refinance loans benefit veteran borrowers.

Michael and Jennifer McCall, both U.S. Navy veterans, got bombarded with offers to refinance their Colorado home almost as soon as they bought it in 2015. One lender offered to save them $94 a month. But the McCalls thought the fees, at $3,200, were too high and didn't trust a lender they didn't know.

"You can find $100 a month easier than refinancing your home through a shady lender," Mr. McCall said.

Making homeownership affordable for veterans has been a tenet of U.S. government policy since World War II. To encourage lenders to make VA loans, which often offer perks such as no down payments, the government takes on some of the risk of potential losses.

VA loans were a negligible part of mortgage lending before the financial crisis, but have expanded in its wake. Lenders made more than $200 billion of VA loans last year, or 10% of all U.S. mortgage originations, according to the trade publication Inside Mortgage Finance. A decade ago, they were roughly $25 billion, or 1%.

The expansion reflects how banks have tightened lending criteria since the crisis, increasing the appeal of government programs like VA loans to some borrowers. Many banks have cut back on loans through government programs such as the VA or the Federal Housing Administration to focus instead on more affluent customers they view as less risky. That has made room for nonbank lenders who in some case aren't subject to the same regulations.

Allegations of serial refinancing focus on a VA product known as the Interest Rate Reduction Refinance Loan, or IRRRL. The product is meant to be a quick, easy way for veterans to save money when rates are falling. Unlike most other refinances, the arrangement requires no home appraisal and no credit underwriting.

Despite that, these refinances often carry hefty fees. Although the loans are sometimes advertised as costing "no money out of pocket," fees of $3,000 to $6,000 are in many cases tacked on to a borrower's mortgage principal.

"So you're saving $100 a month, but you're more and more in debt each time," said Chris Mason, a U.S. Marines veteran and mortgage broker in Alameda, Calif.

Other government mortgage programs carry stricter rules about when, how often and under what terms lenders can refinance a loan. For example, a lender using the program to refinance a VA loan from one fixed-rate mortgage into another must offer a lower interest rate—but there is no rule on how much a reduction must be. A lender using a similar FHA refinance program would have to lower the interest rate by at least 0.5 percentage points.

The task force plans to discuss refinances with lenders large and small that it believes have a high "churn" rate. That is likely to include Freedom Mortgage, according to people familiar with the situation. The nonbank lender was the third-biggest provider of VA mortgages in the first half of this year, according to Inside Mortgage Finance. More than 70% of Freedom Mortgage's VA volume from that period came from the special VA refinancing product, according to the trade publication.

Officials at Freedom Mortgage didn't comment.

Borrowers aren't the only ones who potentially lose out from multiple refinances. Investors who buy mortgage securities backed by the loans also complain about the practice.

When lenders make VA loans, they usually package them into securities along with FHA loans, then sell them to investors. Ginnie Mae guarantees that investors will get their monthly payments.

When a loan in a Ginnie Mae security is refinanced, it is removed from its pool, which means investors potentially lose part of their monthly income stream and the security shrinks in size. Fund managers who invest in Ginnie Mae securities said they expect some refinances—but not from loans just a few months old.

That has increasingly happened and has caused investors to push down the price of some Ginnie Mae securities. Those usually command a premium compared with similar securities backed by Fannie Mae and Freddie Mac. But now some Ginnie Mae securities are trading at a discount, according to analysts and fund managers. That also pushes up borrowing costs for VA and FHA borrowers.

Army veteran Brendan Beely started getting refinancing offers almost as soon as he and his family moved into their Texas home in 2015.

Mr. Beely eventually decided to refinance his loan to cut his monthly payment by about $200. He doesn't know how much he paid in closing costs, which were rolled into his total loan amount.

He still gets flyers in the mail, but ignores them. "I'm quite happy where I am," Mr. Beely said. "I don't feel like going through this process again so soon."

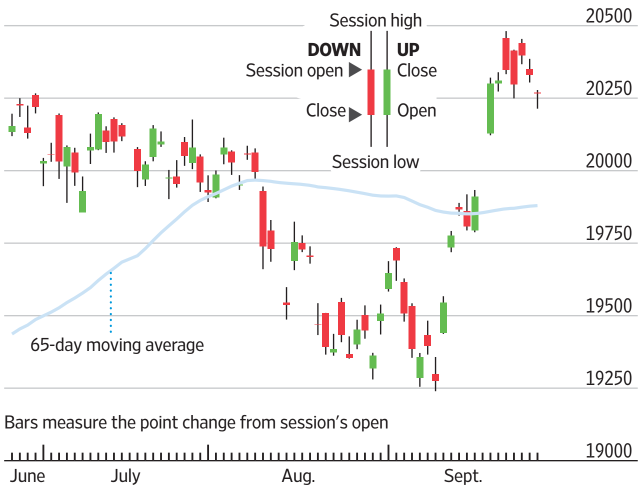
MARKETS DIGEST

Nikkei 225 Index

20267.05 ▼63.14, or 0.31%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 6.03%
52-wk high/low	20397.58	16251.54
All-time high	38915.87	12/29/89



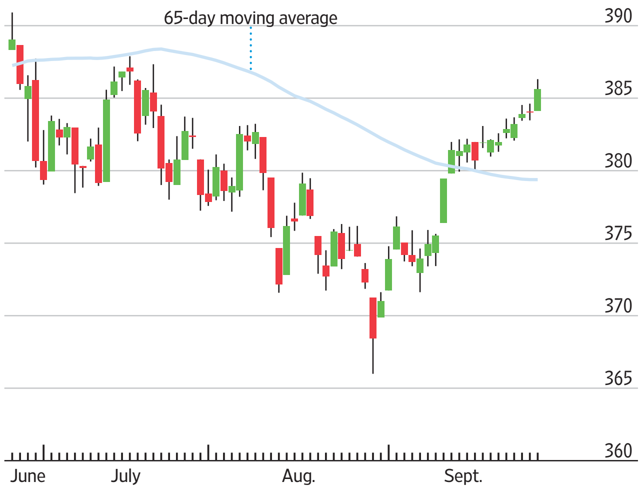
Bars measure the point change from session's open

STOXX 600 Index

385.62 ▲1.59, or 0.41%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 6.70%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15



S&P 500 Index

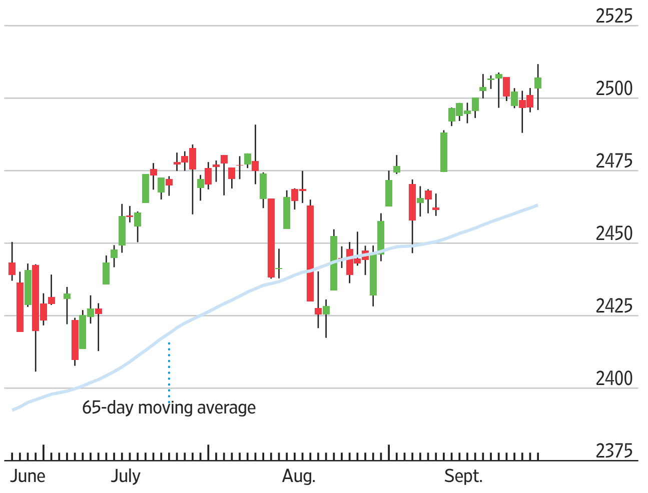
Data as of 4 p.m. New York time

2507.04 ▲10.20, or 0.41%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.25	24.81
P/E estimate *	19.14	18.43
Dividend yield	1.99	2.13
All-time high:	2508.24, 09/20/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2890.33	0.53	0.02	2386.93	2910.53	14.3
	MSCI EAFE	1954.40	–1.59	–0.08	1614.17	1981.49	13.9
	MSCI EM USD	1077.23	–2.88	–0.27	838.96	1112.92	35.6
Americas	**DJ Americas**	605.47	2.40	0.40	503.44	606.51	12.0
Brazil	**Sao Paulo Bovespa**	73817.36	–501.36	–0.67	56828.56	76419.58	22.6
Canada	**S&P/TSX Comp**	15597.01	122.89	0.79	14468.03	15943.09	2.0
Mexico	**IPC All-Share**	50192.46	–167.01	–0.33	43998.98	51772.37	10.0
Chile	**Santiago IPSA**	4022.98	26.87	0.67	3120.87	4027.66	24.8
U.S.	**DJIA**	22340.71	56.39	0.25	17883.56	22419.51	13.0
	Nasdaq Composite	6453.26	73.10	1.15	5034.41	6477.77	19.9
	S&P 500	2507.04	10.20	0.41	2083.79	2511.75	12.0
	CBOE Volatility	9.78	–0.39	–3.83	8.84	23.01	–30.3
EMEA	**Stoxx Europe 600**	385.62	1.59	0.41	328.80	396.45	6.7
	Stoxx Europe 50	3156.38	14.13	0.45	2720.66	3279.71	4.8
Austria	**ATX**	3291.69	0.14	0.004	2362.15	3312.67	25.7
Belgium	**Bel-20**	3986.81	18.33	0.46	3384.68	4055.96	10.5
France	**CAC 40**	5281.96	13.20	0.25	4342.64	5442.10	8.6
Germany	**DAX**	12657.41	52.21	0.41	10174.92	12951.54	10.2
Greece	**ATG**	736.64	–3.73	–0.50	560.34	859.78	14.4
Hungary	**BUX**	37244.30	–74.94	–0.20	27466.59	38554.44	16.4
Israel	**Tel Aviv**	1418.85	0.65	0.05	1346.71	1490.23	–3.5
Italy	**FTSE MIB**	22622.19	191.54	0.85	15923.11	22650.00	17.6
Netherlands	**AEX**	531.09	2.59	0.49	436.28	537.84	9.9
Poland	**WIG**	63573.49	–127.27	–0.20	46674.28	65611.21	22.8
Russia	**RTS Index**	1126.94	–0.32	–0.03	956.36	1196.99	–2.2
Spain	**IBEX 35**	10368.90	179.30	1.76	8512.40	11184.40	10.9
Sweden	**SX All Share**	579.55	3.52	0.61	489.12	598.42	8.4
Switzerland	**Swiss Market**	9098.58	–15.07	–0.17	7585.56	9198.45	10.7
South Africa	**Johannesburg All Share**	55214.07	143.69	0.26	48935.90	56896.89	9.0
Turkey	**BIST 100**	101218.30	–2711.03	–2.61	71792.96	110530.75	29.5
U.K.	**FTSE 100**	7313.51	27.77	0.38	6676.56	7598.99	2.4
Asia-Pacific							
Australia	**S&P/ASX 200**	5664.30	–6.70	–0.12	5156.60	5956.50	–0.03
China	**Shanghai Composite**	3345.27	1.69	0.05	2987.86	3385.39	7.8
Hong Kong	**Hang Seng**	27642.43	129.42	0.47	21574.76	28159.77	25.6
India	**S&P BSE Sensex**	31159.81	–439.95	–1.39	25765.14	32575.17	17.0
Japan	**Nikkei Stock Avg**	20267.05	–63.14	–0.31	16251.54	20397.58	6.0
Singapore	**Straits Times**	3236.15	24.11	0.75	2787.27	3354.71	12.3
South Korea	**Kospi**	2372.57	–1.75	–0.07	1958.38	2451.53	17.1
Taiwan	**Weighted**	10326.68	69.66	0.68	8931.03	10631.57	11.6

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
2.750	**Australia** 2	**1.959**	48.1	52.5	50.2	86.9	**1.957**	1.840	**1.615**
2.750	10	**2.798**	49.2	54.3	48.9	41.8	**2.781**	2.657	**1.978**
3.000	**Belgium** 2	**-0.549**	-202.7	-198.0	-190.4	-138.7	**-0.548**	-0.566	**-0.641**
0.800	10	**0.750**	-155.6	-154.2	-147.2	-144.8	**0.696**	0.695	**0.111**
0.000	**France** 2	**-0.498**	-197.6	-194.5	-183.6	-137.3	**-0.513**	-0.499	**-0.627**
1.000	10	**0.764**	-154.2	-153.2	-147.3	-139.2	**0.705**	0.694	**0.167**
0.000	**Germany** 2	**-0.700**	-217.8	-214.6	-206.7	-144.1	**-0.715**	-0.730	**-0.695**
0.500	10	**0.470**	-183.6	-182.7	-178.9	-169.8	**0.410**	0.379	**-0.138**
0.050	**Italy** 2	**-0.084**	-156.2	-153.8	-136.4	-83.6	**-0.107**	-0.026	**-0.090**
2.200	10	**2.155**	-15.1	-12.3	-6.8	-35.3	**2.115**	2.099	**1.207**
0.100	**Japan** 2	**-0.125**	-160.3	-156.7	-149.6	-101.0	**-0.136**	-0.159	**-0.264**
0.100	10	**0.053**	-225.3	-220.8	-215.4	-163.7	**0.030**	0.014	**-0.078**
4.000	**Netherlands** 2	**-0.696**	-217.4	-214.0	-202.2	-141.7	**-0.709**	-0.684	**-0.671**
0.750	10	**0.585**	-172.1	-170.3	-165.2	-158.0	**0.534**	0.516	**-0.021**
4.750	**Portugal** 2	**-0.036**	-151.4	-150.8	-135.0	-28.9	**-0.076**	-0.012	**0.458**
4.125	10	**2.438**	13.2	15.3	67.6	183.9	**2.391**	2.843	**3.398**
2.750	**Spain** 2	**-0.315**	-179.4	-173.9	-168.5	-93.6	**-0.308**	-0.348	**-0.189**
1.450	10	**1.639**	-66.7	-63.3	-56.8	-64.8	**1.605**	1.600	**0.911**
4.250	**Sweden** 2	**-0.662**	-214.0	-211.8	-200.9	-141.8	**-0.687**	-0.671	**-0.672**
0.750	10	**0.931**	-137.5	-159.3	-156.2	-142.2	**0.645**	0.606	**0.138**
1.750	**U.K.** 2	**0.463**	-101.6	-98.5	-115.8	-66.1	**0.447**	0.179	**0.086**
4.250	10	**1.384**	-92.2	-90.5	-111.4	-98.7	**1.333**	1.054	**0.572**
1.375	**U.S.** 2	**1.478**	...	...	...	...	**1.432**	1.338	**0.746**
2.250	10	**2.306**	...	...	...	...	**2.238**	2.168	**1.559**

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 9/26/2017

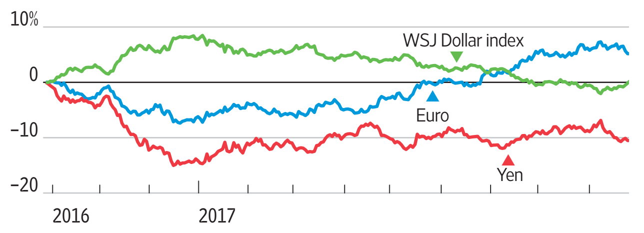
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	353.75	1.50	0.43%	417.25	344.25
Soybeans (cents/bu.)	CBOT	965.25	1.75	0.18	1,047.00	907.00
Wheat (cents/bu.)	CBOT	461.00	7.25	1.60	592.25	422.50
Live cattle (cents/lb.)	CME	114.925	1.450	1.28	122.850	99.825
Cocoa ($/ton)	ICE-US	2,020	49	2.49	2,301	1,794
Coffee (cents/lb.)	ICE-US	129.30	-2.95	-2.23%	166.75	119.10
Sugar (cents/lb.)	ICE-US	13.80	-0.11	-0.79	20.40	13.50
Cotton (cents/lb.)	ICE-US	68.72	-0.03	-0.04	75.75	66.15
Robusta coffee ($/ton)	ICE-EU	1952.00	-47.00	-2.35	2,272.00	1,892.00
Copper ($/lb.)	COMEX	2.9290	0.0100	0.34	3.1785	2.5025
Gold ($/troy oz.)	COMEX	1287.90	-13.80	-1.06	1,362.40	1,160.80
Silver ($/troy oz.)	COMEX	16.820	-0.063	-0.37	18.875	14.440
Aluminum ($/mt)*	LME	2,137.50	-10.50	-0.49	2,191.00	1,688.50
Tin ($/mt)*	LME	20,635.00	35.00	0.17	21,225.00	18,760.00
Copper ($/mt)*	LME	6,480.00	20.00	0.31	6,937.00	5,491.00
Lead ($/mt)*	LME	2,491.00	-18.00	-0.72	2,509.00	2,022.00
Zinc ($/mt)*	LME	3,113.00	8.00	0.26	3,195.00	2,450.50
Nickel ($/mt)*	LME	10,525.00	45.00	0.43	12,220.00	8,780.00
Rubber (Y.01/ton)	TCE	217.70	1.70	0.78	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2747.00	-2.00	-0.07	2876.00	2436.00
Crude oil ($/bbl.)	NYMEX	52.15	0.27	0.52	58.37	42.84
NY Harbor ULSD ($/gal.)	NYMEX	1.8327	-0.0057	-0.31	1.8586	1.3943
RBOB gasoline ($/gal.)	NYMEX	1.6161	-0.0330	-2.00	1.6822	1.2736
Natural gas ($/mmBtu)	NYMEX	3.068	0.068	2.27	3.5960	2.8860
Brent crude ($/bbl.)	ICE-EU	57.36	-0.56	-0.97	60.09	45.51
Gas oil ($/ton)	ICE-EU	543.50	2.50	0.46	550.50	410.00

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on Sept. 27

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0570	17.5302	**10.5**
Brazil real	0.3132	3.1927	**–1.9**
Canada dollar	0.8064	1.2402	**–7.7**
Chile peso	0.001569	637.50	**–4.8**
Colombia peso	0.0003402	2939.76	**–2.1**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0552	18.1136	**–12.6**
Peru sol	0.3055	3.2735	**–2.4**
Uruguay peso-e	0.0346	28.940	**–1.4**
Venezuela bolivar	0.099273	10.07	**0.8**
Asia-Pacific			
Australia dollar	0.7869	1.2708	**–8.5**
China yuan	0.1506	6.6385	**–4.4**
Hong Kong dollar	0.1281	7.8093	**0.7**
India rupee	0.0153	65.5250	**–3.6**
Indonesia rupiah	0.0000744	13440	**–0.6**
Japan yen	0.008876	112.66	**–3.7**
Kazakhstan tenge	0.002939	340.25	**2.0**
Macau pataca	0.1242	8.0506	**1.7**
Malaysia ringgit-c	0.2368	4.2225	**–5.9**
New Zealand dollar	0.7225	1.3841	**–4.2**
Pakistan rupee	0.0095	105.400	**1.0**
Philippines peso	0.0196	51.005	**2.8**
Singapore dollar	0.7362	1.3583	**–6.1**
South Korea won	0.0008742	1143.93	**–5.3**
Sri Lanka rupee	0.0065317	153.10	**3.1**
Taiwan dollar	0.03297	30.335	**–6.5**
Thailand baht	0.03003	33.300	**–7.0**
Europe			
Bulgaria lev	0.6006	1.6651	**–10.4**
Croatia kuna	0.1567	6.383	**–11.0**
Euro zone euro	1.1752	0.8510	**–10.5**
Czech Rep. koruna-b	0.0452	22.138	**–13.8**
Denmark krone	0.1579	6.3342	**–10.4**
Hungary forint	0.003774	265.00	**–10.0**
Iceland krona	0.009339	107.08	**–5.2**
Norway krone	0.1258	7.9507	**–8.0**
Poland zloty	0.2724	3.6714	**–12.3**
Russia ruble-d	0.01720	58.143	**–5.1**
Sweden krona	0.1227	8.1489	**–10.5**
Switzerland franc	1.0272	0.9735	**–4.5**
Turkey lira	0.2803	3.5680	**1.3**
Ukraine hryvnia	0.0378	26.4800	**–2.2**
U.K. pound	1.3400	0.7463	**–7.9**
Middle East/Africa			
Bahrain dinar	2.6508	0.3772	**0.02**
Egypt pound-a	0.0566	17.6717	**–2.5**
Israel shekel	0.2826	3.5389	**–8.0**
Kuwait dinar	3.3112	0.3020	**–1.2**
Oman sul rial	2.5960	0.3852	**0.06**
Qatar rial	0.2694	3.712	**2.0**
Saudi Arabia riyal	0.2667	3.7502	**–0.01**
South Africa rand	0.0740	13.5226	**–1.2**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.42	0.31	0.36	**–7.01**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Sep 27

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2708	1.7028	1.3057	0.0113	0.1628	1.4932	1.0254	...
Canada	1.2402	1.6620	1.2742	0.0110	0.1588	1.4574	...	0.9759
Euro	0.8510	1.1403	0.8742	0.0076	0.1090	...	0.6863	0.6694
Hong Kong	7.8093	10.4650	8.0217	0.0693	...	9.1746	6.2970	6.1411
Japan	112.6620	150.9700	115.7300	...	14.4270	132.3900	90.8300	88.6600
Switzerland	0.9735	1.3044	...	0.0086	0.1247	1.1440	0.7848	0.7660
U.K.	0.7463	...	0.7666	0.0066	0.0956	0.8769	0.6017	0.5868
U.S.	...	1.3400	1.0272	0.0089	0.1281	1.1752	0.8064	0.7869

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.23500%**	0.52438%
Three month	**1.33278**	0.83769
Six month	**1.50389**	1.23363
One year	**1.78539**	1.55138
Euro Libor		
One month	**-0.40286%**	-0.37750%
Three month	**-0.37757**	-0.32538
Six month	**-0.30571**	-0.21613
One year	**-0.21943**	-0.08163
Euribor		
One month	**-0.37200%**	-0.37100%
Three month	**-0.32900**	-0.30200
Six month	**-0.27300**	-0.20200
One year	**-0.17100**	-0.06100
Yen Libor		
One month	**-0.05036%**	-0.06917%
Three month	**-0.03907**	-0.03817
Six month	**-0.00550**	-0.00342
One year	**0.10614**	0.09750
	Offer	Bid
Eurodollars		
One month	**1.3500%**	1.2500%
Three month	**1.4100**	1.3100
Six month	**1.5700**	1.4700
One year	**1.8700**	1.7700
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**3.20**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.25
Switzerland	**0.50**	0.50
Australia	**1.50**	1.50
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.02%**	0.76%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

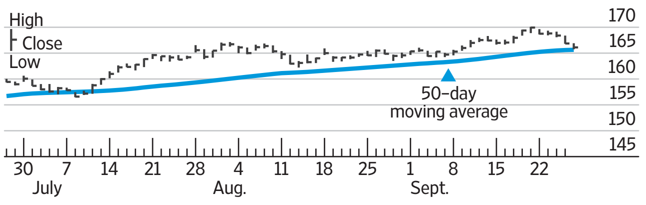
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	**1299**	58.35	0.09	33.37
AU$	AustNZBk	**ANZ**	29.81	-0.17	-2.01
AU$	BHP	**BHP**	25.83	0.16	3.07
HK$	BankofChina	**3988**	3.92	0.26	13.95
HK$	CKHutchison	**0001**	99.70	0.30	13.42
AU$	CSL	**CSL**	132.43	-0.08	31.89
¥	Canon	**7751**	3822.00	0.61	15.99
¥	CentralJapanRwy	**9022**	19975	0.23	3.87
HK$	ChinaConstructnBk	**0939**	6.53	0.31	9.38
HK$	ChinaLifeInsurance	**2628**	23.65	0.85	17.08
HK$	ChinaMobile	**0941**	80.25	0.50	-2.37
HK$	ChinaPetro&Chem	**0386**	5.87	-0.68	6.73
AU$	CmwlthBkAust	**CBA**	74.85	-0.33	-9.17
¥	EastJapanRailway	**9020**	10380	-0.05	2.77
¥	Fanuc	**6954**	22700	0.04	14.56
¥	Hitachi	**6501**	782.30	-0.23	23.78
TW$	Hon Hai Precisn	**2317**	105.00	1.45	24.70
¥	HondaMotor	**7267**	3354.00	0.54	-1.79
KRW	HyundaiMtr	**005380**	147500	...	1.03
HK$	Ind&Comml	**1398**	5.81	1.22	24.95
$	Infosys	**INFY**	14.30	-0.28	-3.57
¥	JapanTobacco	**2914**	3702.00	0.41	-3.69
¥	KDDI	**9433**	2967.00	-0.30	0.25
¥	Mitsubishi	**8058**	2615.50	0.93	5.04
¥	MitsubishiElectric	**6503**	1740.50	0.58	6.81
¥	MitsubishiUFJFin	**8306**	720.60	1.39	0.06
¥	Mitsui	**8031**	1669.00	0.18	3.86
¥	Mizuho Fin	**8411**	196.90	0.36	-6.15
¥	NTTDoCoMo	**9437**	2565.50	0.53	-3.66
AU$	NatAustBnk	**NAB**	31.30	-0.10	2.05
¥	Nintendo	**7974**	40850	1.06	66.46
¥	NipponTeleg	**9432**	5149.00	-0.64	4.82
¥	NissanMotor	**7201**	1128.50	-2.63	-4.00
¥	Panasonic	**6752**	1611.50	1.42	35.48
HK$	PingAnInsofChina	**2318**	61.00	0.49	57.22
$	RelianceIndsGDR	**RIGD**	24.20	-3.20	53.41
KRW	SamsungElectronics	**005930**	2584000	0.04	43.40
¥	Seven&I Hldgs	**3382**	4359.00	-0.09	-2.11
¥	SoftBankGroup	**9984**	9035.00	0.23	16.36
¥	Sony	**6758**	4074.00	-0.31	24.40
¥	Sumitomo Mitsui	**8316**	4270.00	0.90	-4.26
HK$	SunHngKaiPrp	**0016**	126.20	0.16	28.78
TW$	TaiwanSemiMfg	**2330**	215.00	0.47	18.46
¥	TakedaPharm	**4502**	6092.00	0.43	26.00
HK$	TencentHoldings	**0700**	338.40	0.24	78.39
¥	TokioMarineHldg	**8766**	4381.00	0.34	-8.65
¥	ToyotaMtr	**7203**	6748.00	-0.98	-1.89
AU$	Wesfarmers	**WES**	41.04	-0.41	-2.61
AU$	WestpacBanking	**WBC**	31.95	0.19	-1.99
AU$	Woolworths	**WOW**	25.23	-0.28	4.69
Stoxx 50					
CHF	ABB	**ABBN**	23.87	0.38	11.13
€	ASMLHolding	**ASML**	141.05	2.62	32.26
€	AXA	**CS**	25.08	1.72	4.57
€	AirLiquide	**AI**	110.85	-0.58	4.92
€	Allianz	**ALV**	186.65	0.65	18.89
€	AB InBev	**ABI**	99.90	0.58	-0.65
£	AstraZeneca	**AZN**	4882.50	-0.11	10.03
€	BASF	**BAS**	88.61	-0.31	0.34
€	BNP Paribas	**BNP**	67.45	1.97	11.40
£	BT Group	**BT.A**	284.60	-0.32	-22.43
€	BancoBilVizAr	**BBVA**	7.50	2.12	18.13
€	BancoSantander	**SAN**	5.86	3.42	18.17
£	Barclays	**BARC**	190.25	1.04	-14.86
€	Bayer	**BAYN**	111.80	-0.53	12.78
£	BP	**BP.**	473.05	0.32	-7.17
£	BritishAmTob	**BATS**	4704.50	1.17	1.80
€	Daimler	**DAI**	66.83	0.13	-5.50
€	DeutscheTelekom	**DTE**	15.70	-0.16	-3.04
£	Diageo	**DGE**	2419.00	-0.39	14.64
€	ENI	**ENI**	13.93	-0.43	-9.95
£	GlaxoSmithKline	**GSK**	1486.00	0.27	-4.87
£	Glencore	**GLEN**	341.60	-0.09	23.17
£	HSBC Hldgs	**HSBA**	730.00	1.49	11.13
€	INGGroep	**INGA**	15.52	1.70	16.04
£	ImperialBrands	**IMB**	3305.00	0.93	-6.70
€	IntesaSanpaolo	**ISP**	2.99	0.54	23.25
€	LVMHMoetHennessy	**MC**	230.85	-0.22	27.26
£	LloydsBankingGroup	**LLOY**	67.20	3.40	7.50
€	LOreal	**OR**	178.00	-1.68	2.65
£	NationalGrid	**NG.**	925.30	-1.90	-10.87
CHF	Nestle	**NESN**	81.55	-1.21	11.64
CHF	Novartis	**NOVN**	82.40	-0.60	11.20
DKK	NovoNordiskB	**NOVO-B**	305.30	0.56	19.87
£	Prudential	**PRU**	1763.50	2.74	8.36
£	ReckittBenckiser	**RB.**	6805.00	0.22	-1.18
£	RioTinto	**RIO**	3424.50	0.22	8.42
CHF	RocheHldgctf	**ROG**	246.50	-0.12	5.98
£	RoyDtchShell A	**RDSA**	2225.00	-0.13	-0.78
€	SAP	**SAP**	91.66	0.26	10.69
€	Sanofi	**SAN**	84.54	-0.02	9.93
€	SchneiderElectric	**SU**	72.36	0.29	9.45
€	Siemens	**SIE**	117.95	1.20	0.98
€	Telefonica	**TEF**	9.24	3.02	4.82
€	Total	**FP**	45.11	-0.32	-4.60
CHF	UBSGroup	**UBSG**	16.42	1.30	2.95
€	Unilever	**UNA**	49.66	0.34	26.96
£	Unilever	**ULVR**	4265.00	-0.21	29.54
€	Vinci	**DG**	80.50	0.45	24.42
£	VodafoneGroup	**VOD**	208.25	-0.12	4.20
CHF	ZurichInsurance	**ZURN**	286.40	0.77	2.14
DJIA					
$	AmericanExpress	**AXP**	89.50	0.91	20.82
$	Apple	**AAPL**	154.23	0.71	33.16
$	Boeing	**BA**	255.28	0.62	63.98
$	Caterpillar	**CAT**	124.51	...	34.26
$	Chevron	**CVX**	117.39	-0.11	-0.26
$	CiscoSystems	**CSCO**	33.48	-0.83	10.79
$	Coca-Cola	**KO**	44.64	-2.04	7.67
$	Disney	**DIS**	99.24	0.62	-4.78
$	DowDuPont	**DWDP**	68.78	-0.82	2.38
$	ExxonMobil	**XOM**	81.43	0.67	-9.78
$	GeneralElec	**GE**	24.37	-2.25	-22.88
$	GoldmanSachs	**GS**	234.76	2.10	-1.96
$	HomeDepot	**HD**	160.92	-0.21	20.02
$	Intel	**INTC**	37.54	0.19	3.50
$	IBM	**IBM**	145.71	-0.58	-12.22
$	JPMorganChase	**JPM**	95.18	1.58	10.30
$	J&J	**JNJ**	129.75	-0.91	12.62
$	McDonalds	**MCD**	154.07	0.47	26.58
$	Merck	**MRK**	64.57	-0.29	9.68
$	Microsoft	**MSFT**	73.85	0.81	18.84
$	Nike	**NKE**	52.67	-1.92	3.62
$	Pfizer	**PFE**	35.46	0.45	9.17
$	Procter&Gamble	**PG**	90.86	-1.93	8.06
$	3M	**MMM**	209.47	-0.74	17.30
$	Travelers	**TRV**	122.61	0.03	0.16
$	UnitedTech	**UTX**	117.18	2.14	6.90
$	UnitedHealth	**UNH**	194.53	0.95	21.55
$	Visa	**V**	103.92	0.95	33.20
$	Verizon	**VZ**	49.51	...	-7.25
$	Wal-Mart	**WMT**	79.29	-0.13	14.71

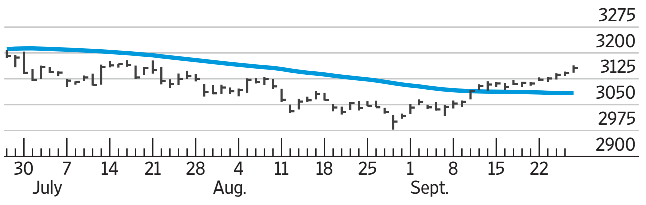
Asia Titans 50

Last: **166.11** ▼ 0.76, or 0.45% YTD ▲ **17.8%**



Stoxx 50

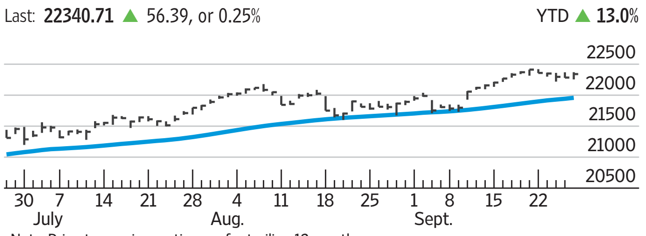
Last: **3156.38** ▲ 14.13, or 0.45% YTD ▲ **4.8%**



Dow Jones Industrial Average

P/E: 20

Last: **22340.71** ▲ 56.39, or 0.25% YTD ▲ **13.0%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

D.C. Must Fight to Fill Tech Roles

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 defensives, 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 said he plans to request a larger budget next year from Congress.

"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, with a median of $224,000, according to cybersecurity recruiting firm SilverBull.


STEVEN NORTON/THE WALL STREET JOURNAL
Joel Minton left the tech industry to direct a U.S. authentication system, but for many others, the private sector is a powerful lure.

When the White House last year created the new 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."

When chief information security officers move from the government to the private sector, they often can come close to quintupling their compensation packages, Mr. Comyns said.

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. "The local demand is high, and supply is still ramping up to meet growing demand."

In the fiscal year ended September 2015, federal agencies reported 77,183 cyber incidents, up from 69,851 the 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.

Unfilled jobs are expected to number 1.8 million by 2022, up 20% from 1.5 million in 2015, according to a global survey of 19,000 cybersecurity workers by the nonprofit Center for Cyber Safety and Education.

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, though, he says government work can have its appeal.

Although federal offices generally have a different atmosphere than startups, which often offer free snacks, ping-pong tables and refrigerators stocked with beer, "work environment perks have not usually been a major barrier" for federal recruiters, Mr. Scott said.

"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.

Financial Firms Lead Stocks Higher

By Amrith Ramkumar
And Riva Gold

A surge in shares of financial companies lifted U.S. stock indexes Wednesday.

Stocks had pared gains slightly after Republicans' tax plan was unveiled during the day, but they regained the ground later in the session.

WEDNESDAY'S MARKETS

The Dow Jones Industrial Average gained 56.39 points, or 0.25%, to 22340.71, ending a four-session losing streak. The S&P 500 rose 0.4% and the tech-heavy Nasdaq Composite climbed 1.15%.

The Republican tax plan proposes to reduce tax rates on businesses and many individuals. Investors have cheered a tax overhaul as a potential boon to corporate profits—in particular for smaller firms that generate more revenue domestically—but some analysts said Republicans' inability to repeal the Affordable Care Act has lowered expectations.

"People are very skeptical that any of this is going to get done," said Ian Winer, head of equities trading at Wedbush Securities.

Rising Treasury yields supported financial stocks, as investors continued to bet on higher U.S. interest rates. The S&P 500 financial sector was up 1.6% Wednesday afternoon and was on track for its highest close of the year. Higher rates tend to boost lenders' profitability.

The yield on the 10-year Treasury note rose to 2.309% from 2.229% late Tuesday. Yields rise as bond prices fall.

In Europe, gains in bank shares helped the Stoxx Europe 600 log a fifth straight session of advances. The index rose 0.4% to 385.62.

MARKETS

In Europe, a Bond to Save the Marriage

Officials say new type of debt would lessen chances of eurozone breaking apart in crisis

By Mike Bird

Amid renewed enthusiasm for eurozone integration, some officials are dusting off an old proposal for bonds that they believe could stem any risk of the bloc breaking up.

On Tuesday, French President Emmanuel Macron, a big cheerleader for greater European financial integration, called for a common eurozone budget managed by a European finance minister. Such moves are aimed at addressing some of the problems that led the threat of breakup during Europe's sovereign-debt crisis.

Almost two-thirds of Italy's sovereign debt is held by domestic financial firms.

Then, banks were left with portfolios of government bonds whose value had plummeted, a situation that threatened to drain confidence in the entire financial system.

Critics of further financial integration, particularly in Germany, have complained that a common budget would leave richer countries liable for their weaker eurozone peers' debts. So, officials have looked for ways to dilute the risk of a sovereign default in a way that doesn't leave stronger economies on the hook.

A European Safe Bond, known as an ESBie, would package most eurozone government bonds into two parts, one of which would take on the risk of a country defaulting. That would reduce the riskiness of any individual sovereign bond within the pool.

What "it solves is the doom loop, whenever spreads for sovereign bonds went up, the banks that hold a lot of that sovereign risk are suddenly exposed to a sharp rise in risk," said Markus Brunnermeier, a Princeton economics professor and one of the architects of the proposal.

Still, investors have witnessed many failed calls to integrate fiscal risk in the eurozone, including past attempts to kick-start the safe bond.

Much will depend on the evolving relationship between the eurozone's two biggest players, Mr. Macron and Germany's Angela Merkel, which may change after the chancellor's weaker-than-expected electoral victory Sunday.

The **European Systemic Risk Board**, a group set up by the **European Union** to monitor threats to the financial system, is surveying investors on the proposal. The **European Commission**, the EU's executive body, endorsed the idea in May.

Here's how it would work: An investment vehicle would raise cash by selling the safe bonds, then use those funds to buy the debt that eurozone governments would still issue. The safe bonds would be packaged into junior and senior portions. The senior debt would make up 70% of the total issuance and would be as safe as German government bonds, according to its architects. The junior part would take the hit if a eurozone government stopped paying its creditors.

Eurozone banks are major buyers of their own country's sovereign bonds, creating a potential "doom loop" between bank and sovereign debt. When investors question the creditworthiness of a government, it threatens the assets of domestic banks, which further damages the perception of that country's creditworthiness, while sapping general confidence in the financial system.

Though banks have reduced their exposure to their own governments, it remains high. Almost two-thirds of Italy's sovereign debt is held by domestic financial firms.

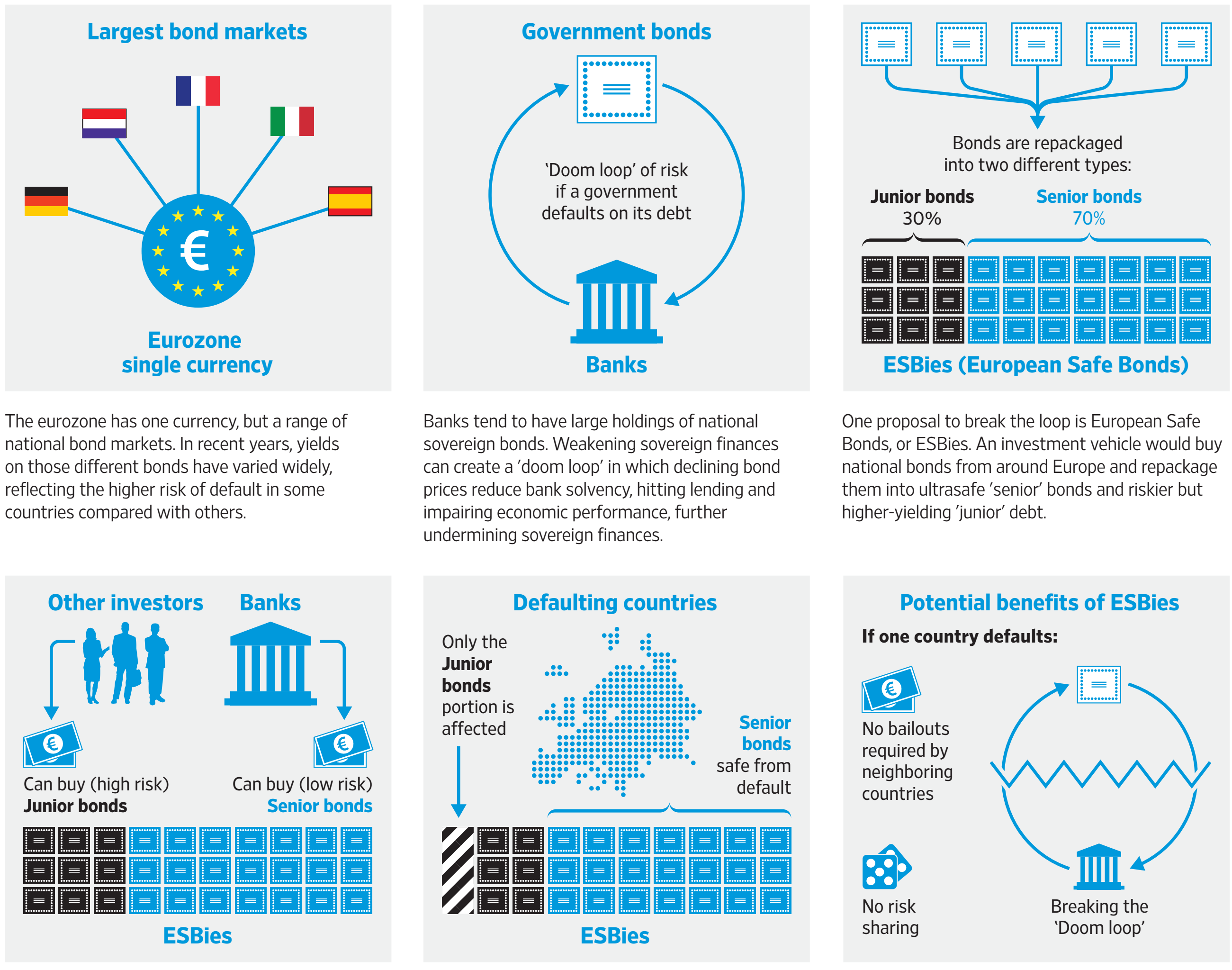
Owning safe bonds in place of debt from the country they are based in would leave banks less exposed to the creditworthiness of a single nation.

When investors get concerned over the eurozone, they tend to move into German government bonds and out of other members' debt. The plan's supporters say the safe bonds would prevent this by creating a common asset without the pooling of risk that richer European governments object to.

Because eurozone countries issue bonds in a currency they don't control, nations are at higher risk of default when concern spreads across the bloc, pushing up borrowing costs.

"It's a step toward common issuance but without risk-sharing or mutualization that would raise a lot of concerns from Northern Europe," said Richard Casey, head of government bonds at Pioneer Investments.

Breaking the Doom Loop



The eurozone has one currency, but a range of national bond markets. In recent years, yields on those different bonds have varied widely, reflecting the higher risk of default in some countries compared with others.

Banks tend to have large holdings of national sovereign bonds. Weakening sovereign finances can create a 'doom loop' in which declining bond prices reduce bank solvency, hitting lending and impairing economic performance, further undermining sovereign finances.

One proposal to break the loop is European Safe Bonds, or ESBies. An investment vehicle would buy national bonds from around Europe and repackage them into ultrasafe 'senior' bonds and riskier but higher-yielding 'junior' debt.

Banks would buy senior ESBies in place of their own nation's bonds. Any investors seeking a little more risk could buy the junior debt, which would have higher yields.

A nation defaulting on its debt would likely cause a portion of the junior bonds to be wiped out, hitting investors. Senior bonds would likely be unaffected, reducing the systemic impact of a given default.

Proponents of the ESBie plan say it would end bailouts by having investors shoulder losses. But many remain skeptical, saying detailed disclosures and a clear political mandate remain lacking.

Source: European Systemic Risk Board
THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Email: heard@wsj.com WSJ.com/Heard

The Biggest Risk Big Tech Faces

What can stop Big Tech? That is becoming a $3 trillion question.

The combined market capitalization of the five most valuable companies in the world is rapidly approaching that mark, having risen more than $580 billion since the start of the year. That 25% gain—more than double what the broader S&P 500 has returned for the year—is a fair wager by investors that the mammoth scale and deep pockets of these five tech giants make them tough even for innovative competitors to dislodge.

But that is the point where governments often target big technology companies seen as too dominant in their respective spaces. Microsoft, **Intel** and Qualcomm are just a few examples of past moves, while **Alphabet** Inc.'s Google is enmeshed in its own battle now. **Facebook** seems likely to be next for its role in spreading political information—and misinformation.

This is a risk that investors shouldn't ignore. While regulatory changes are unpredictable 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, both of which have been handsomely rewarded by investors for their ability to generate attractive growth and rich profit margins.

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%.

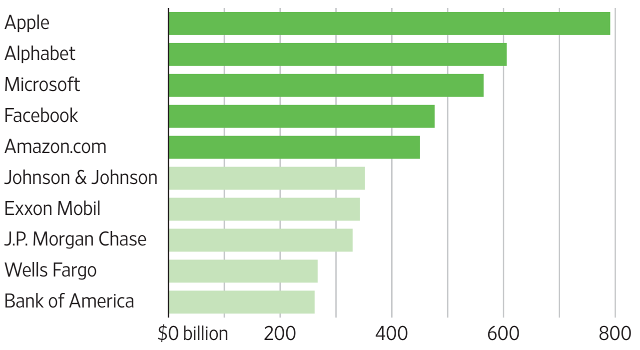
New regulations could disrupt that momentum. Lawmakers are already discussing potential rules for campaign advertising on social networks. Recent investigations by news outlets such as ProPublica and BuzzFeed have shown how material such as anti-Semitic content can be targeted to a sympathetic audience. 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 has had an effect on Google. Parent company Alphabet's shares have slipped 3% in the past three months, through Tuesday, since the EU 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*

Code Base

Market capitalization of the 10 largest S&P 500 companies



Note: Tech companies highlighted
Source: FactSet
THE WALL STREET JOURNAL.

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.

"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 and often goes off and does their own thing and can be difficult to bring back on track.

"The co-head is a phenomenally dedicated and hard working person but is a bit stressed at the moment. They work European, U.S. and Asian hours. ... All applications to me."

Anyone want to be Mr. Reid's nanny?

Micron's Memory Isn't Fading

As parties go, **Micron Technology**'s has been a rager. And last call still seems a while off.

The memory-chip maker has been running strong for the past year, thanks to booming prices of both NAND flash and DRAM memory. Over the past 12 months, Micron's market value has doubled as sales and operating earnings have soared. The company's fiscal fourth-quarter results issued Tuesday afternoon sent the stock up a further 8% by Wednesday afternoon.

Those results cooled understandable fears that memory's good times have peaked. Revenue hit a record $6.1 billion for the quarter, up 91% year over year. The midpoint of the company's forecast for the quarter ending in November has that growing to $6.3 billion. Earnings also set a record of $1.99 a share compared with a loss of 16 cents a share in the same period last year.

This doesn't mean the memory business is free of downturns. Pricing in the business is highly dependent on supply, and strong prices this year have encouraged Micron's rivals to boost capital spending on their production lines.

But demand is no longer so heavily dependent on personal computers or even smartphones. Micron says cars are a new key driver as more technology enhancements demand greater memory. Data-center expansion from cloud computing providers is also driving up memory demand. Micron says it expects a "healthy" balance in supply and demand in 2018, which should allow investors to hold on to their chips a while longer. —*Dan Gallagher*

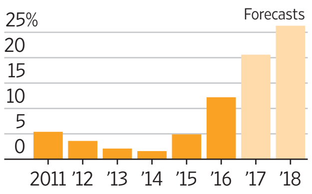
Saudi Arabia's Bond Sale Sets Clock Ticking on Change

Saudi Arabia has been forced by the collapse of oil prices onto a road of change: the lifting of the kingdom's ban on women driving is another clear signal of that. But the country's jumbo $12.5 billion bond sale, after last year's even bigger $17.5 billion debut issue, is as much about where Saudi Arabia has come from as where it hopes to go.

The kingdom has set out an extraordinarily ambitious plan to transform its economy and reduce its huge reliance on oil, including aiming for a balanced budget by 2020. But doubts abound about its ability to achieve its aims: They were part of the reason Fitch downgraded Saudi Arabia in March to single-A-plus.

Debt Surge

Saudi Arabia's government debt as a share of gross domestic product



Source: Moody's Investors Service
THE WALL STREET JOURNAL.

For now, the oil price remains pivotal. Take the big swing in Saudi Arabia's fiscal numbers so far this year: The budget deficit, which topped 17% of gross domestic product in 2016, has narrowed sharply in the first half of 2017. Revenues in the first half were up 29% from the year-earlier period, according to the Saudi Ministry of Finance. But that swing is thanks to a 63% rise in oil revenues, which still accounted for 69% of the total in the first half.

Equally important for bond investors is the strong starting point for the kingdom's balance sheet. In 2014, government debt stood at just 1.6% of GDP, notes Moody's; the ratings firm forecasts it will reach 20.6% in 2017. That is low compared with the weight of debt on many advanced-economy balance sheets. And Saudi Arabia is also benefiting from the search for yield: Its new 30-year bond was priced to yield 1.8 percentage points over Treasurys.

But these past strengths will count for less over time. The backdrop for bond issuers may become less supportive as U.S. interest rates rise. The path of the Saudi deficit in the next couple of years is key: HSBC thinks it will remain wide, at over 7% of GDP in 2018 and 2019, while growth remains limp.

For bond investors and Saudi Arabia, then, the clock is ticking. The picture right now means investors don't have to worry too much about credit risk; Saudi Arabia gets the funding it needs. But neither side can feel comfortable; in the next few years, Saudi Arabia's ability to generate nonoil revenues and growth will become the decisive factor. That remains far from certain. —*Richard Barley*