

# THE WALL STREET JOURNAL.

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STOXX 600 375.51 ▲ 0.15%

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GOLD 1346.00 ▲ 0.07%

EURO 1.2040 ▲ 0.13%

## What's News

Business & Finance

China is starting to unwind some of its measures aimed at bolstering the yuan after the currency's recent surge began taking a toll on exporters. **A1**

◆ Apple's new iPhone is expected to cost about \$1,000 as smartphone makers buck the trend toward lower prices. **B1**

◆ Apple is gearing up for a big push to popularize augmented reality. **B4**

◆ Bridgewater is poised to amass a huge investment fund in China to buy and sell assets there. **B1**

◆ Equifax is facing criticism from consumers over its response to a hack that may have exposed the data of most American adults. **B1**

◆ Warner Bros.' "It" broke several box office records as the horror film opened to a massive \$117.2 million in the U.S. and Canada. **B2**

◆ SES intends to announce a deal for a new fleet of smaller, easily reprogrammable Boeing satellites. **B3**

◆ Reinsurers will bear the brunt of Hurricane Irma's damage to potentially millions of Florida homes. **B5**

◆ U.S. authorities are probing whether Uber used software to interfere illegally with a competitor. **B3**

◆ Facebook is willing to spend as much as \$1 billion through 2018 on original video content. **B4**

◆ SoFi is the latest Silicon Valley startup to face criticism over its culture and treatment of women. **B5**

### World-Wide

◆ Hurricane Irma delivered destructive winds, torrential rains, and life-threatening storm surges to southern Florida after making landfall in the Keys early Sunday. **A1**

◆ The hurricane left widespread human and economic havoc in a string of Caribbean islands. **A4**

◆ Mexican forces intensified recovery efforts after one of the strongest quakes in decades along the nation's southern Pacific Coast. **A4**

◆ Trump is set to welcome Malaysia's leader to the White House, underscoring the administration's efforts to assemble Asian allies. **A3**

◆ Pope Francis told 6,000 victims of Colombia's long civil conflict to reject revenge and forgive those who harmed them. **A4**

◆ Saudi Arabia sought to reassure citizens and potential investors of its commitment to revamp the nation's oil-dependent economy. **A3**

◆ U.S. House Republicans are backing several provisions in a package of spending bills that could reshape campaign finance rules. **A7**

◆ NASA's Cassini probe is exploring Saturn's rings before a final plunge into the planet's atmosphere Sept. 15 after 20 years in space. **A7**

◆ Foreign students enrolled at U.S. high schools more than doubled in number from 2004 to 2016 to 81,981. **A7**

◆ Sloane Stephens won her first tennis Grand Slam title, beating Madison Keys in the women's U.S. Open final. **A3**

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## Hurricane Irma Strikes Florida

Storm hits state's southern region after making landfall with top winds of 130 mph

By ARIAN CAMPO-FLORES  
AND JOSEPH DE AVILA

MIAMI—Hurricane Irma—one of the most powerful storms to cross the Atlantic—delivered destructive winds, torrential rain, and a life-threatening storm surge to southern Florida as it moved toward the state's western coast after making landfall in the Keys.

The U.S. National Hurricane Center said the eye of the Category 4 hurricane made landfall on Cudjoe Key at 9:10 a.m. ET on Sunday, with top sustained winds of 130 miles an hour. By Sunday afternoon, Irma made landfall again on Marco Island as a Category 3 storm that was more than 400 miles wide and moving 12 mph.

"It's going to be horrible," said Florida Gov. Rick Scott on NBC's "Today Show." He warned that some parts of the state will see storm surges up to 15 feet above ground level.

"What is really scary is the storm surge," Mr. Scott said. "It flushes in and flushes out. That's going to be difficult to survive."

After hitting the Florida Keys, Hurricane Irma will take about 36 hours to get



Heavy wind along Ocean Drive in South Beach, above. Officials have warned that Irma could be worse than 1992's Hurricane Andrew.

through the state lingering along the western coast. On Sunday, Gov. Scott warned residents of the Panhandle to be on alert. He said hurricane force winds would hit Tallahassee, the state capital. But the protracted path will com-

plicate rescue efforts because many of the supplies are kept in the north.

As Irma got closer to Florida's mainland, the storm lashed at the homes of residents who stayed behind. "All you hear is bangs," said Zan-

dra Mattia, 48 years old, who lives in Naples outside of the mandatory evacuation zone and about 15 miles from the Gulf of Mexico. "It sounds like trucks smashing one another."

The governor said a Hardee County deputy and a Florida

Department of Corrections employee were killed in a traffic accident, the cause of which is under investigation.

Please see IRMA page A4

◆ Reinsurers will largely be paying for Irma damage.... **B5**

## Beijing Strives to Contain Resurgent Yuan

By LINGLING WEI

and investors to buy dollars while selling the yuan, and thereby help rein in the Chinese currency's steep ascent in recent weeks, traders and analysts said. The step will "fend off macro-financial risks," said the central bank notice, which was reviewed by The Wall Street Journal.

In addition, according to a separate notice by the PBOC, the monetary authority late Friday also removed the reserve requirement on foreign banks' yuan deposits, which will release more yuan funds into what's known as the offshore yuan market in Hong Kong, potentially making it easier for foreign investors to bet against the yuan. That re-

quirement was enacted in January 2016.

Meanwhile, officials familiar with the policy changes said authorities are expected to phase out by the end of month draconian measures put in place late last year to curb China's outbound investment and stabilize the yuan. Instead, those measures—which many companies complain have resulted in a near-blanket ban on their foreign-investment endeavors—are being replaced by formal guidelines issued by the State Council in August.

Those new guidelines encourage foreign deals in some areas such as technology,

Please see YUAN page A2

### China's Global Buying Spree Hits Hurdles

After a record 2016 for Chinese deals in the U.S., recent difficulties are leading companies to seek out more deals in other markets. **B9**

### Chinese companies' announced acquisitions and purchases of stakes in U.S. firms



Note: 2017 data through Sept. 6

Source: Dealogic

THE WALL STREET JOURNAL.

### INSIDE



### THE LIMITS OF ECONOMIC SANCTIONS

THE OUTLOOK, A7



### HOME WI-FI'S EXOTIC FUTURE

KEYWORDS, B1

## European Union Encounters Defiance on Its Eastern Edge

Hungarian Prime Minister Viktor Orban barely mentions his political rivals as he campaigns for a fourth term. In-

By Drew Hinshaw in  
Warsaw and Valentina  
Pop in Brussels

stead, he's targeting the European Union and its biggest members.

"Our fiercest opponents are not in Hungarian opposition parties," Mr. Orban said in a speech last week. "They are abroad...Berlin, Brussels."

In neighboring Poland, government rhetoric is even harsher. Politicians have one-upped each other in attacking France and Germany, arguing they are forcing multicultural, liberal democracy on more

traditional Poles. Commentators on state-run TV compare the EU to the Soviet Union.

Tensions between Western European capitals on one side and Warsaw and Budapest on the other have hit their highest levels since their countries

Please see EU page A2

◆ Simon Nixon: Macron set to defy doubters again..... **A2**

## HOSPITALS KEEP 'GOLD SEAL' DESPITE WOES

Private accrediting group certifies hundreds of institutions despite documented problems

By STEPHANIE ARMOUR

Patient-safety problems were so serious at Cooley Dickinson Hospital in Northampton, Mass., that the federal Medicare agency threatened to cut it off. Most patients never knew.

Two babies died within six weeks in late 2013 and early 2014. That was just a couple of months after a pregnant woman died when the hospital didn't ensure she was treated for high blood pressure from a condition called pre-eclampsia, according to a federal inspection report.

The failure to provide quality medical care resulted in the death of all three patients," said the report from the Centers for Medicare and Medicaid Services, or CMS.

Yet the Joint Commission, a nonprofit organization that provides hospital accreditation, made no change in Cooley Dickinson's status, allowing it to continue promoting itself as fully accredited despite being out of compliance with safety requirements to participate in Medicare.

The Joint Commission is the accrediting organization

Please see SAFETY page A6

ENTERPRISE, Ala.—Tower- ing 13 feet over Main Street, a robed goddess holds aloft a menacing six-legged creature, a true monument to weevil.

With other landmarks in

the Deep South under fire, the Boll Weevil Monument stands alone. "There's no other place that has a monument to a bug," says local merchant Jessica Goodson.

For almost a century, the city has embraced the boll

weevil, once a hated villain that laid waste to cotton crops. At All About Art, co-owned by Ms. Goodson and her mother, a clay tray featuring a boll weevil is a best seller.

Nearby, Shopaholic offers

Please see WEEVIL page A6

### Fear No Weevil: Town Embraces Its Peculiar Monument

\* \* \*

Enterprise, Ala., honors pest that triggered serendipitous success

By BETH DECARBO

ENTERPRISE, Ala.—Tower- ing 13 feet over Main Street, a robed goddess holds aloft a menacing six-legged creature, a true monument to weevil.

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Please see WEEVIL page A6

## WORLD NEWS

# France's Macron Set to Defy Doubters Again



### EUROPE FILE

By Simon Nixon

**PARIS**—When Emmanuel Macron ran for president of France, his critics dismissed him as an empty suit who didn't stand a chance.

When he won, they said he would never secure a parliamentary majority so he would be a lame duck. When he secured a massive majority, they said he would never be able to deliver his program because he would be defeated on the street—just as all his recent predecessors had been.

This week it seems likely the doubters will be proved wrong again: One of the country's most powerful trade unions is planning a day of protests on Wednesday against Mr. Macron's planned overhaul of labor market rules but no other major trade union is backing

the strikes. Government officials aren't complacent—they recall how similarly bold overhauls were defeated on the street in 1995 despite union acquiescence—but few observers expect Mr. Macron to suffer the same fate so soon after securing a clear electoral mandate.

**E**ven if Mr. Macron manages nothing else, this labor market overhaul would be a substantial achievement, delivering changes that all governments of the past 20 years have recognized are needed but which none has been able to deliver.

It addresses the two main criticisms of France's byzantine labor code highlighted by businesses and investors. First, it removes much of the uncertainty that surrounds laying off workers by clarifying what constitutes a legitimate economic circumstance, streamlining legal procedures and capping awards for unfair dismissal. Second, it extends to France's smallest companies—crucially including those without union representation—the ability to set their own pay and working conditions at firm level in consultation with their employees, whose own representation is to be

streamlined from three committees to just one. The benefit to firms will come not only from increased flexibility but also by improving the quality of dialogue with workers, says one senior French business leader.

But Mr. Macron knows that changes to the labor code alone aren't enough to tackle the two big challenges facing the French economy: persistently high unemployment, currently at 9.5%, and a worrying slide in productivity growth that has reduced the economy's long-term potential growth rate to as low as 1% on some estimates from closer to 2% two decades ago.

The government hopes that the labor market changes should over time lead to increased investment and job creation. But senior government officials know that to deliver the decisive change in economic fortunes necessary to put government debt as a proportion of gross domestic product on a downward trajectory from its current level of 96%, other bold overhauls are also needed. Those include rebalancing France's tax system away from high taxes on business and investment; overhauling the country's social security and training system to boost incentives and skills for



YORGOS KARAHALIS/BLOOMBERG NEWS

French president's labor overhaul faces a union protest this week.

work; and revising a pension system that left unchanged poses a long-term risk to fiscal stability.

**T**hese are the real tests of Mr. Macron's presidency and where the greatest political challenges may lie. The government has already pledged to deliver €12 billion (\$14.4 billion) of business and investment tax cuts this year out of a total of €20 billion planned over Mr. Macron's five-year term. But it has yet to explain how these cuts will be squared with the government's commitment to stick within eurozone budget rules which require it to re-

duce its budget deficit below 3% of GDP. Attempts to plug holes in this year's budget with cuts to military spending and welfare prompted a political backlash over the summer and a slide in Mr. Macron's approval ratings.

Similarly, plans to overhaul the welfare system to introduce a Scandinavian-style "flexicurity" model in which unemployment benefits are linked to accepting training will bring the government into conflict with some of the most powerful vested interests in the country, not least the trade unions who currently tightly control access to vocational training. Pen-

sion changes too will hinge on persuading powerful vested interests to forego generous future entitlements.

Even if Mr. Macron survives this week's showdown on the streets, he knows he may face tougher resistance in the future: after all, even trade unions must pick their battles. Mr. Macron will instead hope to overcome future resistance by proceeding in the same way as he has with his labor overhauls: by being transparent about his plans from the start, unlike his predecessors who only discovered a taste for reform after being elected; by proposing comprehensive one-off changes, rather than piecemeal revisions that can be undermined by endless compromises; and by consulting intensively with trade unions and other stakeholders at every stage in an attempt to build as broad a coalition of support.

Above all, he will seek to take advantage of the unique political circumstances in which he finds himself, with a substantial majority in parliament, all opposition political forces in disarray and facing no electoral test for three years. Perhaps Mr. Macron will fall short, as his doubters keep insisting. But it is too soon to write him off yet.



ERIC VIDAL/REUTERS

Hungarian Prime Minister Viktor Orban at the European Parliament in Brussels in April.

overhauls and restrictions on free movement that have upset the newer, ex-communist members, whose citizens are a source of inexpensive labor. Germany's Chancellor Angela Merkel has expressed openness to some of his ideas.

"Right now, the older member states are dominating," Polish Prime Minister Beata Szydlo said last week. "They dictate the terms to new member states."

Officials in Brussels worry that if countries get away with ignoring bloc-wide decisions and EU court rulings, the entire system will start unraveling. Until now, governments of other EU members have hesitated to punish their peers, but that may be changing.

Later this month, ministers overseeing EU affairs from member states will meet to discuss Poland. The European Commission, the EU executive, could ask them to start proceedings that culminate with sanctions, including suspending Poland's voting rights. It has the 22 countries it needs to do that, the EU official said.

To cut voting rights com-

pletely it would need unanimity, and Hungary and Poland have each promised to block any attempt to sanction the other, but the EU official said that just starting the process would be "a big nuclear weapon" never before triggered against a member state. It is also possible Hungary wouldn't veto the more drastic vote.

A critical factor will be Ms. Merkel. Germany has hesitated to criticize Poland, which suffered more than most countries at Nazi hands in World War II. Ms. Merkel has hinted that her patience is eroding. She warned Poland last month that "we will not keep our mouth shut" on the issues of rule of law for the sake of good relations.

While few analysts foresee a Brexit-style departure, some envision a two-speed EU, in which Poland, Hungary or others ignore rules they don't like and become more isolated.

"The important question is are we in a community of European free nations, or part of an empire with its headquarters in Brussels," Mr. Orban said in a radio interview Friday. "The real battle is only beginning."

## EU

*Continued from Page One*  
stepped out from Soviet domination, a sign of the nationalist challenge to the bloc even after pro-EU candidates defeated populists in France and the Netherlands this summer.

The fight is part of a larger argument about what the EU's balance of power should look like after the U.K. leaves. London has long advocated for smaller, eastern countries, who now feel they will be dominated by France and Germany.

EU membership is broadly popular in both Poland and Hungary. EU funding helped Poland steer clear of a recession during the eurozone crisis and Hungary's main source of foreign direct investment is the EU budget. Their neighbors like Czech Republic, Slovakia, and Romania are growing closer to Europe's west on several key issues. Even Mr. Orban talks fondly of his country's membership in the community.

But relations have soured. Even with Brexit negotiations

under way, "Britain is closer to us than the Poles," said one senior EU official who described the dispute with Poland, and to a lesser extent with Hungary, as the bloc's biggest challenge this year.

Countries on the bloc's eastern edge have resisted opening their borders to migrants, a fight that flared anew last week as the EU's highest court ruled they must resettle refugees. Hungary, Poland and the Czech Republic have refused to comply.

Poland has shrugged off EU criticism that its government is limiting the independence of the courts and ignored an injunction from the EU high court to stop logging in an an-

cient forest. Hungary has brushed aside criticisms from the EU Parliament that it limits its journalistic independence.

Their disagreements underscore how the U.K.'s impending departure has upended Europe's balance of power. French President Emmanuel Macron, in the wake of the British referendum, has proposed economic

reforms that have upset the newer, ex-communist members, whose citizens are a source of inexpensive labor.

Germany's Chancellor Angela

Merkel has expressed openness to some of his ideas.

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## YUAN

*Continued from Page One*  
while discouraging them in property, sports, entertainment and other sectors. "As situations in the foreign-exchange market improve, it makes sense to withdraw some of those temporary measures," said one of the officials involved in policy-making.

In dismantling certain controls, Beijing is shifting course in an unprecedented effort started two years ago to keep the yuan from weakening too quickly and to maintain confidence in the world's second largest economy. To do so, Beijing subjected outbound investments to heavy scrutiny, made betting on the yuan's decline more expensive for traders, and burned through \$1 trillion in foreign-exchange reserves in the past several years.

Its strategies gained traction this year, helped by an unexpected softening of the dollar, causing the yuan to soar and making the currency again a policy headache for the government. So far this year, the yuan has more than recouped all of its 6.6% decline against the dollar last year, and last week alone, it gained more than 1.8%—its biggest weekly advance in almost 12 years.

The surge is starting to drag on China's export growth, making Chinese goods more expensive and threatening to erode profits for many manufacturers who sell to foreign markets. That further weighs on the economy that, while growing steadily recently, is forecast to resume a yearslong slowdown and is struggling with anemic private investment, heavy corporate debt and frothy real-estate prices.

"It's really hard to under-

stand why the renminbi is soaring all of sudden," said Pan Haisong, who runs an international shipping company in the eastern metropolis of Shanghai. Renminbi, or the people's currency, is another name for the yuan.

Mr. Pan, chairman of the

Shanghai Taijing International

Freight Co., said many of his exporter clients are feeling the pinch from the rising yuan. "They have reduced their orders for my services," he said.

Customs data released Fri-

day show that China's exports

increased 5.5% in August from

a year earlier, lower than

July's 7.2% rise and the 6%

growth forecast from econo-

mists polled by The Wall

Street Journal. While Chinese

manufacturers are expected to

continue to benefit from a re-

covery in global demand, eco-

nomicists said any continued

appreciation of the yuan

would crimp a further expan-

sion of Chinese exports.

Beijing isn't looking for a

wholesale weakening of the

yuan and still retains formida-

ble control of the currency—from

limits on the ability of Chi-

inese companies and indi-

viduals to take money out to a

heavy hand in setting the

yuan's official rate against the

dollar. Known as the "fixing,"

the daily official rate indicates

which way Beijing wants the

yuan to go.

On Friday, for instance, the

central bank set the fixing

weaker than the market had

expected, hinting at a desire to

control the yuan's pace of ap-

preciation.

The PBOC deposit notice is

sued late Friday involves a rule enacted in October 2015 that required banks to set aside reserves with the central bank when dealing in a financial contract known as currency forwards. Under the rule, banks that were buying dollars while selling yuan under a forward contract were required to deposit \$20 with the central bank for every \$100 traded. The reserve ef-

fectively raised the cost of wa-

tering against the yuan.

As of Monday, no deposit will be required for such a transaction, in effect removing a penalty on a tool that many traders and investors used two years ago to bet on the yuan's decline. "Now the PBOC is basically inviting short sellers in to help stem the yuan's rise," said a currency trader in a Shanghai-based bank.

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## NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

# WORLD NEWS

## Saudis Recommit to Widespread Changes

Riyadh seeks to calm concerns in the wake of setbacks to the planned overhauls

By MARGHERITA STANCATI AND NICOLAS PARASIE

Saudi Arabia sought to reassure citizens and potential investors of its commitment to revamp the country's oil-dependent economy after a series of setbacks that slowed the effort.

The government has backed off some politically sensitive moves in recent months, postponing an increase in fuel prices and reinstating some government employee perks. It is now redrafting part of the plan to allow more time for implementation.

"It is important to adjust and adapt to unexpected situations," Saudi Arabia's Ministry of Culture and Information said on Saturday. "Such flexibility should not undermine the stability and predictability needed to allow the private sector to plan its new investments and expansions."

Saudi Arabia last year rushed to put in place a plan to end the kingdom's dependence on oil and overhaul a sluggish bureaucracy on a strict timeline. The changes underscore the challenge the Saudi leadership is facing amid worries about a public backlash and the limited capacity of the kingdom's bureaucracy.

The Saudi economic plan, called Saudi Vision 2030, was unveiled in April 2016 by Prince Mohammed bin Salman, 32, who in June leapfrogged his older cousin Mohammed bin Nayef to become crown prince.

Since then, the government has pared spending and narrowed its budget deficit. The more-austere stance has weighed on the economy, damping consumer confidence, hurting the private sector and causing the unemployment rate to rise. It reached 12.7% this year.

As the kingdom struggles to quickly create new sources of wealth, it continues to rely heavily on oil sales. The International Monetary Fund expects economic growth to be close to zero this year.

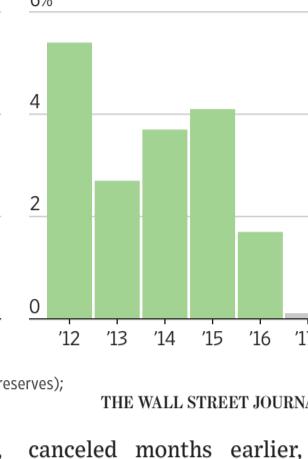
### A Slowing Economy

Saudi Arabia's dwindling foreign reserves and weak growth prospects reflect challenges in transforming its economy.

#### Foreign reserves



#### GDP



kis, a former economic adviser to the Saudi government and the Riyadh-based director of research for the Gulf Research Center. "That is changing because the reality on the ground paints a different picture."

One important part of the economic plan is the National Transformation Program, or NTP, which sets efficiency goals for ministries and looks for ways to spur private sector growth.

The program is now being revised, maintaining goals on key policies such as privatization and job creation but extending deadlines to achieve them up to 2030, say people familiar with the document.

The government currently employs about 70% of working Saudi citizens, and is trying to shift that burden to private companies. The government this weekend said it has allocated 200 billion Saudi riyals, or about \$53 billion, to support the private sector, including by funding industrial projects.

To encourage private investment, the government last month created a new agency to spearhead privatization of

state assets in areas ranging from transport to energy. It also relaxed rules on foreign investment, allowing 100% foreign ownership in the health care and education sectors, for example.

At the same time, a cornerstone of the Vision 2030 plan—the sale of up to 5% of the kingdom's state-owned oil firm, Saudi Arabian Oil Co., or Aramco—has hit snags.

The money from that sale, which Prince Mohammed said could amount to as much as \$2 trillion, would be transferred to the country's sovereign-wealth fund for investments at home and abroad.

But an initial public offering slated for the first half of 2018 was recently pushed back to the end of 2018, according to a timetable seen by The Wall Street Journal, partly due to indecision over where to list.

"The IPO process is well underway and Saudi Aramco remains focused on ensuring that all IPO-related requirements are completed on time and to the very highest standards," the Saudi Ministry of Information and Culture said.

## Asia Ties in Mind, Trump To Meet Malaysian Leader

President Donald Trump is expected this week to welcome Malaysia's leader to the White House, a visit that underscores how hard the administration is working to assemble Asian allies as Mr. Trump seeks to pressure North Korea over its nuclear-weapons program.

By Alan Cullison and Aruna Viswanatha in Washington, D.C. and Ben Otto in Jakarta

The visit Tuesday by Malaysian Prime Minister Najib Razak comes as a U.S. Justice Department investigation into the looting of a Malaysian economic-development fund threatens to ensnare much of the country's ruling elite, including Mr. Najib.

The Justice Department has alleged that billions of dollars were misappropriated from the fund, 1Malaysia Development Bhd., or 1MDB. Justice Department lawyers are suing to seize more than \$1.6 billion in allegedly stolen assets.

Mr. Najib, who set up the fund in 2009 aiming to boost the Malaysian economy, hasn't been named in the lawsuits, and he denies any wrongdoing in the affair. But the suit does allege that a "Malaysian Official 1" received hundreds of millions of dollars in siphoned funds. The Wall Street Journal

has reported that official is Mr. Najib, citing a person with direct knowledge of the investigation.

The White House declined interview requests last week on the visit.

People familiar with the case also said the meeting could complicate any future criminal case stemming from the allegations, if future defendants in subsequent cases could use any photos of Mr. Najib meeting with Mr. Trump or other senior White House officials in their defense before a jury.

**A White House visit comes as U.S. probes looting of Malaysian development fund.**

Last month, the White House said Mr. Trump was looking forward to discussing with Mr. Najib ways to strengthen ties, calling Malaysia "one of America's closest partners in Southeast Asia."

A Justice Department spokesman declined to comment, but people familiar with the case said the Department wasn't involved with planning Mr. Najib's visit and stressed

that the Malaysian leader hadn't been charged.

The people familiar with the case said that the White House and State Department are responsible for U.S. diplomacy, but that it was unusual that Mr. Trump would be meeting with Mr. Najib, given the corruption case.

Other U.S. officials said the visit should be worthwhile if only because it will offer a chance to discuss North Korea with Malaysian officials, and press them to do more to crack down on Pyongyang.

Mr. Najib will be the second Southeast Asian leader to visit Mr. Trump in Washington, following a trip in May by Vietnam's prime minister.

Mr. Najib also met with former President Barack Obama—on a 2014 trip by Mr. Obama to Malaysia, for a game of golf that year in Hawaii, and at a 2015 summit—but he never visited Mr. Obama at the White House.

With a fast-growing economy and straddling ocean-going trade routes to much of Asia, Malaysia could be a crucial partner to any effort to isolate North Korea. But for years it has been a conduit for Pyongyang to do business in ways that United Nations investigators say have helped the regime evade global sanctions.

### WORLD WATCH

#### UKRAINE

##### Stateless Ex-Governor Saakashvili Returns

Mikheil Saakashvili and a small crowd of supporters pushed their way through a line of guards on the Ukrainian border, making good on the politician's vow to return to the land that stripped him of citizenship.

The return of Mr. Saakashvili, who became governor of Ukraine's Odessa region after being Georgian president from 2004-13, poses a challenge to Ukrainian Petro Poroshenko, who once was Mr. Saakashvili's patron but then revoked his citizenship in July.

Mr. Saakashvili was appointed to the Odessa post in 2015 on the strength of his record of fighting corruption in Georgia. However he resigned after only 18 months, complaining official corruption was so entrenched he couldn't work.

Georgia, where he faces accusations of abuse of power and misappropriation of property, has sent an extradition request for him to Ukraine. It isn't clear if Ukraine intends to honor it.

—Associated Press



**CHAMPION:** Sloane Stephens won her first Grand Slam title, beating Madison Keys in the first all-American women's final at the U.S. Open since 2002, when Serena Williams beat Venus Williams.

prices subsided and commodities prices rebounded.

August's stronger, yet still moderate, inflation is a good sign for the economy, economists said, as improved demand for consumer and industrial products points to better profits ahead for industrial firms.

The consumer-price index rose 1.8% in August from a year earlier, compared with a 1.4% gain in July, the National Bureau of Statistics said. The inflation reading outpaced a 1.6% gain forecast by economists polled by The Wall Street Journal and is well below policy makers' inflation ceiling of about 3%.

Food prices, which have been

declining for seven straight months, edged down 0.2% on year, after dropping 1.1% in July. Consumers paid more for fresh vegetables and eggs last month.

Pork prices, the main reason behind this year's food-price weakness, dropped at a slower pace last month, declining 13.4% in August from a year earlier and shaving nearly 0.4 percentage point off the headline CPI. In July, pork prices dropped 15.5%.

Prices for goods other than food grew 2.3% on year, compared with 2.0% on-year growth in July. That faster nonfood inflation was partly due to a pickup of industrial prices, Mr. Liu said.

—Liyan Qi

## Rohingya Refugees Seek Relief in Bangladesh



Rohingya Muslim refugee children trailed a vehicle with relief supplies Sunday near the Bangladeshi town of Teknaf, as Myanmar dismissed a militant Rohingya group's cease-fire in the Myanmar-Bangladesh border area. The U.N. says more than 290,000 refugees have crossed into Bangladesh since Aug. 25, when militant attacks on government outposts prompted retribution from Myanmar's armed forces.



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#### CHINA

##### Inflation Rebounds To Seven-Month High

Consumer inflation rose to a seven-month high last month as prolonged weakness in food

## WORLD NEWS



Debris litters a street after Hurricane Irma struck St. Martin. Hotels were damaged and there was widespread looting there.

# Irma Devastates Caribbean

At least 22 people died as hurricane swept islands; Havana among cities flooded

By DUDLEY ALTHAUS

Hurricane Irma left widespread human and economic havoc in a string of tourism-dependent Caribbean islands as the storm pulsed into Florida on Sunday.

Irma departed the last of those islands, Cuba, by Sunday morning after scraping along its northern coast. Buildings collapsed, trees and power lines tumbled and roofs flew away in the 130-mile-an-hour winds.

Rain and seawater flooded towns and cities, including the colonial center of Havana, the country's capital and a key tourist magnet. Communications were cut off, power was down and infrastructure was damaged in some affected parts of the island.

No deaths have yet been reported in Cuba, as authorities evacuated thousands of residents and tourists ahead of Irma's arrival. But the hurricane killed at least 22 others across the northern Caribbean in four days of torment.

The storm's damage comes just a few months before the beginning of the winter tourism season, which last year pumped \$56 billion into the regional economy and provided 725,000 jobs, according to the World Travel and Tourism Council, an international industry group.

But Irma affected only a

portion of the Caribbean. And while severe on some islands, the storm's destruction was negligible in others, according to an early assessment by the Caribbean Tourism Organization.

Damage so far appears to have been heaviest in St. Martin and nearby islands in the U.S. and British Virgin Islands.

On Saturday, U.S. President Donald Trump increased federal funding for debris removal and emergency protective measures for the U.S. Virgin Islands.

The storm's impact still hasn't been fully assessed in Cuba. Puerto Rico and the Dominican Republic seem to largely have been spared.

"For the countries that are

badly affected, it will take some time to get back on their feet," Hugh Riley, an official with Caribbean Tourism Organization, said early Sunday.

The affected islands caught a break Saturday when Hurricane Jose, a Category 4 storm that had been on track to follow Irma's path, turned to the north without making a Caribbean landfall.

Irma began its rampage far to the east of Cuba on Wednesday, tearing into the small two-island nation of Antigua and Barbuda in the northern Leeward Islands. Antigua, the larger of the two, was mostly spared by the storm.

Barbuda, famed for its pink sand beaches and several luxury resorts, suffered widespread damage and the death of a toddler. More than 90% of the buildings on the island suffered extensive damage, of

ficiais say.

Philmore Mullin, director of the tiny country's emergency-response agency, told reporters Saturday that poor building practices were the main cause for much of the damage. He said a primary lesson from the devastation is that the island needs "strict enforcement of the building codes."

The storm's destruction was even worse on the islands to the west of Barbuda, where at least 11 people were killed on St. Martin, a small island jointly controlled by France and the Netherlands. Many of its hotels were badly damaged and widespread looting was reported.

*More than 90% of the buildings on Barbuda suffered extensive damage.*

"The situation on the ground is dire. It actually looks like a war zone after a bombing raid," said Alex Woolfall, a resident of St. Martin. "Everything is flattened and scorched."

"Hope to God Floridians take the warnings seriously," Mr. Woolfall said by email late Saturday after he was airlifted by the U.S. military to Puerto Rico. "This is no average hurricane. It will destroy everything."

By Sunday morning, the U.S. National Guard evacuated by aircraft some 500 of the more than 5,000 American cit-

izens who were on St. Martin when the storm struck.

St. Martin authorities declared a state of emergency Saturday, calling on residents to remain indoors, according to the Dutch newswire ANP. The state of emergency makes it easier for security forces to more easily arrest suspected looters. Authorities said that people with medical conditions are being evacuated to Aruba and Curaçao.

Another storm, Hurricane Katia, hit Mexico's Gulf Coast early Saturday. Two people died in mudslides in the city of Xalapa in Veracruz state after it was battered by high winds and heavy rains. The storm weakened quickly after it hit and became a tropical depression.

In the Caribbean, both St. Thomas and St. John, in the U.S. Virgin Islands, were badly hit by Irma and remained under curfew overnight Saturday. At least four people were killed on the islands and many of their tourist hotels were badly damaged.

After skirting north of both Puerto Rico and the island of Hispaniola, shared by the Dominican Republic and Haiti, Irma closed in on the central Cuban coast, making landfall near idyllic barrier islands where all-inclusive hotels serve foreign tourists.

Some 5,000 tourists were evacuated from the hotels as the storm approached, Cuban officials said.

Waves as high as 27 feet flooded seaside communities across the northern coast, including in the historic colonial section of Havana.

# Mexico Quake Kills Dozens, Leaves Ruin

By DUDLEY ALTHAUS

MEXICO CITY—Mexican security forces intensified recovery efforts on Sunday after one of the country's strongest earthquakes in decades along its southern Pacific Coast and a hurricane that dropped heavy rains inland from the Gulf coast.

At least 90 people were killed in the 8.1-magnitude quake, which struck late Thursday off the Pacific Coast of southern Mexico. The worst hit was the Zapotec indigenous city of Juchitán in Oaxaca state. In all, 71 people died in Oaxaca state, 15 in neighboring Chiapas state and four in the Gulf state of Tabasco, local authorities said.

Hundreds of aftershocks have struck since Thursday night's tremor. A 4.4-magnitude quake was recorded Sunday morning near the Oaxaca coast by Mexico's Seismic Service.

Late Friday, Mexican President Enrique Peña Nieto declared three days of mourning for the people killed in the earthquake.

Hours later, Hurricane Katia, a Category 2 storm that had lingered offshore for days, hit Veracruz state. The storm weakened quickly as it moved inland but dropped rain that caused rivers to overflow their banks, collapsed roads and killed two people in the state capital of Xalapa.

Meanwhile, some 2,000 Mexican troops rushed food, water and other basic supplies into the poor southern states of Oaxaca and Chiapas, which bore the brunt of the earthquake.

Both states have indigenous populations and are among Mexico's poorest.

By Saturday, authorities had restored electricity and water services to most of the affected communities. Crews were searching for other victims, tearing down badly damaged buildings and clearing streets and highways.

While widespread, the human and property impact was



most severe in Juchitán, a city of 100,000 people. Parts of the city's town hall, a hotel, a church and other buildings collapsed. Hundreds of houses were damaged.

Across Mexico, local authorities set up collection centers that received donations of basic goods such as baby formula and diapers for the children affected by the earthquake.

"We will have to confront the destructive force of this quake with the constructive force of Mexicans' unity," Mr. Peña said on Friday during a tour of the damage in Juchitán.

Thursday's quake was similar in strength to, but far less destructive than the Sept. 19, 1985 quake that damaged much of central Mexico City, killing at least 6,000 people. Some estimates run far higher.

Thursday's quake sent many thousands of panicked residents into the streets as buildings swayed and seismic alarms sounded.

The quake's epicenter was about 54 miles southwest of the Oaxacan coastal town of Pijijiapan, and was 43 miles below the earth's surface. Mr. Peña said half of Mexico's 123 million people felt the quake.

Over the weekend, the people of Juchitán began burying their dead even as crews searched for more people in the debris. Among the new victims listed Saturday was a Juchitán policeman whose body was recovered from the rubble of city hall.

—Juan Montes contributed to this article.



A man walks past a building damaged by Thursday's earthquake.

They include 1.3 million who are over 65 years old, of whom 320,000 live alone, according to Census estimates.

Among them are more than 400,000 with physical or mental disabilities that limit daily activities.

The storm's move westward caused residents along the state's west coast to quickly shift plans and hunker down.

Wrede McCollum, who lives on Pine Island off Florida's southwest coast, had planned to stay at a friend's house—despite a mandatory evacuation order—because crews will have to wait for the storm to pass.

Just the nine southern counties of Florida that are expected to be hit first—roughly from Palm Beach on the Atlantic coast to Port Charlotte on the Gulf Coast—count 7.2 million residents.

"The current track seems headed right for St. James City," where he lives, he said by text. "Jangling a few nerves here."

Lisa Tilson, a Boca Raton native, was staying at her mother's house in Sun City Center, a retirement community near Tampa on the Gulf Coast. Ms. Tilson planned to stay in one hallway with her daughters, while her mother, her mother's partner and Ms. Tilson's 80-year-old aunt stay in another, she said.

"That's where we are going to ride it out," she said.

Gov. Scott said his home town of Naples on the Gulf Coast could be particularly hard hit.

"It's going to be devastating to all those homes on the beaches," he said.

—Paul Overberg contributed to this article.

## IRMA

Continued from Page One

As Irma pounded the Miami area with powerful winds and sheets of rain, a construction crane collapsed in the city's downtown.

Wind gusts of about 70 miles an hour hit Miami International Airport, according to the National Weather Service.

The state of 20.6 million people has been preparing for days for Irma as the storm barreled into the Caribbean, killing at least 22 people and battering islands with winds in excess of 150 miles an hour.

Around Florida, more than 6.5 million people were ordered to evacuate and the

state reported that 77,000 people were seeking refuge in 450 shelters.

Florida officials have warned that Irma could be worse than Hurricane Andrew that devastated South Florida in 1992. Andrew, a Category 5 hurricane, killed 61 people in the U.S. and caused nearly \$48 billion in damage in 2017 dollars, according to the National Oceanic and Atmospheric Administration—the costliest storm in U.S. history until Hurricane Katrina in 2005.

Irma was the second Category 4 hurricane of the season to hit the U.S., after Harvey hit the Texas coast last month. Lixion Avila, senior specialist with the National Hurricane Center, said it is extremely rare to have two Cat-



Waves produced by Hurricane Irma crash into a fishing pier in Fort Lauderdale, Fla.



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## IN DEPTH

# SAFETY

*Continued from Page One*  
for almost 80% of U.S. hospitals, including those for veterans, the Federal Bureau of Prisons and the Indian Health Service, giving it a sweeping quasi-governmental role overseeing care.

This certifier of hospital quality, however, typically takes no action to revoke or modify accreditation when state inspectors find serious safety violations, according to a Wall Street Journal database analysis of hundreds of inspection reports from 2014 through 2016.

In 2014, about 350 hospitals found in those reports to be in violation of Medicare requirements had Joint Commission accreditation at the time, the Journal found. More than a third had additional violations later in 2014, 2015 and 2016.

The Joint Commission revoked the accreditation of less than 1% of hospitals that were out of Medicare compliance in 2014, the Journal found.

A result is that hundreds of hospitals with safety problems could continue to display a "Gold Seal of Approval."

"It's clearly a failed system and time for a change," said Ashish Jha, a health-policy researcher at Harvard, who said the Journal finding "shows accreditation is basically meaningless—it doesn't mean a hospital is safe."

Sen. Charles Grassley (R., Iowa.) said he will look for ways to improve the system, because "based on The Wall Street Journal's reporting, it's unclear what rock bottom a hospital would have to hit before losing accreditation."

Dr. Mark Chassin, president and chief executive of the Joint Commission, said it doesn't routinely withdraw accreditation of hospitals with safety problems because its focus is less on regulating or penalizing and more on preventing problems. "Our mission is to work closely with health-care organizations to help them improve the care they provide," he said.

The Commission, based in Oakbrook Terrace, Ill., said its inspectors make unannounced

visits to identify problems before they cause harm to patients. Denying accreditation is sometimes necessary if hospitals can't bring their care up to an acceptable level, it said, but in the overwhelming majority of cases, they eventually come into compliance.

Officials said they couldn't comment on a specific hospital, such as Cooley Dickinson, as a matter of policy.

The hospital, an affiliate of Massachusetts General Hospital, said it reported the deaths of the babies and pregnant woman to regulators and began a reorganization of its birth center. It was determined to be back in compliance with Medicare requirements later in 2014. Various litigation concerning deaths at its birth center is pending.

The Joint Commission's role traces to the 1965 law creating Medicare and Medicaid. The law required hospitals to meet certain safety conditions to receive money from the programs. Hospitals can use state inspections to prove compliance or hire a private, federally approved accrediting organization such as the Joint Commission.

### Ties to the industry

Most hospitals have chosen that option, and many states have allowed private accreditors to take over much of their inspection role. The process turned the Joint Commission, the largest private accreditor, into a key safety watchdog.

It is one with ties to the industry it oversees. Twenty of its 32 board members are executives at health systems it accredits or work at parent organizations of such systems. Other board members are named by health-care lobbying groups, such as the American Hospital Association.

Joint Commission officials said excluding hospital executives would deprive the board of the most knowledgeable and valuable advisers. The organization said hospitals that have executives on its board sometimes are cited by its inspectors for Medicare violations, which "shows our impartiality and argues against our accreditation process showing any favoritism to hospitals that have executives serving on our board."

Hospitals accredited by the Joint Commission pay it an annual fee of from \$1,500 to \$37,000, depending on size.

They also pay the Joint Commission for inspections, which occur at least every three years and cost an average of about \$18,000 in 2015.

A subsidiary, Joint Commission Resources, has consultants that hospitals can hire to help gain accreditation.

The Joint Commission said it maintains a strict firewall so information isn't shared.

The Joint Commission's program revenue totaled \$142 million in 2013, according to its filing for that year with the Internal Revenue Service, the latest available. The nonprofit paid its CEO, Dr. Chassin, more than \$1 million in 2013, including salary, benefits and retirement-plan contributions, the filing shows.

To examine its record, the Journal built a database from information on hospital violations provided by CMS. The Journal found that not only did about 350 hospitals have accreditation while in violation of Medicare requirements in 2014, but 60% had such violations in the preceding three years.



Jim Bennetts views photos of a daughter who killed herself when left alone at a hospital that had safety issues but full accreditation.



for safety violations. Yet Quality Check's entry for the hospital says it is accredited and has met all national patient-safety goals, compared with other commission-accredited organizations. The listing notes that the hospital performed below a target range on assessing patients on certain criteria, such as risk of violent behavior.

The Quality Check entry makes no mention of the hospital's having been disqualified from receiving Medicare funds.

Virginia health official Daniel Herr, to whom state-run Eastern State referred questions, said the institution is on track to request again being made eligible for Medicare for its adult acute-care units.

### A gap in observation

Some family members of patients are angry at the Joint Commission for letting troubled hospitals maintain their accreditation. Among them is Jim Bennetts, 74, of Novato, Calif.

His daughter, Brittnie, was struggling with depression and anxiety when she was admitted in late 2014 to United Health System's Timberlawn Behavioral Health System in Dallas. Ms. Bennetts, 37, a therapist who worked in hospice care, was in the hospital because she felt suicidal, her father said.

Timberlawn, built around a stately white farmhouse, had amassed 16 safety deficiencies since 2011, a review of records at HospitalInspections.org shows. "How would we know?" said Mr. Bennetts. The hospital had accreditation from the Joint Commission, which ranked it as a top performer on hospital-based in-patient psychiatric care in 2013 and 2012. Mr. Bennetts said his daughter researched and selected the hospital on her own.

Hospital staff wrote in their records that Ms. Bennetts needed constant observation and was at high risk of suicide, according to the report of a state inspection for CMS months later. The report said that on Dec. 3, 2014, Ms. Bennetts was left alone and used a sheet to hang herself from a closet doorknob.

The inspection that followed her death found continuing problems at the hospital, including patients sleeping on chairs in an overcrowded unit and an alleged rape of one pa-

### Problems Missed

A 'disparity rate' compiled by the Medicare agency shows what percent of hospital inspections by the Joint Commission miss a safety issue later found in state inspections.



Notes: The disparity rate is based on a formula that takes into account violations the accrediting organization missed that were identified in follow-up government inspections; Fiscal year ends Sept. 30.

Source: Centers for Medicare and Medicaid Services

THE WALL STREET JOURNAL.

tient by another. Eight months after the suicide, CMS cut off Medicare funding for Timberlawn, saying its violations posed "an immediate jeopardy to patient safety...."

Throughout the events, Timberlawn remained accredited by the Joint Commission and displayed its quality seal.

"It's unbelievable they're able to still be accredited," said Mr. Bennetts. "We believe Brittnie would still be with us if she'd been under constant observation."

Timberlawn CEO James Miller said Medicare certification was reinstated about 15 months later. He said he couldn't comment on a patient's care because of privacy laws, but said "the incident was tragic and our thoughts and prayers continue to be with the family." The family reached a confidential settlement with the hospital. A spokesman for CMS said it couldn't comment.

Joint Commission officials declined to comment on Timberlawn but said scores of published studies show the organization's accreditation process, including working with troubled hospitals, drives improvements in quality and patient safety.

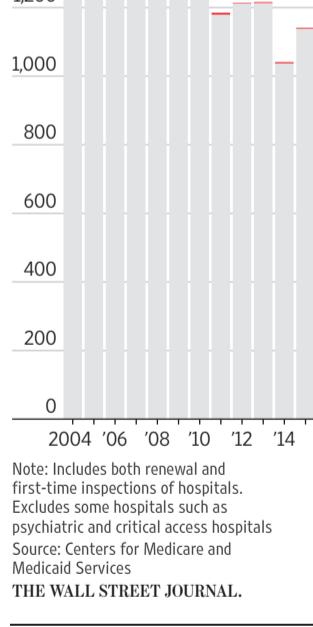
"Health care has a long way to go before it is as safe as we want it to be," the organization said in its response to the Journal. "That road would be a lot longer without The Joint Commission."

### Seal of Approval

Only a small percentage of hospitals inspected by the Joint Commission have been denied accreditation.

#### Hospital inspections by fiscal year

■ Denied accreditation



Note: Includes both renewal and first-time inspections of hospitals. Excludes some hospitals such as psychiatric and critical access hospitals.

Source: Centers for Medicare and Medicaid Services

THE WALL STREET JOURNAL.

### The vast majority of hospitals with safety violations retain full accreditation.

CMS withdrew its proposal. It noted that federal law bars CMS itself from disclosing inspection results and said it didn't want to appear to be circumventing the prohibition.

The Joint Commission said it is "committed to making relevant and accurate information about our accredited and certified health care organizations available." It runs a website, Quality Check, for looking up a hospital's status.

Eastern State Hospital in Williamsburg, Va., is an institution CMS disqualified from Medicare funding in April 2016

and an alleged rape of one pa-

One class taught about local landmarks and introduced newcomers to the Boll Weevil Monument.

"There's no way it's real!" Mr. Enderle recalls thinking. Earlier flight-school classmates started a tradition of dumping Mr. Bubble bath soap in the landmark's fountain as a prank.

The monument has suffered worse over the years. The original beetle was first stolen in the early 1950s and never found. The city, taking the lesson of turning calamity into victory, replaced the original boll weevil with a larger, more anatomically correct version with six legs instead of four.

Thieves struck again in 1974 and took the whole statue. It was recovered, but badly damaged. In 1981, just the bug was stolen and never found. Its replacement was ripped off in 1992. The last straw came in 1998, when two teenagers stole the whole shebang, leaving the monument a wreck. It is now on display at the nearby Depot Museum, and a pristine replica stands

on Main Street.

Engineering students at Enterprise High School used 3-D printers last year to create miniature boll-weevil monument Christmas ornaments. About 300 sold at \$10 a pop. "They didn't realize how big it was going to be," Ms. Grantham says.

Enterprise State Community College, which calls itself the Weevil Nation, has for years employed a boll weevil mascot in bright green costume to roam the sidelines at games. "I've had a lot of people say I look like a frog or I look like a lizard," says William Lindgren, a sophomore who gets a \$1,000 scholarship a semester to dress as school mascot Bo Weevil.

"When people ask, I tell them, 'Yeah, I'm a boll weevil,'" he says.

The boll weevil, Ms. Goodson says, represents a message of triumph over adversity, and a willingness to embrace change.

"We could take a lesson in that right now," she says.

local merchant Roscoe Fleming the idea to erect a monument to honor the unexpected bounty wrought by the boll weevil.

On Dec. 11, 1919, thousands of people attended the unveiling of the Boll Weevil Monument. George Washington Carver, who invented hundreds of uses for the peanut, was invited. But heavy rains washed out a section of the railroad track between Enterprise and Tuskegee, Ala., scrubbing his plans.

The original monument featured only the goddess and a fountain. Enterprise, which calls itself "the City of Progress," installed the much larger-than-life weevil in 1949. Erin Grantham, president of the Enterprise Chamber of Commerce—organizer of the town's annual Boll Weevil Fall Festival—says the beetle-mania is good for business.

The town of about 30,000 has few empty downtown storefronts these days, with enterprises that include Boll Weevil Brewing Supply, Boll Weevil Soap Co. and the Boll



The Boll Weevil Monument in downtown Enterprise, Ala.

Weevil Inn. The local radio station is Weevil 101.1 WVVL

cial and government use.

The company picked Enterprise for a 65,000-square-foot hangar that opened in 2014. A display case in the lobby features a crystal vase with an etched boll weevil, presented by the mayor at the time.

Mr. Enderle says he was already familiar with the Main Street monument. He first came to town in 1980 to attend flight school at nearby Fort Rucker, a U.S. Army post.

# U.S. NEWS

THE OUTLOOK | Ian Talley

## Economic Sanctions Have Limited Reach

The Trump administration is turning to economic warfare—an intensified sanctions program—to deal with an increasingly belligerent North Korean regime.

But economic tools have a mixed record of success addressing geopolitical problems. Sanctions helped end apartheid in South Africa. They pushed Iran to an agreement to curtail its nuclear program, though many critics say the deal is insufficient. Over 50 years they haven't budged the Castro family from its hold on power in Cuba and failed to turn Russia back from its Ukraine incursions.

Much depends on how forcefully Washington applies its economic weapons and how much cooperation it gets from other nations.

Alarmed by Pyongyang's latest nuclear test and preparations for another intercontinental ballistic missile test, the Trump administration is crafting harsher economic penalties against North Korea and its facilitators. Washington hopes tougher measures will avert a potentially catastrophic military conflict and forestall the evolution of Pyongyang's nuclear-weapons technology.

U.S. officials are pushing the United Nations Security Council to ban North Korea textile exports, embargo oil sales to the country and pro-

hibit it from renting out its workers abroad. Treasury Secretary Steven Mnuchin is readying new sanctions likely targeting the largest importers of North Korean goods and some of the banks facilitating that trade.

Past U.S. sanctions efforts have a spotty record.

**A**mong the successes: U.S. lawmakers championed sanctions in 1986 against South Africa's apartheid regime that eventually led to a global trade embargo against the nation. By 1991, with its economy in recession, the government repealed the apartheid laws.

A U.S. sanctions regime against Myanmar's antidemocratic government was a key factor in precipitating a collapse in that country's economic growth. By 2012, as democracy slowly returned to the country, the U.S. began easing those measures.

The Bush administration in 2007 was able to force North Korea to shut down a nuclear facility critical to the regime's weapons program by cutting off a small Macao-based bank from the U.S. financial system. That temporarily chilled international financing for Pyongyang as foreign banks feared losing access to the dollar, the currency used for most of the world's trade.

But the regime soon secretly restarted its nuclear-weapons program. China has

since stepped in to become its biggest trade partner—accounting for 90% of the total—and Pyongyang has improved its sanction-evasion techniques. "Targeted sanctions—unintentionally and counterintuitively—helped to create more efficient markets in China for North Korea Incorporated," said John Park, director of the Korea Working Group at the Harvard Kennedy School.

The Trump administration is hoping now to replicate with North Korea the sanctions approach that forced Iran to negotiate a nuclear



Nikki Haley, right, the U.S. ambassador to the United Nations, with her Chinese counterpart, Liu Jieyi, before a U.N. Security Council emergency meeting over North Korea last week.

that help finance Mr. Kim's regime. Even when Beijing does act, those measures are often temporary, and cross-border sales are often soon resumed.

"One way the Trump administration can get the Chinese into the game here in a more effective fashion is by looking at more sanctions on Chinese entities, especially certain smaller banks and trading companies, that are critical to the North Korean economy," said David Cohen, a former top CIA and Treasury official.

**S**tudies by C4ADS, a nonprofit tracking global security threats, show Pyongyang's evasion networks are financed by a centralized and limited system. "A relatively small number of networks that bridge licit and illicit systems"

means they are vulnerable to disruption, said David Lynch, chief of analysis.

Capitalizing on that premise, U.S. lawmakers are backing legislation that would target the 10 largest Chinese importers of North Korean goods. Treasury is also setting its sights on Chinese banks. Banning them from U.S. markets could scare the broader Chinese financial system into better sanctions compliance. But applying hefty fines would likely require the administration to develop a more coordinated strategy, some analysts say.

## Inside Spending Bill: Campaign Finance Deregulation

BY CEZARY PODKUL

Trump's promise to "get rid of and totally destroy" a law that forbids such activity.

Corporations would be able to ask their employees to donate to unlimited numbers of trade associations' political action groups instead of limiting employee solicitations to one group per year.

Other measures included in the bill would continue to prevent the Internal Revenue Service and the Securities and Exchange Commission from implementing rules that would affect political activities of 501(C)(4) nonprofits and publicly traded corporations, respectively. And the government would again be prohibited from requiring federal contractors to disclose their political contributions and campaign expenditures.

These multiple provisions—called riders—are frequently inserted into appropriation bills as a way to pass controversial policies without having



The IRS has rarely enforced a rule that bars nonprofit organizations such as churches from endorsing or opposing political candidates.

them voted on individually, since they will "ride along" with a larger spending bill.

It is unclear which House members inserted the language into the bill, which was drafted by the Republican majority. House Democrats tried to strike many of the provisions but didn't succeed. The House

is expected to debate and possibly vote on a package of spending bills that includes the riders as early as this week. On Friday, the House passed a bill to fund the government until Dec. 8. Lawmakers hope to pass a longer-term spending bill in December.

"It's as many riders as has

been done in this area. Probably the most," said Fred Wertheimer, president of the group Democracy 21 and an architect of the 2002 McCain-Feingold campaign-finance overhaul bill. His concern, he said, is that the riders would enable "secret money" to "flow into elections." On Thursday, Democracy 21 and about 20 other organizations sent a letter to House members asking them to oppose the riders.

Mr. Wertheimer is particularly worried about the rider allowing churches to skirt the so-called Johnson Amendment.

Named after its primary sponsor when he was senator, the late Lyndon Johnson, the 1954 rule prohibits 501(C)(3) nonprofit organizations—such as churches—from endorsing or opposing political candidates.

While the IRS has rarely enforced the ban, the rider could give violators a free pass.

The Family Research Council, a conservative Christian

group, is lobbying to repeal the Johnson Amendment and has worked with House Majority Whip Steve Scalise (R-La.) to introduce a bill that would do so, according to its website.

"A nonprofit organization should not lose its tax-exempt status or be threatened with audits because it exercises its constitutional right to speak in favor of political candidates who share the organization's values and mission," the group argues.

A spokesman for Rep. Scalise said in an email he "has long supported efforts to protect the First Amendment rights of houses of worship and other nonprofit organizations" and that his bill would prevent "unelected IRS bureaucrats from stifling the free speech of religious leaders and others under the auspices of the Johnson Amendment." The Family Research Council didn't return a request for comment.

—Kristina Peterson contributed to this article.

### U.S. WATCH

NASA'S CASSINI PROBE

#### Final Mission: Solve Saturn Rings Mystery

After 20 years in space, a vintage probe called Cassini is entering its last waltz with Saturn with a series of rhythmic maneuvers to explore Saturn's vast icy rings.

The NASA spacecraft has been swooping back and forth at 77,000 miles an hour through the narrow gap between Saturn's rings and the planet's cloudy surface before making a suicide plunge into Saturn's atmosphere on Sept. 15.

The aging spacecraft is bringing Saturn's signature rings into sharp focus, detail that could help settle debates over their age, mass and origin.

It is the grand finale of a \$3.27 billion mission that has involved 5,000 scientists in 17 countries. And it signals the end of an era of interplanetary exploration in which big multipurpose probes cruised the solar system as humanity's eyes and ears.

The Cassini probe is one of the heaviest and most complex interplanetary spacecraft ever built. Its components included the European Space Agency's Huygens probe, which landed on one of Saturn's moons in 2005.

"Today there isn't a U.S. launch vehicle that could lift Cassini," said Julie Webster, a spacecraft operations team manager at the Jet Propulsion Laboratory in Pasadena, Calif.

—Robert Lee Hotz

2016 ELECTION

#### Clinton Says Loss Still 'Very Painful'

Hillary Clinton described the lingering pain of being "gobsmacked" after losing the presidency 10 months ago to Donald Trump and said she wouldn't be a candidate for office ever again.

"I think I am good, but that doesn't mean that I am complacent or resolved about what happened," the 2016 Democratic presidential nominee said in an interview Sunday with CBS News's Jane Pauley. "It is still very painful. It hurts a lot."

Mrs. Clinton's interview marks the beginning of what will be a monthslong media tour around her memoir of the campaign, "What Happened," set to be released by Simon & Schuster on Tuesday. The tour, which begins with a reading in New York on Tuesday and continues with events across the country scheduled through December, keeps 2016 in the news as Democrats struggle to coalesce around a new standard-bearer. It also offers Mr. Trump myriad opportunities to spar with his former campaign rival anew.

The White House didn't immediately respond to a request for comment. In May, Mr. Trump wrote on Twitter, after Mrs. Clinton spoke about her loss at an event in California: "Crooked Hillary Clinton now blames everybody but herself, refuses to say she was a terrible candidate."

—Eli Stokols

BY TAWNELL D. HOBBS

International students have been changing the economics and culture of U.S. college campuses, and now they are making inroads at American high schools.

The number of international students enrolled at U.S. high schools more than doubled from 2004 to 2016, to reach 81,981 students, according to a recent federally funded study by the Institute of International Education, a nonprofit focused on education across borders.

Most of the students ultimately seek to enroll in U.S. universities, with their high-school diplomas acting as a bridge to college, the study found. "We have a very homogeneous community, and our kids were unprepared to go out into this globalized world of college," said Clark "Skip" Hults, superintendent of Newcomb Central School District, a rural public-school system in upstate New York. "We felt that having the world join us in our classroom would also make for better studies."

Mr. Hults said his 85-student district has 11 international students this year, from Russia, Spain and Vietnam.

About 4% of the international students attended U.S. public high schools on F-1 visas in 2016, according to the Institute of International Education. Unlike for private schools, those

visas extend a maximum of 12 months for public schools, and federal law requires that international students attending U.S. public high schools under such visas pay full tuition, normally ranging between \$3,000 and \$10,000, according to the State Department. Private schools set their own rates.

"There's a financial contribution when they're paying into public schools," said Ratika Bhandari, head of research, policy and practice at the institute. "For most of these students, the goal is to graduate with a high-school diploma. They're really looking at seeing themselves as being more competitive to get into a U.S. university."

In turn, international students increasingly fill enrollment slots at U.S. colleges, which has made getting into some schools harder for American kids and boosted schools' revenue, because international students typically don't get a discount on tuition.

Besides the more widely used, longer-term F-1 visas, other students use the J-1 visa, mainly for shorter-term cultural-exchange programs.

Students from China make up about 42% of international students studying in U.S. high schools, the study says. Top-sending countries of diploma-seeking students include

China, South Korea, Vietnam, Mexico, Japan and Canada.

Visa applications are being accepted for students in six Muslim-majority countries affected by the Trump administration's partially implemented travel ban, according to the State Department. The ban targets Iran, Libya, Somalia, Sudan, Syria and Yemen. In 2016, 87 visas were provided to high-school students from those countries.

All 50 states and Washington, D.C., have international students in high schools. The number of high schools enrolling international students also is up, from 2,300 in 2013 to 2,800 in 2016, according to the study.



Kyle Tang, 17, a Chinese student at the International Leadership of Texas charter school, in his dorm room.

## High Schools Lure More Foreign Students

BY TAWNELL D. HOBBS

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# LIFE & ARTS

## POETRY

# 'Instagram Poets' Sell Well

BY NINA SOVICH

**AMONG THE HOT NEW BOOKS** of the fall season is a volume of poetry that might once have been relegated to the back of the bookstore. Rupi Kaur, a Canadian woman born in India is putting out her second book Oct. 3. The reason for the excitement? She has 1.5 million followers on Instagram.

Ms. Kaur sits atop a new wave in poetry. These Instagram poets, or pop poets as some writers call them, use social media to build their fan base for work that touches on love and loss. "The Sun and her Flowers", to be released in October, has an initial print run of a million books, an astonishing run for poetry. Fiction writers are lucky to have an initial print run of 10,000 books. Ms. Kaur's first book, "Milk and Honey", published in 2015 by Andrews McMeel, has sold more than a million copies in the U.S. and 700,000 abroad.

"For me, social media was the only way to go," says Ms. Kaur. She began publishing poems on Tumblr and Instagram and found an audience both devoted and demanding. In 2013 she was posting a poem or two a week, spending two to four hours a day refining them. "It gets difficult to manage at a certain point," she says of social media. Roughly two years ago she stopped posting new poetry to Instagram. Sometimes when her feed needs updating she will ask her sister or an employee to help with the technicalities so she can concentrate on writing.

To poetry traditionalists, these new poets seem to draw attention to photographs and illustrations rather than verse. Instagram poets use typewriters with thick linen paper and tattered edges, then photograph the work and post it to social media. Bad breakups, whiskey in the desert and exhortations to find inner strength are common.

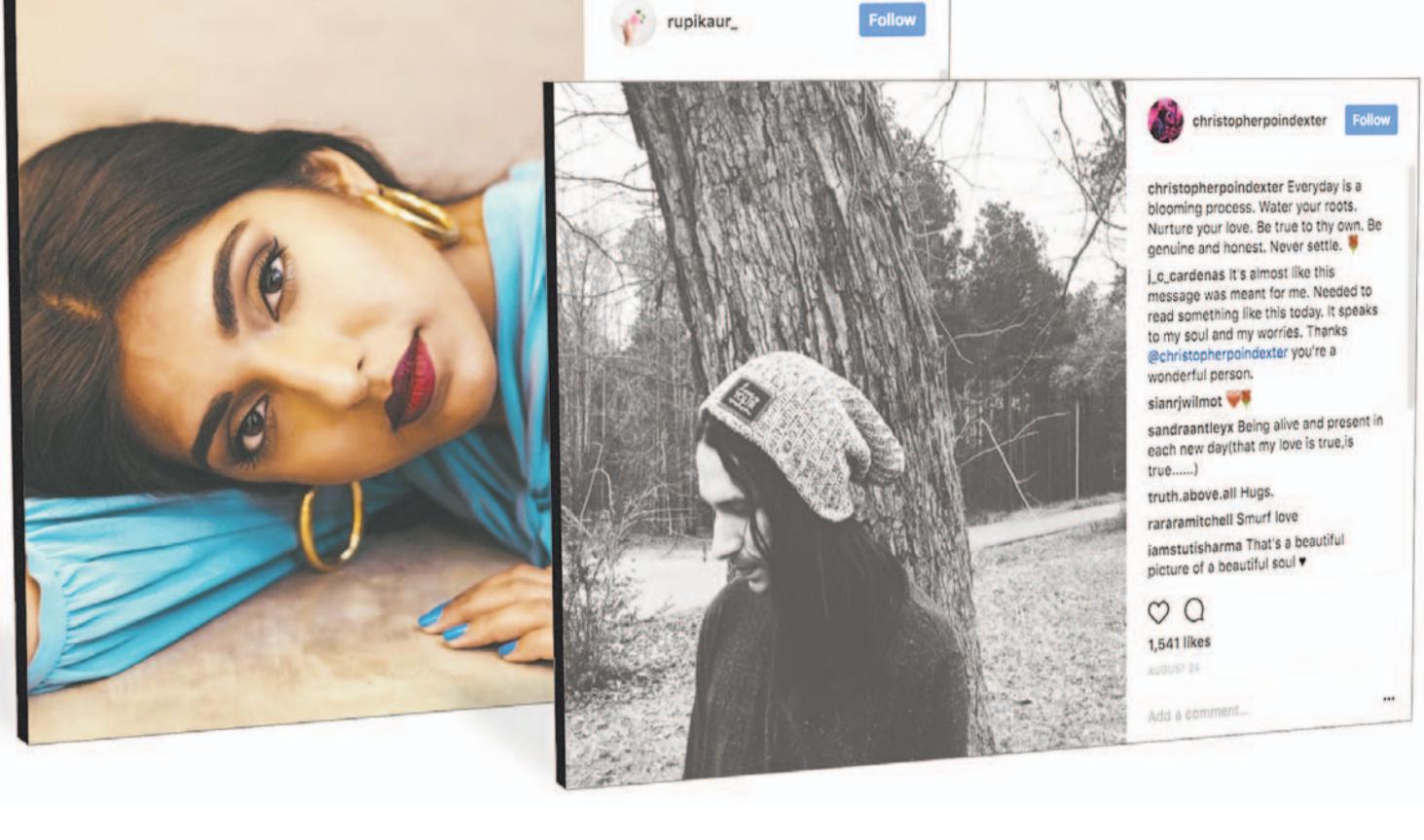
"Think of Walt Whitman ... you can't immediately read it and feel something," says Lizzie Carroll, 21, and a student at California State University, Sacramento, who has blogged about her appreciation for Ms. Kaur. "You have to sit down and study it. With Kaur you can take any poem and read one line and know what it means."

Ms. Kaur's fans buy the paperback and treat it like a journal, tagging pages and making notes. At poetry readings—more like performances with Ms. Kaur's dramatic cadence and delivery—the audience snaps their fingers when they connect with a line.

"Rupi is real and honest and writes about things other people are too scared to write about," says Harley Henderson, 21 and a student at the **University of West Florida** in Pensacola. "She can relate to people and their problems."

Atticus is a successful poet who doesn't publicly reveal his identity or show his face, but has roughly 440,000 followers on Instagram. His book, "Love Her Wild", was released in July by Atria Books, an imprint of Simon & Schuster, and has nearly 100,000 copies in print. He says he receives several photos a day from people who have tattooed his poetry on their body. One of his popular images on Instagram is of a woman with skeleton painted on her face and hands and long brown hair. Next to her image a phrase: "It was her chaos that made her beautiful."

"I wear a mask so I write what I feel and



not what I should feel," he said, in a phone interview. He declined to give his real name.

The challenge for publishers is to separate good poets from bad, and to confirm the fan base is stable and inclined to buy books.

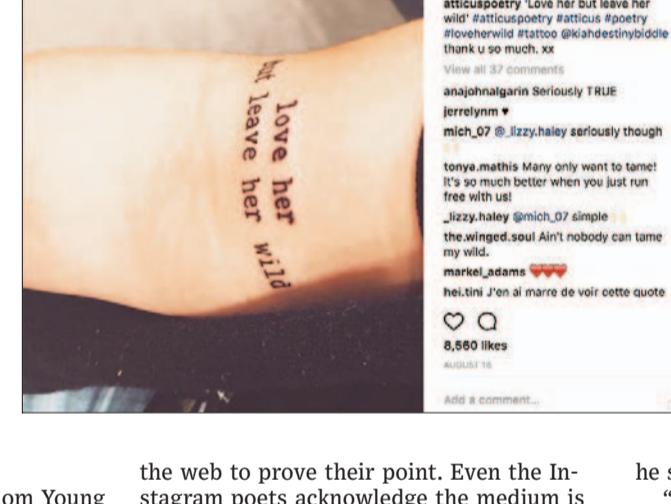
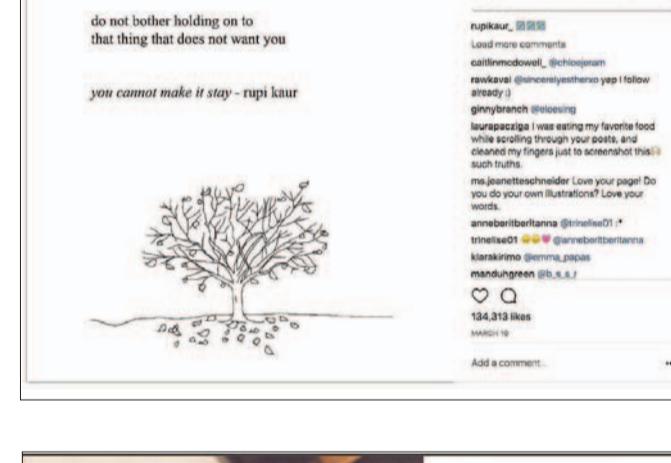
Publishers say successful poets must be seen as authentic and heartfelt, a tricky task when they also need to cultivate an exclusive and glamorous persona on Instagram.

"You have to look at all the comments to see, is there really a connection?" says Judith Curr, president and publisher of Atria Books, describing the process of bringing on a new author. "Are they responding to the poetry or the fame of the person?"

Editors at the publishing house keep an eye on Instagram. If a writer has a growing following, with comments that speak to the work, the publishing house will occasionally contact a writer directly to see if he or she is interested in doing a book. Booksellers are often reassured by a poetry book with an online following because it suggests committed buyers, publishers say.

"It's good for all poets that the poetry section of the bookstore is suddenly the sexy section," says Kirsty Melville, president and publisher of Andrews McMeel.

Traditional writers like poet Thom Young have bristled at the popularity of the Instagram poets, publishing satirical verse on



the web to prove their point. Even the Instagram poets acknowledge the medium is both a blessing and a curse. On one hand, they reach far more people than traditional

poets. On the other, Instagram restricts form and length. There also is pressure to constantly feed the beast.

Christopher Poindexter is 26-year-old poet with roughly 320,000 followers on Instagram. A Hungarian exchange student ignited his interest in poetry when he was young and he has been writing for about six years. His book, "Lavender", came out in February and will be rereleased in September. When he started, he posted one or two poems a day but now he has dialed that back.

He still posts three to six times a day but he leans more toward photos or written descriptions of his life rather than poetry. The demands of Instagram can be draining, he says, and he is thinking of hiring someone part time to help with his feed.

"I stepped away a little because of the intensity," says Mr. Poindexter. "I know what people want, and I know what I want to write."

"It's not the poetry I would present to an academic scholar," he says.

"But it's getting children back into poetry. It's getting them in Kerouac and Rimbaud and Ginsberg and Cummings."

## PLAYLIST: LOUDON WAINWRIGHT III

# BYE-BYE, BROWN RICE. HELLO, TOURING

**Loudon Wainwright III**, 70, is a humorist, a Grammy-winning folk guitarist and singer-songwriter, and an actor. He is the author of "Liner Notes" (Blue Rider), a memoir. He spoke with Marc Myers.



I recorded my first album in 1969, but when it was released in early 1970, I was anxious about performing on the road. So instead, I holed up in a communal house in Brookline, Mass., outside Boston, eating macrobiotic food and studying the order of the universe.

Eastern philosophies were big in 1970. At our house, selflessness was in, and pride, arrogance and stardom were out. You were supposed to be humble and chew your rice.

One evening in June 1970, I sneaked out with a couple of other macros to see **THE BAND** at Harvard Stadium. Our seats were high up in the bleachers, but I could still see the Fender amp's red lights glowing on the dark stage. Then five shadowy figures ambled out.

When the stage lights came up, The Band opened with "Chest Fever." The song began with Garth Hudson's Bach-influenced organ intro. After what seemed like a

short eternity, Levon Helm joined, playing hard on the drums. Then Richard Manuel, Rick Danko and Helm began to sing.

It was hard to understand exactly what they were singing. As best as I could tell from their high, straining voices, it was about some guy and a girl who was making him sick with love:

"As my mind unheels / I feel the freeze down in my knees / But just before she leaves, she receives."

The nonsensical quality of the lyric is what made it appealing. What I loved most, though, was the song's arrangement and the music's freedom and energy. I was knocked sideways by the art.

As I listened, I asked myself what I was doing hiding in Brookline. "Music is where it's at," I thought. "I have a record deal, and I can do what they're doing. Audiences would be waiting for me, if I had the courage."

"Chest Fever" and the rest of the music performed that night gave me a hard shake. I was reminded of my original ambition to be a musician. The next morning, I paid my rent in full and said goodbye, telling friends that I was going to rejoin the real world.

I wanted my old job back.

**THE BAND'S** Levon Helm performing in 1971.



## LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

# Gretchen Rubin's Great Expectations

The lawyer turned self-help author on how she responds to expectations, keeps up habits and follows obsessions

**IN 1996,** Gretchen Rubin was working as a clerk for Supreme Court Justice Sandra Day O'Connor when she started to think that a legal career wasn't for her. For one thing, she enjoyed writing, but she found little satisfaction in the dense, technical jargon of the law. "I was like Scarlett O'Hara, and I said, 'As God is my witness! I will never write in such a confusing, obfuscating way,'" she says.

She left the legal profession a few years later to devote herself to research and writing that dealt much more baldly with the basics of human nature. Her first book, "Power Money Fame Sex: A User's Guide," was published in 2000. It describes how figures such as Robert Moses, Madonna and Niccolò Machiavelli attained those abiding objects of human aspiration and draws lessons from their examples.

Since then, Ms. Rubin, 51, has written seven more books—including "The Happiness Project" (2009), "Happier at Home" (2012) and "Better Than Before" (2015). She has turned her observations and advice about leading a more fulfilling life into a mini brand, with a weekly podcast, blog, online quizzes and newsletters. Her books have sold nearly three million copies worldwide and have been translated into 30 languages.

Her latest book, "The Four Tendencies," comes out on Sept. 12. In it, she says that people can be divided into four different categories related to how they respond to expectations. Those groups, as she sees it, are upholders, who respond to both inner and outer expectations; obligers, who answer to others' expectations; questioners, who respond to inner expectations; and rebels, who react against both inner and outer expectations.

Her goal with the book, she says, is to help people figure out their tendencies so they can better understand themselves and manage their goals. "Most of us aren't doing that much to achieve our aims at any one time," she says. One category isn't better than another, she says.

She herself is an upholder, while her husband, James, a New York state government official, is a questioner. Recently, she was filling out a form that asked for his office address, which she called him to get. Instead of telling her, he asked her



In her books, Ms. Rubin likes to rely on anecdotes as well as statistics.

why she wanted to know. "I'm an upholder so I don't need to know," she says, but "he's not going to answer me until I tell him." She used to wonder why he was so uncooperative, but now realizes that he isn't trying to be difficult.

The idea for the book sprang from her previous research. In "The Happiness Project," she adopted habits over the course of a year that she thought might make her happier. She exercised, organized her desk, got plenty of sleep,

kept a journal and scheduled time for herself. After the book came out, readers asked her how she could possibly motivate herself to actually keep up all those new habits. That led her to write "Better than Before," about habit-mak-

ing. The variation in people's ability to keep those habits inspired "The Four Tendencies." "It's not that I've consciously steered my course," she says. "I've been led by my obsessions."

Her book calls to mind previous works that break people down into personality types—including, famously, by Katharine Cook Briggs and Isabel Briggs Myers and by sociologist David Riesman—but Ms. Rubin says that she wasn't influenced by other research. She had been staring at her to-do list when she realized she could group people according to how they responded to expectations.

Ms. Rubin says most of her information comes from what she sees around her rather than from scientific studies. "If I'm writing something, it's always grounded in my own experience and kind of good sense," she says. "I use what I see around me." In her books, she likes to rely on anecdotes as well as statistics.

Ms. Rubin, who grew up in Kansas City, says that she was a disciplined student from a young age. Her father is a lawyer, and her mother worked at an art museum. One of her childhood pastimes was writing down her favorite quotations and then finding a picture from a magazine to match it—a practice she keeps up today in a similar form on her blog. She graduated from Yale University and then Yale Law School.

Now living in New York City, Ms. Rubin wakes up at 6 a.m. to walk her dog and then spends time working before her family gets up. She and her husband have two daughters, ages 12 and 18. After walking her younger daughter to school, she spends the day going to meetings, recording podcasts or writing. If she's working on a book, she writes for three hours a day. Next, she's working on a small book about how people respond to colors.

She continues to practice the habits that she learned while writing "The Happiness Project." Some critics have called it a selfish impulse, but she disagrees. "The research shows that happier people are more altruistic and they volunteer more, give more money and they're more interested in the problems of the world and the problems of other people," she says. "If we're unhappy, we have a lot to deal with."

## DOCUMENTARY

# VETERANS ON 'THE VIETNAM WAR'

BY JOHN JURGENSEN

**KEN BURNS** doesn't like the expression "Thank you for your service." Though it has become a default way to pay respect to military veterans, too often the phrase functions as a brushoff, the filmmaker says. "It suggests no further conversation is necessary."

With marathon documentaries about the Civil War, World War II and now the Vietnam War, Mr. Burns and his producing team have conducted a running inquiry into the personal experiences of combat troops.

The scale of "The Vietnam War"—a 10-part, 18-hour series that took 10 years to produce—reflects

the complicated nature of the conflict. It claimed the lives of more than 58,000 U.S. service members, scarred veterans returning to a hostile home front, and continues to divide Americans who lived through it. The series debuts Sept. 17 on PBS.

Mr. Burns and co-director Lynn Novick doubled down on a strategy refined in their previous work. Whether it's an actor reading a letter by a Union soldier at Gettysburg, or an interview with an aging survivor of the D-Day invasion, participants hold the spotlight, not historians.

"That plows attention not to the 'expert' but to the real expert—the person who experienced it," Mr. Burns says. For Vietnam, that chorus of voices, including veterans of the protest movement, helps "cre-

ate a place where diverse perspectives can co-exist without making the other wrong."

In addition to reams of letters, government documents and journalists' reports from Vietnam, the producers drew from on-camera interviews with about 100 combat veterans and other witnesses—including former South Vietnamese allies and North Vietnamese enemies of U.S. troops.

The processes of gathering research and identifying on-camera interviewees evolved in tandem, Ms. Novick says. Producers took notes during phone calls and informal meetings with Vietnam veterans, who in turn introduced them to other veterans.

"Each person's story helps us add a little bit of the puzzle," says Ms.

Novick, who went through a similar process with World War II veterans for "The War," a 2007 seven-part series she directed with Mr. Burns.

To get a handle on Vietnam's different phases and jungle warfare, producers asked vets many of the same questions: What was it like at night? How close were you to the enemy? How did you operate in a civilian area and deal with people you couldn't identify as soldiers?

Emotional details were a critical part of veterans' memories. "More telling was the depth of feeling about their experiences and how close to the surface it was," says Ms. Novick, who conducted many of the interviews, as did producer Sarah Botstein.

Marine veteran John Musgrave met the producers through the artistic director of Theater of War



Civilians after a 1965 attack by South Vietnamese forces, an image from a series by Ken Burns and Lynn Novick, left.

Productions, a drama company that has staged readings of Sophocles for military communities throughout the country and in Europe. Mr. Musgrave, who writes poetry and works with fellow veterans on issues such as post-traumatic stress disorder, says initially he thought his role in the documentary would be connecting the filmmakers with other Vietnam vets.

By the time he sat down for his own on-camera interview, Mr. Musgrave says he trusted the producers based on their past war documentaries and the rapport they had fostered with him.

"They weren't looking for a particular answer. They cared about the answer that I had," Mr. Musgrave says. Often that was as simple as giving him ample time to finish his sentences. In the documentary, he recalls enlisting in the Marines at age 17 in an effort to jump-start his manhood. One year later, in 1967, his unit had pushed to the border of North Vietnam and the demilitarized zone, which the infantrymen dubbed the "dead marine zone."

On camera, Mr. Musgrave occasionally moves his mouth silently, as if weighing whether to share his memories. "We did not torture prisoners and we did not mutilate 'em," he says in the documentary.

Just as Mr. Musgrave says he was on guard to avoid "false heroics" in his interview, Mr. Burns says his team tries to protect such war stories throughout the editing process from "the inclinations of our business, which is to glorify the scoop or wring out more emotion than is necessary."

Vietnamese veterans of the war, some wearing their old military uniforms, addressed similar questions to the American vets. During their interviews, a Vietnamese-speaking producer in a separate room interpreted the responses simultaneously, speaking through an earpiece to Ms. Novick or Ms. Botstein to avoid lags in the conversation. In the documentary, one North Vietnamese officer recalls

not being able to sleep or eat after losing the majority of his men in a battle for which he earned a "Heroic American Killer" medal.

Mr. Musgrave, who saw portions of the documentary before it was finalized, says watching North Vietnamese soldiers tell their stories was "essential" for both the film's balance and his own mindset.

"It helped me to see that they were old men, because in my dreams they're still young men and they still terrify me," he says. "When I saw those old men talking about their war, I didn't have the hate getting in the way of accepting their humanity and realizing that our experiences were the same."

Mr. Burns, who is 64 years old—and at 18 had a high draft number when the U.S. was drawing down troops in Vietnam—isn't finished with examining the soldier's experience. He already is working on a project to strip the "barnacles of sentimentality" from the American Revolutionary War.

## OPINION

### REVIEW & OUTLOOK

#### Man Up, Mr. Meadows

The Washington Post reports that defrocked White House aide Steve Bannon and Members of the House Freedom Caucus are plotting a coup to depose Paul Ryan as Speaker later this fall. Freedom Caucus Chairman Mark Meadows denied this on Friday on MSNBC, but you can bet something is afoot. And come to think of it, why wait?

If the Freedom Caucus is upset enough to contemplate a midsession leadership coup, let's get it on now. Congress is entering a critical few months that will determine whether Republicans will have anything significant to show for their majority. If the fate of this Congress hangs in the balance, then it's unconscionable to wait and let the House fail. The manly—the patriotic—thing to do is force a debate and vote while there's still time to save the day.

This has the added advantage of being a stab in the front for a change. The Freedom Caucus specialty is the stab in the back. Claim to be cooperative, to be working constructively toward some legislative compromise, but then at a critical moment raise its demands, vote no and blame the leadership. Soak up the cable-TV appearances and then sit back as someone else cleans up the political mess.

This is how Mr. Meadows played the Obama-Care repeal debate earlier this year. As House leaders and Health and Human Services Secretary Tom Price prepared the draft bill, Mr. Meadows was regularly consulted. According to numerous sources, Mr. Meadows's priority in private discussions was killing any reduction, even a small one, in the tax exclusion for employer-sponsored health insurance.

For conservative health economists, this is a crucial policy reform. It would reduce a subsidy that drives up health-care costs, and it would begin to equalize the tax treatment for individual and employer insurance. But Mr. Meadows opposed it as a "tax increase," a definition which would mean that Congress could never reduce any tax subsidy.

Mr. Meadows worked frantically behind the scenes to make sure there was no change in the tax

exclusion, without objecting to other provisions. GOP leaders gave him what he wanted and killed the tax change. But within days Mr. Meadows began trashing the draft bill anyway—this time because it supposedly didn't reduce insurance costs enough. His assault defeated the first attempt at a House vote, and delayed its passage for weeks, helping Democrats build public opposition and making it a much harder lift in the Senate, where it failed.

With this record of accomplishment, clearly it's time for Mr. Meadows to step into the spotlight and take some leadership responsibility. The honorable act now would be to announce an immediate challenge to Mr. Ryan surrounded by his Freedom Caucus supporters and Mr. Bannon's Breitbart staff.

Lay out his strategy for passing tax reform, for raising the debt limit, and for passing the Freedom Caucus budget through the House and the Senate this fall. Then the Members of the House GOP conference can hold a debate and vote, and Mr. Meadows and the country can see how much support he has for his political strategy compared to Mr. Ryan.

If Mr. Meadows is too modest, or thinks he can't win, then perhaps his Freedom Caucus running mate, Ohio Rep. Jim Jordan, would want to run. And if Mr. Jordan declines the honor, then perhaps Texas Rep. Louis Gohmert will want to exploit the high regard with which he is held by his colleagues.

This is the way a congressional majority is supposed to work. Individuals run for leadership, the Members vote, and then everyone accepts the results and moves on together. That's what Democrat Steny Hoyer did after he lost to Nancy Pelosi in 2002, and Democrats proceeded to govern in unified fashion after they won the House in 2006.

If Mr. Meadows wants to stage a coup, he should do it publicly by putting his agenda and strategy front and center for everyone to see. Take the dagger out from under the toga, Mark, and show your colleagues that lean and hungry look. Then let's hold a vote.

#### The Next Middle East War

Israel launched airstrikes on a military compound in Syria on Thursday, and the bombing should alert the Trump Administration as much as the Syrians. They carry a warning about the next war in the Middle East that could draw in the U.S.

Israel doesn't confirm or deny its military strikes, but former officials said they were aimed at a base for training and a warehouse for short- and midrange missiles. The strikes also hit a facility that the U.S. cited this year for involvement in making chemical weapons.

The larger context is the confrontation that is building between Israel and Iran as the war against Islamic State moves to a conclusion in Syria and Iraq. Iran is using Syria's civil war, and the battle against Islamic State, as cause to gain a permanent military foothold in Syria that can threaten Israel either directly or via its proxies in Syria and Lebanon.

Tehran has helped Hezbollah stockpile tens of thousands of missiles that will be launched against Israel in the next inevitable conflict. If it can also dominate southern Syria, Iran can establish a second front on the border near the Golan Heights that would further

stretch Israel's ability to defend itself.

Israel may have to make more such strikes in Syria because Iran isn't likely to give up on this strategic opening. Iran's Revolutionary Guards know they have Russia's backing in Syria, and the U.S. is signaling that it is loathe to do anything to change that once Islamic State is routed from Raqqa.

"As far as Syria is concerned, we have very little to do with Syria other than killing ISIS," President Trump said Thursday at a White House press conference with the emir of Kuwait. "What we do is we kill ISIS. And we have succeeded in that respect. We have done better in eight months of my Presidency than the previous eight years against ISIS."

Great, but the problem is that the end of Islamic State won't bring stability to Syria, and American interests in the Middle East don't end with Islamic State. The danger of a proxy war or even a direct war between Iran and Israel is growing, and it will increase as Iran's presence builds in Syria. Mr. Trump may not like it, but he needs a strategy for post-Islamic State Syria that contains Iran if he doesn't want the U.S. to be pulled back into another Middle East war.

#### Democrats and 'Dogma'

Why is it that so many of us on this side have this very uncomfortable feeling that—you know, dogma and law are two different things. And I think whatever a religion is, it has its own dogma. The law is totally different. And I think in your case, professor, when you read your speeches, the conclusion one draws is that the dogma lives loudly within you, and that's of concern when you come to big issues that large numbers of people have fought for years in this country."

Thus did California's Senator Dianne Feinstein pronounce on Wednesday that, by virtue of being a faithful Catholic, Amy Barrett, a respected law professor at Notre Dame, may have excluded herself from a federal judgeship. President Trump has nominated Ms. Barrett for the Seventh Circuit Court of Appeals. But the Democratic obsession with Ms. Barrett's religion transformed what should have been a routine Senate confirmation hearing into a tour of the mind of the modern secular left.

The ugly implication of Mrs. Feinstein's words is underscored by the context. She deployed them to suggest Ms. Barrett's faith would lead her to substitute her personal beliefs for the law, basing the accusation primarily on a law review article Ms. Barrett wrote in 1998 as a law clerk.

Ms. Barrett and her co-author explicitly reached the opposite conclusion: "Judges cannot—nor should they try to—align our legal system with the Church's moral teaching whenever the two diverge."

The question addressed by the law review article was what Catholic judges ought to do when they conclude they cannot in good conscience apply the law as written because it clashes with their own moral views. If she was rattled by the question, Sen. Feinstein ought to have been reassured by the answer Ms. Barrett gave: They should recuse themselves.

David Rivkin, a constitutional litigator, says "the tenor of questions by Democrat Senators seemed designed more to challenge the ideas of Catholic orthodoxy—a subject more fitting for a theological debate than a Senate hearing."

Proving Mr. Rivkin's point, Sen. Dick Durbin jumped in to demand of Ms. Barrett: "Do you consider yourself an orthodox Catholic?" Does Mr. Durbin understand that he sounds like the Southern Baptist ministers in 1960 who thought Jack Kennedy shouldn't be President because he'd take orders from the pope?

This questioning is part of a broader effort on the left to disqualify people with strong religious views from the public square. Ms. Feinstein's smear about Ms. Barrett's "dogma" dovetails with the left-wing Southern Poverty Law Center's effort to label any outfit that doesn't go along with its agenda a "hate group."

Sen. Al Franken, the great legal philosopher, wrapped it all up nicely by accusing Ms. Barrett of having appeared before a "hate" group. He was referring to the Alliance Defending Freedom, a religious liberty outfit that the Southern Poverty Law Center designated a hate group because it adheres to traditional views about human sexuality and marriage.

As for judges imposing dogma over the law, it's worth noting that not all dogmas are religious. Democratic interest groups are explicit in demanding that Democratic judicial nominees be committed to overturning *Citizens United*'s defense of free speech while brooking no modification in *Roe v. Wade*.

Let's hope the Senate rejects the bigotry that marred Wednesday's hearing and approves the eminently qualified Ms. Barrett for the Seventh Circuit. The federal bench could use more judges who understand their civic duty as well as Ms. Barrett does.

#### Comey's Secret Power



##### POTOMAC WATCH By Kimberley A. Strassel

J. Edgar Hoover's abuse of power as FBI director led America's Congress and Justice Department to put new checks on that most powerful and secretive of offices. By the time U.S. Congress finishes investigating James Comey's role in the 2016 presidential election, those safeguards may be due for an update.

Powerful as Hoover was, even he never simultaneously investigated both major-party candidates for the presidency. Mr. Comey did, and we're now getting a glimpse of how much he influenced political events.

Mr. Comey's actions in the Hillary Clinton email probe are concerning enough. He made himself investigator, judge and jury, breaking the Justice Department's chain of command.

He publicly confirmed the investigation, violating the department's principles. He announced he wouldn't recommend prosecuting Mrs. Clinton, even as he publicly excoriated her—an extraordinary abuse of his megaphone. Then he rekindled the case only 11 days before the election.

An inquiry by the Senate Judiciary Committee has now shown that Mr. Comey's investigation was a charade. He wrote a draft statement exonerating Mrs. Clinton in May, long before he bothered to interview her or her staff. This at least finally explains the probe's lackluster nature: the absence of a grand jury, the failure to follow up on likely perjury, the unorthodox immunity deals made with Clinton aides.

But the latest big development is a new look at how Mr. Comey may have similarly juked the probe into Donald Trump's purported ties to Russia.

The House Intelligence Committee's investigation took a sharp and notable turn on Tuesday, as news broke that it had subpoenaed the FBI and the Justice Department for information relating to the infamous Trump "dossier." That dossier, whose allegations appear to have been fabricated, was commissioned by the opposition-research firm Fusion GPS and then developed by a former British spook named Christopher Steele.

But the FBI had its own part in this dossier, and investigators are finally drilling down into how big a role it played, and why.

The bureau has furiously resisted answering questions. It ignored the initial requests for documents and has refused to comply with the House committee's subpoenas, which were first issued Aug. 24.

Republicans are frustrated enough that last week they sent orders compelling FBI Director Christopher Wray and Attorney General Jeff Sessions to appear before the committee to explain the obstruction.

One explanation is that the documents might show the FBI played a

central role in ginning up the fake dossier on Mr. Trump.

To this day, we don't know who hired Fusion GPS to gather the dirt. The New York Times early this year reported, citing an anonymous source, that a wealthy anti-Trump initially hired Fusion to dig into Mr. Trump's business dealings, but the contract was later taken over by a Clinton-allied group. That's when Fusion shifted its focus to Russia and hired Mr. Steele.

The question is when the FBI got in on the act. The Washington Post in February reported that Mr. Steele "was familiar" to the FBI, since he'd worked for the bureau before. The newspaper said Mr. Steele had reached out to a "friend" at the FBI about his Trump work as far back as July 2016. The Post even reported that Mr. Steele "reached an agreement with the FBI a few weeks before the election for the bureau to pay him to continue his work."

#### Here's a question: What if the FBI had a lot to do with that fake Trump 'dossier'?

Who was Mr. Steele's friend at the FBI? Did the bureau influence the direction of the Trump dossier? Did it give Mr. Steele material support from the start?

The timing matters because it could answer the vital question of why the FBI wanted the dossier. Here's one thought: warrants.

The Foreign Intelligence Surveillance Court, which oversees spying activities, is usually generous in approving warrants, on the presumption law-enforcement agencies are acting in good faith. When a warrant is rejected, though, law enforcement isn't pleased.

Perhaps the FBI wanted to conduct surveillance on someone connected to a presidential campaign (Carter Page?) but couldn't hit what was—and ought to be—a supremely high bar for getting such a potentially explosive warrant. A dossier of nefarious allegations might well prove handy in finally convincing the FISA court to sign off.

The FBI might have had a real motive to support Mr. Steele's effort. It might have even justified the unjustifiable: working with a partisan opposition-research firm and a former spook to engineer a Kremlin-planted dossier that has roiled Mr. Trump's entire presidency.

Now that's power.

Mr. Comey's meddling has never seemed to stem from some hidden partisan impulse, but rather from an overweening self-righteousness.

But power can be misused as much in the hands of the sanctimonious as the corrupt. And it's overdue for congressional investigators to get to the bottom of precisely how much power Mr. Comey was exercising.

Write to [kim@wsj.com](mailto:kim@wsj.com).

#### LETTERS TO THE EDITOR

#### Turkey Is a Victim, Not a Vector of Terrorism

Your Aug. 11 editorial "An Aussie Terror Warning" paints a distorted picture of Turkey's fight against terrorism by suggesting that Turkey acts as a gateway for terrorists trying to attack the West.

My country has suffered from the most violent forms of terrorism for decades. Contrary to your suggestion, we have been a leader of efforts to fight this scourge, both at home and abroad.

Turkey was the first country in the world to launch a successful ground offensive against Daesh in Syria, helping to clear an area that has since become a haven of peace for 70,000 Syrians fleeing violence. We have opened our facilities and airspace to the U.S. and other partners to the fight against terrorism.

We have shut down 12 Daesh-linked organizations in Turkey. We have moved aggressively to disrupt the flow of foreign fighters into Syria, banning more than 50,000 foreigners from entering Turkey and deporting or arresting another 5,000 linked to terrorist activity. We launched a comprehensive social-media surveillance effort and closed more than 2,500 social-media accounts linked to terrorist activities, knowing that terror networks recruit members online. And we have

#### Pakistan, India Are Unlikely To Cooperate on Afghanistan

Saad Mohseni and Mitchell Shivers are right in arguing that "President Trump Needs a Special Envoy in Afghanistan" (op-ed, Aug. 25). However, their suggestion that the appointee will have to coax India and Pakistan to work together on Afghanistan shows that, despite their depth and length of experience in that country, they have learned nothing about that particular dynamic. It is analogous to expecting Iran to work with Israel to root out Hezbollah.

VIJAY DANDAPANI

New York

begun construction of a 911-kilometer wall designed to protect the Syrian border, cutting off Daesh finance and member-acquisition routes.

Turkey has also been a leader in welcoming refugees who escaped the cruelty of Daesh and the broader war in Syria. We shelter the largest number of refugees in the world, with more than three million Syrians finding refuge in our country.

We provide free health care to all registered Syrians in the country, and we grant them access to education. Our humanitarian budget exceeds \$25 billion—the second largest in the world.

So it isn't appropriate to single out Turkey as a gateway for terrorist attacks. We live on the front lines of terrorism, and we fight it every day.

On the specific incident cited in your editorial, we reached out immediately to our Australian counterparts and have been collaborating closely with them ever since.

Turkey and the U.S. are NATO allies. Turkey stood by the U.S. following the 9/11 terrorist attacks, and we have worked together ever since to stop terrorists and take down the networks that support them.

As President Trump noted earlier this year standing alongside President Recep Tayyip Erdogan: "Today we face a new enemy in the fight against terrorism, and again we seek to face this threat together."

The common threat we face today calls for increased cooperation, not baseless allegations thrown at trusted and long-standing allies.

SERDAR KILIÇ

Ambassador of Turkey to the U.S.

Washington

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

## OPINION

# Trump Finally Pivots—but Will It Last?



DECLARATIONS  
By Peggy Noonan

**A**nd so, the pivot. I thought it would come sooner, on the heels of the inaugural address in which President Trump deliberately declared his distance from the Republicans of George W. Bush's era and the Democrats of Barack Obama's: "Washington flourished—but the people did not share in its wealth. Politicians prospered—but the jobs left, and the factories closed. The establishment protected itself, but not the citizens of our country." That was the famous "American carnage" speech, and it was Mr. Trump saying he was something new, a beginner of things, a party of one.

**H**e had a great meeting with 'Chuck' and 'Nancy.' What comes next is anybody's guess.

He didn't follow through.

Because the pivot has come late, after almost eight months of fumbles and blunders that hardened sides, the outlook for any new and sustained legislative progress seems doubtful at best. But yes, what we saw last week was Mr. Trump's pivot toward the Democrats.

It's amazing he didn't try it sooner. Mr. Trump isn't, as all know, a conservative; he has in his history of statements and positions been at least as much a Democrat as a Republican, and long contributed money to both parties.

His core supporters have always been misunderstood as right-wing when they're something broader and more complicated than that.

Mr. Trump has never been a stan-

dard Republican. He beat all the standard Republicans in the primaries.

On top of that, to govern successfully in an increasingly postpartisan nation, he always needed Democrats on the Hill more than he needed Republicans. He could always, for instance, get most Republicans to support some kind of tax reform, but he'd need Democrats to get a bill comfortably over the top and broadly accepted by the people.

Mr. Trump instead threw in with Republican leaders, was disappointed on health care, and concluded they were useless.

Now, after weeks of insulting them—"They look like fools," he tweeted after that loss—comes what reportedly happened in the Oval Office last week. The president, meeting with Hill leaders from both parties, rebuffed Speaker Paul Ryan and Senate Majority Leader Mitch McConnell and embraced Senate Minority Leader Chuck Schumer's recommendation to raise the debt ceiling and finance the government for only three months.

He did this literally in front of the Democrats, including House Minority Leader Nancy Pelosi, and while overruling his own Treasury secretary. Later the president spoke of his great meeting with "Chuck" and "Nancy."

At a tax-reform rally in Mandan, N.D., he invited the state's Democratic senator, Heidi Heitkamp, who'd flown out with him on Air Force One and is up for re-election next year, onto the stage, and praised her as a "good woman."

As Ben Domenech noted in the *Federalist*, it can be assumed there was something of a personal angle in the pivot: Mr. Trump "doesn't like McConnell and Ryan, never did. He likes Chuck Schumer, and knows him, and thinks he can work with him. And he knows Chuck always makes money for his partners." That last is a brilliant allusion to "The Godfather, Part II."

I suspect most voters will like the deal made last week—get something



EVAN VUCCI/ASSOCIATED PRESS

**Minority Leader Chuck Schumer (foreground) in the Oval Office on Wednesday.**

done, pass a bill! America doesn't need a government shutdown or a prolonged debt-ceiling debate or a stupid argument over helping Houston (and soon Florida). North Korea is bubbling, hurricanes are battering—people won't mind this deal, and a lot of them will actively approve of it.

The president's core supporters won't hold it against him. Again, he had a lot of support from traditional Democrats. His core isn't far right, it's opposed to how Washington has comported itself the past few decades. They have a tropism toward the outsider, and the more the mainstream media hate him, the more they'll stick with him.

Will the pivot last? There are plenty of reasons to doubt it.

Mr. Trump's nature lacks constancy. He's shown he's unsteady in his direction. He's changeable. This is part of why he doesn't do long-term strategy but focuses on daily, shifting tactics.

*The Dreamers can depend on him, he'll take care of them. The Dreamers are out of here in six months. The Dreamers have nothing to fear, he'll work something out.*

Soon Mr. Schumer or Mrs. Pelosi will get him mad, and he'll be on the phone with Mr. McConnell saying: "I miss you, at least you have principles. Come see me."

Mr. Trump isn't moving toward the Democrats from a position of strength. After the inauguration, he would have had the mystique and power of a new force who'd just won an amazing election. Now he's battered.

Mr. Trump has always put himself forward as the best deal-maker in history, and his core supporters have respected that—he's "The Art of the Deal," a survivor who finagled his way through bankruptcies; he's shrewd. But he hasn't demonstrated this in the presidency.

Triangulating—making deals with the other party while holding on to your own—requires real policy depth. You have to know what's non-negotiable, what can be given up without much damage. It requires a kind of philosophical reach—knowing what you and your supporters stand for and why. Without that knowledge you'll get outfoxed. Without it you'll get rolled.

As for the Democrats, their base has come to hate the president as never

before. He's done little to bring them over or blunt their antagonism.

That base with its rising left will make Democrats on the Hill pay a heavy price for working with him. They'll howl and call Democratic leaders sellouts, complicit, accuse them of doing deals with the devil. To get around this, Democratic leaders will have to press Mr. Trump hard to the left in the deals they make.

That in turn would set Republican lawmakers on a path of true rebellion. The president gives the leadership no credit for it, but Republicans have been patient with him, squelching their criticism after embarrassing tweets and statements. They did so not only because they fear Mr. Trump's core supporters, which they do, but because they hoped to make real progress with him, as they did early on, with Justice Neil Gorsuch's appointment.

But if a Trump being forced too far left frees them from the idea that they must work with him, some will turn on him, venting their long-tamped-down fury. This will further, and in a formal way, rupture the party.

A Trump in close alliance with Democrats will be disorienting to his closest allies in the House, the conservative members of the Freedom Caucus. They broke with the president on health care, but they come from largely pro-Trump districts, they've defended him more vocally and enthusiastically than the GOP leadership has, and they have good relations with him. But they are traditionally conservative in their philosophy and stands. They would in many ways be philosophically opposed to the new Trump.

For now the pivot is a major development. Democratic leaders in Congress are smiling and preparing wish lists. If the pivot lasts and works, it will be remembered as big.

If not, it's just another zany, fleeting, unconnected moment in Trumpland.

## Shakespeare's Lessons on Donald Trump

By Paula Marantz Cohen

**T**he more I read, teach and watch performances of Shakespeare's plays, the more my political thinking is clarified. I have not become more allied with a particular party: Shakespearean politics are philosophical, not partisan. They do, however, express a basic value system—still relevant today—with which to think about society and judge its health or sickness.

**T**he Bard was, in the classic sense, conservative. What would he have made of the U.S. president?

Shakespearean politics are conservative in the classic sense. They value order. For Shakespeare, society is the Elizabethan "great chain of being" made manifest. God is at the hierarchy's top, as the embodiment of supreme order. Satan is at the bottom, the epitome of complete chaos.

In between is society, the human effort to replicate the orderliness associated with godliness. Its customs, traditions and laws keep chaos at bay and provide an emotional and intellectual connection across the divide.

Yet Shakespeare's support for social order isn't an uncritical approval of the status quo. There is no pretense that whatever exists at any given time is sacred or absolute. One supports the king because he is the king, not because he is a particularly good one.

When Henry Bolingbroke usurps the crown in "Richard II," he goes against the orderliness of succession and prompts a long and bloody civil war. Yet once Bolingbroke wins and becomes Henry IV, his reign and succession assume their own legitimacy.

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In Shakespeare's political philosophy, social disruption is to be feared and opposed, but when it happens, the subsequent order then needs to be preserved, so long as it is rational.

In Shakespeare's tragedies, disruption produces drama but is condemned as a course of action. There would be no play if Claudius didn't kill Hamlet's father. Don't forget, though, that Claudius is a villain whose evil, illegitimate action produces devastating consequences.

In the comedies, one might argue that disruption comes closer to what we associate with innovation. In "As You Like It," when Duke Frederick banishes the legitimate king, Duke Senior, the ultimate result is positive.

The Forest of Arden, where the characters interact for most of the story, is a site of experimentation and play. Yet "As You Like It"—and all of Shakespeare's comedies, for that matter—is an extreme exercise in whimsy. The audience knows this isn't how life really works. The disruption it enacts is temporary, and, at the end, the existing social order is reinstated with only minor revision.

That said, Shakespeare has an acute understanding of the consequences of prejudice and meanness. "The Merchant of Venice" dramatizes the result of persistent, socially sanctioned mistreatment of one group of people. The villain of the play, the Jew Shylock, has experienced a lifetime of abuse, and his resentment fuels his determination to exact the pound of flesh that he is legally owed. Portia must exploit a loophole in the law to foil his claim. Through her ingenuity, the social order is made right, but the verdict—forcing Shylock to convert to Christianity—perpetuates his mistreatment.

The play ends on a disturbing note. Portia had asked Shylock to show mercy, but then she doesn't show it to him. The sentence she delivers seems bound to breed further resentment.

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The common assertion that middle-class American households have seen no increase in real incomes for 30 years simply isn't true. And contrary to a common fear, most members of the younger generation will have higher real incomes as adults than their parents had at the same age.

The government's growth estimates are excessively pessimistic for two reasons. First, government statisticians grossly underestimate the value of improvements in the quality of existing goods and services. More important, the government doesn't even try to measure the full contribution of new goods and services.

Consider how the government handles manufactured products when their quality improves. Statisticians track a large number of products. For each, they ask the manufacturer two questions: Has the product changed since last year? If so, how much more does it cost to make this year's model than it would now cost to make last year's model?

If there is no increase in the cost of production, the government concludes that there has been no increase in quality. And if the manufacturer reports an increase in the cost of production, the government assumes that the value of the product to consumers has increased in the same proportion.

That's a very narrow—and incorrect—way to measure quality change.

How do these insights apply to America today? Some say electing Donald Trump, despite his coarse, unpredictable nature, was better than the alternative. At least he would shake things up. But shaking up a social system, even a deeply flawed one, is treacherous.

This president combines qualities of Shakespeare's worst kings: the vanity of Lear, the impetuosity of Richard II, the maliciousness of Richard III. His presidency hasn't introduced a new order the way Henry IV did. It has increased chaos and discord. No Trump-like character could possibly triumph in a Shakespeare play.

Yet Shakespeare's "Henriad"—the eight-play historical sequence that

begins with Bolingbroke's usurpation of Richard II—chronicles a multigenerational war culminating in the ascendancy of the villainous Richard III. His final defeat ushers in the Tudor dynasty: a union of the warring Houses of Lancaster and York.

Perhaps by learning from that tale of partisan vitriol, Americans can move away from finger-pointing, take responsibility for political and social failures and build a new consensus.

Reading Shakespeare's historical plays could encourage people to be less self-righteous in their political positions. Still, that leaves the problem of how to rectify what years of misrule and resentment have wrought. It also doesn't answer the

question of where to draw the line between supporting the office of the presidency and backing a man who seems to have no respect for its historical traditions and values.

Perhaps a Portia-like figure could use her legal ingenuity to effect the ouster of this selfish and irrational man. Yet this risks perpetuating the resentment that caused his election in the first place. Studying Shakespeare teaches nothing if not humility: an openness to the possibility that someone else may have an answer that has escaped the rest of us.

*Ms. Cohen is a professor of English at Drexel University, where she is dean of the Pennoni Honors College.*

## Americans Are Richer Than They Realize

By Martin Feldstein

**U**.S. government statistics paint an excessively grim picture of what is happening to real wages in America and the growth of real national income. Although most households' take-home cash has been rising very slowly for decades, their standard of living is increasing more rapidly because those wages can now buy new and better products at little or no extra cost.

The government's measure of real incomes gives too little weight to this increase in what take-home pay can buy.

The common assertion that middle-class American households have seen no increase in real incomes for 30 years simply isn't true. And contrary to a common fear, most members of the younger generation will have higher real incomes as adults than their parents had at the same age.

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In reality companies improve products in ways that don't cost more to produce and may even cost less. That's been true over the years for familiar products like television sets and audio speakers.

The government therefore doesn't really measure the value to consumers of the improved product, only the cost

**The official economic statistics fail to account for quality improvements and new products.**

of the increased inputs. The same approach, based on measuring the cost of inputs rather than the value of output, is also used for services.

The official estimates of quality change are therefore mislabeled and misinterpreted. When it comes to quality change, what is called the growth of real output is really the growth of real inputs. The result is a major underestimation of the increase in real output and in the growth of real incomes that occurs through quality improvements.

The other source of underestimation of growth is the failure to capture the benefit of new goods and services. Here's how the current procedure works: When a new product is developed and sold to the public, its market value enters into nominal gross domestic product. But there is no attempt to take into account the full value to consumers created by the new product.

Think about statins, the remarkable class of drugs that lower cholesterol and reduce deaths from heart attacks. By 2003 statins were the best-selling pharmaceutical product in history. The total dollar amount of statin sales was counted in GDP, but the government's measure of real income never included anything for improvements in health that resulted from statins—such as a

It's impossible to know how much the official statistics underestimate the true growth of real incomes. My own judgment is that the true annual growth rate could exceed the official figure by two percentage points or more, implying that the true annual rate of real per capita income growth during the past two decades has been much more than double the official 1.3%.

Even though real incomes are rising faster than is widely believed, we can and should do even better. Changing our tax rules, reforming regulation and improving education can spur faster growth and a more rapid rise in the standard of living. But even as we pursue these policies we shouldn't lose sight of the economy's superior performance.

*Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.*

## LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

# A Regimen to Stay Undefeated

Having put off a finance career for fighting, light heavyweight boxer Mike Lee explains how recovery is as important as training

Mike Lee knows you need more than strength to prevail in the ring. Boxing also takes brains.

At 16, Mr. Lee balanced time practicing the sweet science with a job as a runner on the commodities floor at the Chicago Board of Trade. He competed as an amateur boxer throughout college. After graduating with a finance degree from the University of Notre Dame's Mendoza College of Business in 2010, he decided to postpone a career in finance to pursue pugilism.

"In my early days, I felt immortal," says Mr. Lee, who is now 30. "Then my body started to show signs that I wasn't invincible." A succession of injuries kept him out of the ring for nearly two years. He broke his hand in the third round of his first fight at New York's Madison Square Garden in 2011 and continued fighting until he won by knockout. "I probably should have stopped, but when you're in front of a crowd like that, you don't feel the pain," he says.

He then struggled with jaw and back injuries. He wondered if his body was telling him it was time to hang up his gloves.

Mr. Lee began working with a nutritionist and started to take recovery, like ice therapy, yoga and massage work, just as seriously as training. He also enlisted a sports psychologist who taught him visualization techniques. "I visualize every fight," he says. "The smells, the colors, my opponent's moves, my response." Now he says he's the strongest, fastest and smartest he's been in his boxing career. Ranked 12th in the **World Boxing Association's** light heavyweight division, he's shooting to put his perfect 19-0 record on the line with a Sept. 15 bout against Aaron Quattrochi in Rosemont, Ill.

### The Workout

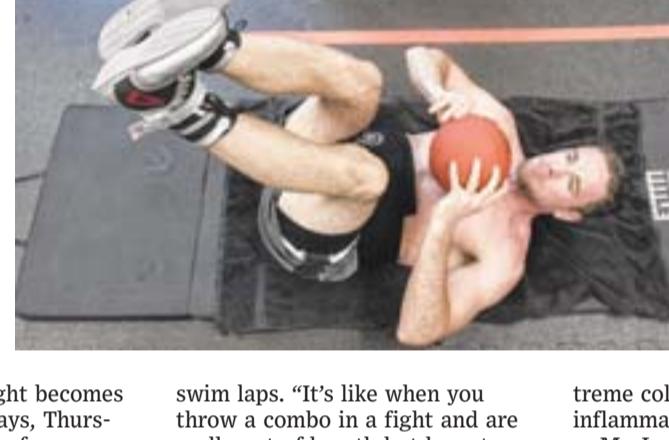
Mr. Lee spars Mondays, Wednesdays and Fridays at Wild Card

MICHAL CZERWONKA FOR THE WALL STREET JOURNAL



West Boxing Club in Santa Monica, Calif. Leading up to fights, he tries to spar with someone who can mimic his opponent's fighting style. In a real fight, each round lasts three minutes, with one minute of rest between rounds. In training, he cuts the rest to 30 seconds. "The idea is to push yourself so hard in training that fight night becomes easy," he says. Tuesdays, Thursdays and Saturdays he focuses on pad work, heavy bags and film study.

A second evening workout is dedicated to strength and conditioning. He runs or swims for cardio. In the pool, he'll practice breath holds underwater and then



swim laps. "It's like when you throw a combo in a fight and are really out of breath but have to collect yourself," he says. He finishes workouts by jumping rope for 15 minutes. Ten seconds of each minute he goes all-out, doing double jumps or high knees to elevate his heart rate. Strength work includes explosive plyometric exer-

cises like box jumps and kettlebell swings.

Between workouts he focuses on recovery. He regularly visits a chiropractor and massage therapist specializing in muscle-activation technique. He spends three minutes in a cryotherapy chamber—similar to an intense ice bath—a few times a week, particularly after tough sparring days. The extreme cold is meant to reduce inflammation and muscle soreness.

Mr. Lee was dubious about the benefits of yoga before he started practicing five years ago. "My joints felt so loose after my first class," he says. "I realized I had been totally ignorant about its benefits." He tries to go to a hot yoga class at Core Power at least

once a week. Sundays are a rest day.

### The Diet

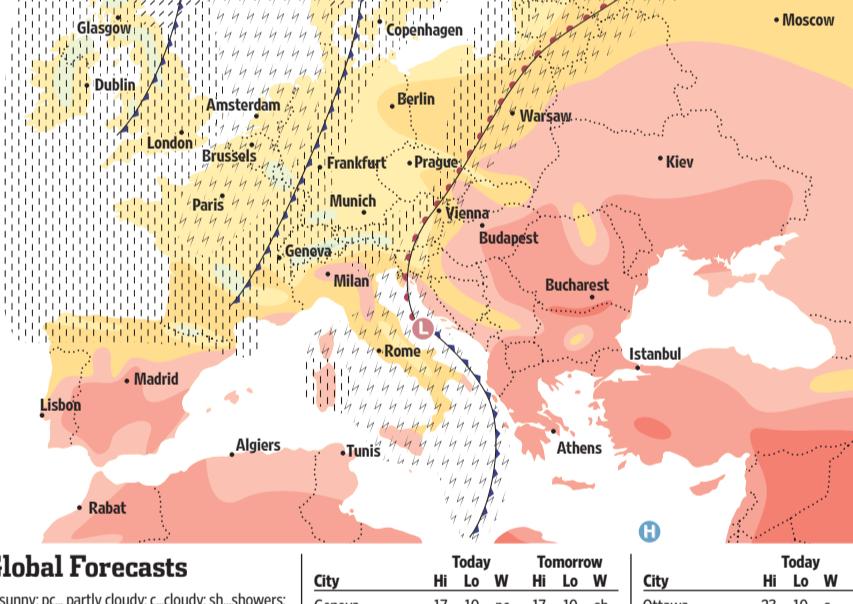
The first time Mr. Lee fought on ESPN, he had to lose 7 pounds in one day to make his agreed weight for the fight—an amount considered unhealthy for normal people, but not unusual for boxers pre-fight. "It was mostly water weight, but it was still difficult and not something I ever want to have to do again," he says. His team now has his nutrition down to a science so that he can weigh in at 175 pounds and go into the ring around 187 pounds. "A lot of the secret is water-weight manipulation," he says.

He works with a nutritionist and has microwavable meals shipped to him each week. Mr. Lee is hypoglycemic, but says eating small meals throughout the day helps stabilize his blood sugar. He eats a largely plant-based diet with moderate amounts of lean protein. Breakfast might be quinoa with kale and bison or egg whites with gluten-free toast and avocado. "I could eat Mexican food three meals a day," he jokes, "but I try to limit it to one." Chicken tacos topped with black beans and rice in corn tortillas are a typical lunch. Dinner might be grilled salmon and a salad.

### The Gear

"I love Under Armour and they send me a lot of gear," he says. He has custom-made Reebok boxing shoes and likes Nike and Under Armour sneakers for running. He's worn Grant gloves his entire boxing career. He's become a Lululemon convert. "My sister taught yoga and introduced me to the brand," he says. "They make some of the most comfortable workout clothing."

### Weather



### Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	16	12	t	17	12	pc
Anchorage	14	9	c	14	10	c
Athens	30	23	s	31	23	s
Atlanta	18	15	r	19	15	r
Bahrain	46	26	s	46	26	s
Baltimore	24	14	s	22	16	c
Bangkok	34	26	c	34	26	t
Beijing	29	13	s	30	17	s
Berlin	19	11	pc	18	10	pc
Bogota	21	8	pc	19	9	r
Boise	31	16	pc	31	17	s
Boston	26	16	s	28	16	s
Brussels	17	11	t	18	12	t
Buenos Aires	17	6	r	18	8	s
Cairo	36	24	s	38	25	s
Calgary	28	8	pc	18	6	pc
Caracas	32	24	pc	32	26	pc
Charlotte	19	17	r	26	15	r
Chicago	24	14	s	24	16	s
Dallas	31	18	s	31	19	s
Denver	30	15	pc	31	15	pc
Detroit	23	13	s	24	16	s
Dubai	41	32	s	41	31	s
Dublin	15	9	pc	15	8	r
Edinburgh	16	9	sh	15	7	sh
Frankfurt	17	12	pc	17	12	pc

### AccuWeather.com

### The WSJ Daily Crossword | Edited by Mike Shenk



### IT'S ABOUT TIME! | By Julian Thorne

Across			
1	Cheese in a red coat	23	They're outstanding
5	"Give me ____ ("Call me")	25	Fiction's counterpart
10	Like bulls and boars	26	Social environment
14	Sumptuous	29	Quantity of tourists or schoolchildren
15	Mount Everest is on its northern border	32	*Cirrus cloud component
16	Jumbo-screen film format	35	End for luncheon or kitchen
17	*Basic emoji	36	Stable oldster
19	Philosopher Descartes	37	Eggs Benedict ingredient
20	English town noted for its salts	38	Soil breaker
21	*The devil's workshop, so they say	39	General Bradley
		41	*Group of amateur rockers
		45	In the family
		47	Brings together
		48	Fix sloppy sentences
		49	Demonstrates flexibility
		51	*Medulla oblongata's place
		54	Scarlett Butler's maiden name
		58	Company emblem
		59	Guiding principles, and the ends of the starred answers
		61	Up to the task
		62	Bygone anesthetic
		63	High point

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

64 Take note of

65 Zaps, in a way

66 Lip

**Down**

- 1 Otherwise  
2 Send a Dear John letter to, e.g.  
3 Graph line  
4 Pleasant to listen to  
5 No matter which  
6 Modernize, as a ship  
7 Popular tablets  
8 Chemist's salt  
9 Merry  
10 Canonization requirement  
11 "Absolutely!"  
12 Touch down  
13 Old flames  
18 Mideast chieftain  
22 Bears  
24 Broker's advice  
26 Unimportant  
27 Start of a Caesar boast  
50 Host at a roast  
51 Unexciting  
52 Choir costume  
53 "Tootle-oo!"  
55 Neighborhood  
56 Nutritional amts.  
57 Sets the price at  
60 Day divs.

**Previous Puzzle's Solution**

AT	ALLOYS	AGATES	ERRANT
RED	BERET	SIMPLY	
OUR	AUDUBON	WIT	
SPEC	BALDWIN	WAFFLES	
SWAT	ELM	SCREEN	
PROXY	ELMS	SECRET	
PERFECT	SQUARES		
EXECUTIVE	DELFT		
SPLIT	YEN	FEDS	
HENS	HEATH	DANA	
ADD	MISDIAH	MOB	
WIENER	ONSAY	NETWAGES	
ATEASE	LENDERS		
REREAD			

The contest answer is ALGEBRA. The center Across answers PERFECT/SQUARES suggest looking at the boxes that contain numbers that are perfect squares (1, 4, 9, 16, 25, 36 and 49). The letters in those boxes spell the contest answer.

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, September 11, 2017 | B1

Euro vs. Dollar 1.2040 ▲ 0.13%

FTSE 100 7377.60 ▼ 0.26%

Gold 1346.00 ▲ 0.07%

WTI crude 47.48 ▼ 3.28%

German Bund yield 0.312%

10-Year Treasury yield 2.058%

## Behind the Push for \$1,000 Phones



Samsung's Galaxy Note 8, above, costs around \$950. Apple's new anniversary iPhone is expected to start at about \$1,000.

BY TRIPP MICKLE  
AND TIMOTHY W. MARTIN

Prepare for smartphone sticker shock.

A decade into the smartphone era, **Apple Inc.** and **Samsung Electronics Co.** are betting they can increase sales by jacking up the price of their flagship products—bucking the usual downward arc for prices of consumer electronics in the years after introduction.

Apple on Tuesday is expected to unveil a more-advanced iPhone—also known as the anniversary iPhone, the iPhone 8 or

iPhone X—which analysts predict will carry a starting retail price of about \$1,000. That would be about 50% more than the cheapest version of the iPhone 7 Apple introduced last year at \$649, and about 30% more than the larger iPhone 7 Plus, at \$769. (On Tuesday, Apple also is expected to show off updated versions of those phones with prices similar to last year's models.)

Apple's new iPhone debut follows Samsung's launch last month of its new high-end phone, the Galaxy Note 8, which hits shelves Sept. 15

starting at around \$950.

Prices approaching \$1,000 are more often associated with durable kitchen appliances than with pocket-size devices people tend to replace every few years. Yet Apple and Samsung think they will be able to sell tens of millions of smartphones at the higher price points, in part because of how vital the devices have become. Many users are willing to pay a premium for a handset that functions as not only a mobile phone, but also a personal computer, a video player, a

Please see PHONES page B4

## China Opens Up for Fund

SHANGHAI—Bridgewater Associates LP is poised to amass a huge investment fund in China, giving its founder, Ray Dalio, the kind of clout that has

By Rob Copeland,  
Bradley Hope  
and James T. Areddy

largely eluded Western financial firms in the world's second-largest economy.

Bridgewater already manages billions of dollars invested outside China by Chinese institutions and the government itself. It also won rarely granted access to trade directly in local Chinese financial markets.

The next move by the world's biggest hedge-fund firm would be even grander. With Chinese government approval, Bridgewater plans to use a new unit based in China to raise billions of dollars domestically to buy and sell assets in the country. The size and ambition of the new unit haven't been reported previously.

**Bridgewater founder Ray Dalio has said that China is his longest-term project.**

Mr. Dalio, 68 years old, has been fascinated by China since making his first trip there in 1984. He has been back to the country several dozen times and studied Chinese culture so closely that Bridgewater reflects aspects of Chinese political ideology, according to current and former employees.

This article is based on interviews with current and former Bridgewater employees who are familiar with its efforts in China, as well as other people close to Bridgewater.

Mr. Dalio turned Bridgewater into one of the most successful investment firms ever, making investors \$49 billion since its launch in 1975, according to **LCH Investments NV**. Based in Westport, Conn., Bridgewater handles \$160 billion.

He has told associates at Bridgewater that he considers himself an "economic doctor" who has a unique ability to diagnose countries' financial ailments, adding that China is his longest-term project. Mr. Dalio has made charitable donations totaling tens of millions of dollars in the country.

He has instructed the research team at Bridgewater to send notes about China directly to him for review before they are published.

"They aren't there to curry favor."

### Hired Hands

Amazon's workforce is growing rapidly as it builds out new warehouses.

As of 2Q 2017. Source: the company

THE WALL STREET JOURNAL.

ERS, says Vivek Ravisankar, chief executive of developer recruitment startup HackerRank. "There are so many other states that have talent," he said, with the fastest-growing developer activity in Hawaii, Colorado, Virginia and Maryland.

## Hiring Is Key to New Amazon Hub

Rising costs in Seattle, need for talent factor into company's search for second headquarters



Three glass-covered domes under construction in April as part of an expansion of the tech giant's campus in downtown Seattle.

By LAURA STEVENS

**Amazon.com Inc.** is outgrowing its hometown of Seattle.

A major reason behind Amazon's new plan to build a second headquarters elsewhere in North America is the need to hire thousands more software developers. That will almost certainly be cheaper and easier in a city other than Seattle, experts say, where Amazon's growth has helped fuel soaring labor and real-estate costs and a shortage of space.

In Seattle, where Amazon has been based for more than 20 years, the retailer has opened new office buildings to accommodate its rapidly growing workforce, which now tops 40,000. But Amazon said Thursday it is seeking a new campus to eventually house an additional 50,000 workers.

Seattle is "just not big enough to double the size of their footprint," says Christopher B. Leinberger, a professor at George Washington University.

A second headquarters also would give Amazon a chance to spread its economic clout

City School of Business and a nonresident senior fellow at the Brookings Institution who specializes in land use.

Amazon accounted for more than half of the Seattle office space created over the past year and a half, and the city's commercial real-estate vacancy rate is already lower than the national average, according to the national average, according to commercial real-estate firm Colliers International. The un-

employment rate for the county is below the national average, according to the latest available data. Meanwhile,

home prices in Seattle have risen 47% to an average of \$667,482 since 2007, according to the Cost of Living Index by the Council for Community and Economic Research.

The online-retail giant said its next headquarters should be located in a walkable transportation hub with good access to an educated workforce and universities.

A second headquarters also would give Amazon a chance to spread its economic clout

and political constituency. Proposals are due next month, Amazon said.

"When you think about how deep a labor market needs to be to fill that many jobs, it's much more of a constraint than a real-estate piece," said Dylan Taylor, president and chief operating officer at Colliers.

That is in part why a number of tech giants including Facebook Inc. and Microsoft Corp. are opening satellite offices far from their home sites to tap additional talent. Alphabet Inc.'s Google and Apple Inc. have offices in Seattle to compete with Amazon for workers.

"All this recent job growth—which is great—is showing us just how far behind we are" in areas like housing and public transportation, says Jon Scholes, chief executive of the Downtown Seattle Association.

In addition, other industries such as banking and retail are hiring more software develop-

## Consumers Blast Equifax's Hack Response

By ANNAMARIA ANDRIOTIS  
AND AARON LUCCHETTI

Consumers worried about potential damage to their personal-financial information criticized **Equifax Inc.**'s early response to a hack that may have exposed the majority of American adults to harm.

The credit-reporting company, which plays an important behind-the-scenes role in helping lenders to decide who gets loans and at what rates, was thrust into a bigger spotlight Thursday after it said that hackers had gained access to some of its systems, potentially compromising personal information such as names, addresses, Social Security numbers and birth dates for roughly 143 million U.S. consumers.

That figure represents roughly 55% of Americans age

18 or older. Equifax released a statement Friday evening saying "we understand that some consumers are experiencing difficulties getting the answers and support they need...We are focused on mak-

ing improvements as quickly as possible." On Thursday, the company's chairman and chief executive, Richard F. Smith, apologized in a statement and acknowledged "the concern and frustration this causes."



Equifax said hackers had gained access to some systems.

Shares of Equifax fell 14%, to \$123.23, on Friday.

Following the hack, Equifax set up a special website for people with questions about the cyberattack—[www.equifaxsecurity2017.com](http://www.equifaxsecurity2017.com)—and a dedicated call center. Among complaints from consumers was that Equifax's offer of a free one-year credit-report monitoring service appeared to require those taking part to waive their right to take legal action against the company.

The fine print in the Equifax agreement concerning the monitoring services said that consumers who take part waive the ability to bring or participate in a class-action suit, a class arbitration or other similar legal actions. That seemed to suggest that consumers would be bound to

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Bridgewater's Ray Dalio, left, meets with Wang Qishan, then China's vice premier, in Beijing in 2011.

## CHINA

Continued from the prior page  
PR in China," says Peter Alexander, founder of Z-Ben Advisors in Shanghai. "They are there to do business."

Non-Chinese banks, brokerage firms and mutual funds that have set up operations in the world's second largest economy have largely struggled to gain market share.

Mr. Dalio's history in China might help Bridgewater find a way around those challenges. His 1984 trip sparked "an incredibly rewarding thirty-plus year journey that has had a profound impact on my family and me," he wrote in an autobiography to be released this month.

In 1995, he told China's official Xinhua news agency: "China is too big and exciting to ignore." He assembled a \$100 million fund to buy stakes in Chinese companies.

The fund was disbanded without making any investments.

Since then, Mr. Dalio has often traveled to the country for meetings with local executives and powerful officials in China's state-run bureaucracy.

Over time, Bridgewater has raised billions of dollars for its existing hedge funds from Chinese clients such as the China Investment Corp., sovereign wealth fund and State Administration of Foreign Exchange, which manages the country's currency reserves.

Some of Mr. Dalio's "Principles," the 123-page manifesto that drives the philosophy and management of Bridgewater, evoke Chinese history.

Some current and former employees say the practice of "radical transparency," which requires most meetings to be recorded and employees to identify the weaknesses of other employees, reminds them of "struggle sessions" from the Cultural Revolution era, when Chinese citizens were encouraged to publicly criticize and punish one another.

At Bridgewater headquarters, Mr. Dalio created a team he named "the politburo," a modified version of the ruling Chinese Communist Party's domineering governing body of the same name.

The hedge-fund firm's polit-

buro included about two dozen top employees who adjudicated disputes and helped enforce Bridgewater's rules. The group was recently disbanded.

To trade in Chinese markets, Bridgewater is designing a new operation that focuses on Chinese securities in the mold of its All Weather portfolio, which follows a "risk parity" strategy and uses computer-driven bets.

Mr. Dalio has told people at

Bridgewater that a mechanical investment approach that steers clear of active market speculation could be the most palatable to Chinese and international investors.

In 2015, Mr. Dalio told Bridgewater clients that "our views about China have changed." The Chinese government had just intervened in financial markets to counter a stock-market swoon. "There are now no safe places to invest," he wrote in a research note.

After The Wall Street Journal published excerpts of the note, Bridgewater's technology staff detected possible signs of a cyberattack on the hedge-fund firm's computer systems. Employees suspected the possible involvement of Chinese hackers, though the perpetrators were never identified. Bridgewater concluded that no sensitive data was believed to have been stolen.

Mr. Dalio took a softer tone in a follow-up note, writing that China "has the resources and the capable leaders to manage" an economic restructuring.

Since then, Mr. Dalio has repeatedly instructed Bridgewater's hundreds of investment researchers to be careful about writing outright negative outlooks about China, reminding them that he is sanguine about its long-term prospects. He also urged researchers to be aware of how their writing could be perceived if it were leaked outside the hedge-fund firm.

In the first paragraph of a note to investors in July, Mr. Dalio wrote: "We assess the leadership in China to be skilled." A note to clients Thursday said China is "squeezing the bubble beautifully" as it adjusts its economy.

Bridgewater's only office in China—or anywhere outside Connecticut—is on the 28th floor of the towering Shanghai World Financial Center, marked with a small sign.

Bridgewater registered its name in Chinese as QiaoShui, a literal translation of the words "bridge" and "water." It deposited millions of dollars in required capital and won approval for its largest fund to invest in China's \$9 trillion primary bond market.

To trade in Chinese markets, Bridgewater is designing a new operation that focuses on Chinese securities in the mold of its All Weather portfolio, which follows a "risk parity" strategy and uses computer-driven bets.

Mr. Dalio has told people at

Bridgewater that a mechanical investment approach that steers clear of active market speculation could be the most palatable to Chinese and international investors.

## BUSINESS & FINANCE



A scene from 'It,' with Bill Skarsgård as Pennywise the clown. Warner Bros. spent \$35 million to produce the film.

# 'It' Movie Breaks Records

Film adaptation of Stephen King's 1986 novel enjoys a \$117.2 million opening

By BEN FRITZ

Hollywood got a much-needed jolt after a disappointing summer thanks to two letters: "It."

The adaptation of Stephen King's 1986 novel broke several box office records as it opened to a massive \$117.2 million in the U.S. and Canada, according to studio estimates. "It" more than doubled the prior highest September opening, \$48.5 million for "Hotel Transylvania 2" in 2015, and the record opening for a horror movie, previously \$52.6 million for 2011's "Paranormal Activity 3."

Early September is typically one of the slowest times of the year at the box office. But "It" proved that in the current environment, people go to theaters not based on a calendar date but because a movie breaks into the zeitgeist and becomes must-see.

"It" has been building buzz since its first trailer, released in March, set a record with 197 million global views in one day.

Time Warner Inc.'s Warner Bros. had relatively modest expectations when it started making "It," which is why it spent only \$35 million on pro-

duction.

"In today's theatrical marketplace you can get extremely lucky and you can get extremely unlucky," said Toby Emmerich, president and chief content officer of Warner's motion picture group. "This movie will be super-profitable."

The film's success is good news not just for Warner, but all of Hollywood. It comes following a summer with the lowest total box office grosses since 2006 and the smallest number of tickets sold since 1992.

Many movies with well known titles and huge budgets, like "Transformers: The Last Knight," "The Mummy" and Warner's "King Arthur: Legend of the Sword," flopped

when they failed to grab audience's attention as "It" did. A handful of hits, like "Despicable Me 3" and Warner's "Wonder Woman," took most of the buzz.

"It" also opened well overseas, grossing \$62 million in 46 markets and posting the highest ever horror openings in the U.K., Brazil, Russia and Australia.

The U.S. opening would have been bigger if not for

Hurricane Irma. More than 175 theaters in Florida closed down over the weekend, likely costing the movie about \$5 million, said Warner head of domestic distribution Jeff Goldstein.

Warner has been working on "It" since 2009, during which time the project survived multiple rewrites and a shutdown in production in 2015 just three weeks before it was to start shooting with director Cary Fukunaga. After Mr. Fukunaga departed over creative differences, Andy Muschietti took over and shot "It" in 2016.

The prior year, Warner assigned oversight of "It" to its New Line Cinema unit. In recent years New Line has had a run of successful horror films

made by a company now owned by Warner.

While the book was set in the 1950s, the movie takes place in the 1980s and nostalgia for that era among adults may have also increased its appeal. Last year's hit Netflix Inc. series "Stranger Things," itself inspired by "It," also took place in the 1980s. 65% of the audience for "It" was over 25, according to exit polls.

After March's trailer proved so popular, Warner considered moving the opening of "It" up to the summer or increasing its marketing spend, but ultimately stuck with its original plans, said Mr. Emmerich. "In hindsight, that was the right call," he noted.

Reviews were solid if not spectacular, and opening night audiences gave "It" an average grade of B+, according to market research firm CinemaScore. Horror movies typically have limited appeal beyond fans who turn out on opening weekend and fade quickly at the box office, but it remains to be seen if "It" will adhere to conventional Hollywood wisdom in the coming weeks after shattering it while opening.

New Line is currently working on a screenplay that adapts of the rest of the book, in which the main characters are adults. Warner hopes to release the "It" sequel in the summer or early fall of 2019, said a person with knowledge of the matter.

*The movie more than doubled the previous record for highest September opening.*

## DATA

Continued from the prior page  
an individual arbitration process with the company, which some argue is a more difficult place for consumers to get larger rewards for their problems.

"You're bound to adhere to their arbitration process," Christina Verigan of Mason, Ohio, a consumer upset by this clause wrote in an email to The Wall Street Journal. "Equifax should be ashamed to pretend this is anything other than a way to cover their butts."

Friday, the ranking Democrat on the Senate Banking Committee, Sherrod Brown of Ohio, called on Equifax to "immediately remove forced arbitration from all services offered to customers." The National Consumer Law Center, a consumer advocacy group, made a similar request.

Equifax added a "frequently asked question" item on its special website, which attempted to clarify the matter. While it is unclear exactly when the note was added, as of Friday afternoon it said "the arbitration clause and class action waiver" in the terms of its credit-monitoring product TrustedID Premier "applies to the free credit file monitoring and identity theft protection products, and not the cybersecurity incident."

Unlike with lenders, consumers often don't choose to do business with credit-reporting companies such as Equifax. Rather, their information often ends up there because of lenders reporting their loan applications and

loan activity.

Equifax says the free monitoring will be for credit reports from it and the other two major credit-reporting companies, TransUnion and Experian. Also, it will include identity theft insurance and a service that scans internet sites to see if they are displaying people's Social Security numbers.

Some consumers complained on social media and elsewhere Friday that they couldn't reach anyone at the call center. Instead of being put on hold or being asked to leave a message, consumers heard an automated message telling them that representatives were busy and that they should call back later.

In its statement, Equifax said it has tripled its call center staff to more than 2,000 agents and it continues to add more.

Consumers who visited the website also had questions and concerns. Among them is that they are first asked to give the last six digits of their Social Security number before they can get help on the site.

Meanwhile, some people testing the site were told to check back in later.

Ms. Verigan said she visited Equifax's website, input her information and received a message informing her of an enrollment date for the free service. It said, "Please mark your calendar—you won't see additional reminders," she said.

New York Attorney General Eric Schneiderman said Friday that his office has launched an investigation into the hack and requested information from Equifax about the incident.

## NFL Star Plans Book

By JEFFREY A. TRACHTENBERG

Five-time Super Bowl winner Tom Brady is ready to tell the world what garbanzo bean sliders, buffalo cauliflower tacos and, yes, avocado ice cream, have to do with his success. The question is how many people will pay to hear him out.

In his forthcoming book "The TB12 Method," which lands on bookshelves Sept. 19, the New England Patriots' star quarterback will expound on the famously disciplined diet and fitness regimen that he credits with helping him play at the highest level in the National Football League at age 40. Most quarterbacks tail off well before that.

Publisher Simon & Schuster

paid Mr. Brady an estimated \$5 million advance—far higher than the sums paid for comparable advice-themed books by athletes such as Tiger Woods and Michael Phelps. It is a bet that the book will appeal not just to NFL fans and weekend warriors, but anyone searching for secrets to maintain peak health and fitness as they get older. Michael Cader's Publishers Lunch industry newsletter earlier reported the book's price.

"There aren't any other 40-year-old NFL quarterbacks who are still performing at their peak level, so clearly something about this method is working," says Jonathan Karp, president and publisher of the Simon & Schuster imprint.

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## BUSINESS NEWS

# SES Bets on Fleet of Smaller Satellites

By ROBERT WALL IN LONDON AND ANDY PASZTOR IN LOS ANGELES

Satellite-services provider SES SA on Monday intends to announce a deal for a new fleet of smaller, easily reprogrammable Boeing Co. satellites, reflecting widespread industry uncertainty about demand for global internet connectivity.

The Luxembourg-based company, the world's largest commercial communication satellites operator, is opting for a less-expensive, lower-altitude design to seek an edge in the intensifying battle to beam web access to remote regions. SES expects to spend more than \$1 billion on the seven Boeing satellites and associated ground systems. Each satellite is projected to cost less than half the amount for the biggest, high-altitude versions.

Like other parts of the satellite industry, SES faces depressed prices for its current offerings and also has been hurt by growing competition from legacy rivals, as well as anticipated challenges from aggressive startups with deep pockets.

The new spacecraft, significantly smaller and more flexible than older models, are slated to be put into orbit starting in 2021. They will be deployed primarily to serve mobile users in developing re-

gions, but with prospects for such markets still unclear, SES seeks to maximize its maneuvering room and reduce capital expenditure risks.

Chief Executive Karim Sabbagh said the satellites will add capacity and replace some bandwidth now provided by big, high-flying spacecraft that need replacement. Indicating that the emphasis on smaller spacecraft built to be swiftly reconfigured in orbit is gaining momentum, he said the constellation will be "radically different" from traditional concepts because it is designed to be "more flexible and scalable."

In an interview, Mr. Sabbagh said the principle of smaller satellites, optimized to seamlessly supplement each other as customers and markets change, is "what we have been missing for three decades in our industry."

The move comes at a time cash flow and profitability for operators is under pressure, so they generally have been reticent to make investments in large, more-expensive satellites that have traditionally dominated the telecommunications segment. Advisory firm Euroconsult says big satellites have experienced a "dramatic downsizing of traditional pricing" for their primary services.

At the same time, an abundance of available bandwidth and questions about the future



ZUMA PRESS

**SES CEO Karim Sabbagh said the satellites will replace some bandwidth provided by spacecraft.**

direction of the market have contributed to a protracted and sharp drop in orders for big satellites, some of which can cost about \$400 million to build, launch and insure.

Such procurement contracts have slumped 50% below historic levels, with Boeing and Space Systems Loral, a unit of Canada's MacDonald Dettwiler and Associates Ltd., among the satellite makers that have laid off staff in recent years. Industry officials said manufacturers, SES and a

big chunk of its competitors are all considering smaller, less costly models.

Budding rivals are focusing on launching swarms of hundreds—or even thousands—of still-smaller satellites to pipe fast, inexpensive connectivity to remote locations. This increasingly contested segment includes OneWeb Ltd., the startup backed by European aerospace heavyweight Airbus SE and Japanese internet and telecommunications giant SoftBank Group Corp.

Entrepreneur Elon Musk and his high-profile Space Exploration Technologies Corp., commonly called SpaceX, are actively planning to compete. Google parent Alphabet Inc. also has publicly expressed interest in providing space-based web links.

At the same time, long-time rival Inmarsat PLC is positioning its Global Xpress constellation of traditional, high-altitude satellites to connect planes with high-capacity internet. Intelsat SA and ViaSat

Inc. also are developing ever larger, more-powerful spacecraft to reduce customer access costs. Yet industry experts increasingly emphasize the benefits of faster connections and enhanced productivity from hybrid constellations such as the one SES favors, featuring a blend of high-earth orbit and lower-positioned satellites.

The company's next-generation spacecraft are designed to beam highly tailored signals to serve many more but smaller customers, according to Steve Collar, another senior SES official.

Both Intelsat and Canada's closely held Telesat, another major operator with 15 satellites, have made modest moves to embrace lower-orbit satellites to target similar market segments.

SES, which built its reputation with top-of-the-line satellites hovering 23,000 miles above a specific point on the globe, initially increased its bet on smaller spacecraft last year. It acquired the 49.5% in O3b Networks Ltd. it didn't already own.

The latest decision doubles down on the strategy of targeting O3b's network for growth. The additional satellites are being designed to be more powerful than O3b's existing models, enabling SES to tap fast-growing mobile and transportation markets.

## Uber Faces FBI Probe Over Program Targeting a Rival

By REBECCA DAVIS O'BRIEN AND GREG BENINGER

Federal law-enforcement authorities in New York are investigating whether **Uber Technologies** Inc. used software to interfere illegally with a competitor, according to people familiar with the investigation, adding to legal pressures facing the ride-hailing company and its new chief executive.

The investigation, led by the Federal Bureau of Investigation's New York office and the U.S. attorney's office in Manhattan, is focused on a defunct Uber program, known internally as "Hell," that could track drivers working for rival service **Lyft** Inc., the people said.

"We are cooperating with the SDNY investigation," said an Uber spokesman, referring to prosecutors in the Southern

last month after Uber said the suit didn't allege a crime or material loss.

One critical question for investigators is whether "Hell" constituted unauthorized access of a computer, a person briefed on the investigation said.

The battle to attract and retain drivers has been critical for Uber's and Lyft's growth, particularly as the two venture-backed firms now compete in every major U.S. metropolitan area and users can easily switch between the two apps to find a quicker pickup or cheaper ride.

Uber has taken pains of late to appease drivers' concerns, adding a tipping option that it had long resisted and making other tweaks to its app.

The investigation of the "Hell" program is one of at least three federal investiga-

tions under way into Uber's practices, adding to a laundry list of challenges facing Dara Khosrowshahi, who formally took over as CEO this past Tuesday after a 12-year tenure at the helm of Expedia Inc.

Mr. Khosrowshahi inherited a depleted executive suite, directors and investors divided over the future of the company and the fallout from a months-long probe into Uber's workplace culture that led to the ouster of longtime CEO Travis Kalanick.

The U.S. attorney's office in the Northern District of California, working with FBI agents there, is investigating another Uber software tool, known as "Greyball," which helped its drivers evade local transportation regulators, according to people familiar with the matter.

The program was also used to glean data on drivers who worked for both companies, and whom Uber could target with cash incentives to get them to leave Lyft, said these people, who added that the program was discontinued last year.

The program was the subject of a federal class-action lawsuit filed in April by a Lyft driver in California, which was dismissed by a federal judge

to public officials. Uber has said it has used the technology for other purposes. An Uber spokesman declined to comment on that investigation.

Additionally, the Justice Department has taken preliminary steps to investigate whether managers at Uber violated the Foreign Corrupt Practices Act, which bans the use of bribes to foreign officials to get or keep business, people familiar with the matter said.

The Wall Street Journal reported the investigation, which is in early stages, last month. Uber has said it is cooperating with the Justice Department on the investigation.

Uber is also contending with a lawsuit from rival Alphabet Inc., Google's parent company, over allegedly stolen self-driving-car trade secrets, which a federal judge in May referred to the Justice Department for a possible criminal probe. Uber has denied wrongdoing and is contesting the lawsuit in court.

The existence of the "Hell" program was reported in April by tech website The Information, which said the program had been active from 2014 to early 2016, when it was discontinued.

It isn't clear when the program came to the attention of law enforcement. Federal prosecutors in Manhattan had been pursuing an investigation into Uber's anticompetitive strategies since at least early 2016, several people familiar with the matter said. It isn't clear whether the investigation into "Hell" grew out of that effort, or if it began with a separate inquiry.

After The Information's article was published in April, a Lyft driver filed a class-action lawsuit against Uber in federal court in California, alleging that Uber's use of the program invaded his privacy and violated state wiretapping statutes and unfair-competition laws.

Lawyers for Uber said in a court filing that the complaint was based "on allegations made in a single online article that in turn was based on two anonymous sources," and asked for the suit to be dismissed.

"Even if those allegations were true, they would not describe anything other than the collection and use of location information that Plaintiff knew was being broadcast by Lyft," Uber's lawyers wrote.

A judge dismissed the lawsuit late last month, but attorneys for the driver say they plan to refile a suit with an amended complaint later this month.

Nicole Hong contributed to this article.



**Uber is facing at least three federal probes into its practices.**

District of New York. He declined to offer additional details.

Uber hasn't publicly discussed the details of the program.

People familiar with the matter said "Hell" worked like this: Uber created fake Lyft customer accounts, tricking Lyft's system into believing prospective customers were seeking rides in various locations around a city. That allowed Uber to see which Lyft drivers were nearby and what prices they were offering for various routes, similar to how such information appears when an authentic Lyft app is opened on a user's smartphone, these people said.

The program was also used to glean data on drivers who worked for both companies, and whom Uber could target with cash incentives to get them to leave Lyft, said these people, who added that the program was discontinued last year.

The program was the subject of a federal class-action lawsuit filed in April by a Lyft driver in California, which was dismissed by a federal judge

## Former JBS Chairman Surrenders

BY LUCIANA MAGALHÃES AND JEFFREY T. LEWIS

**SÃO PAULO**—Joesley Batista, the former chairman of meatpacking giant **JBS** SA, turned himself over to Brazil's legal authorities after the country's Supreme Court approved his arrest for allegedly reneging on the terms of a plea-bargain agreement.

High court Justice Edson Fachin approved the arrest following a request from At-

torney General Rodrigo Janot, according to documents made public on Sunday.

In his decision, Mr. Fachin agreed to partially suspend some legal benefits that had been granted to Mr. Batista, making his arrest possible.

Mr. Batista and other JBS executives signed the plea deal in April after admitting to paying millions of dollars in bribes to nearly 2,000 Brazilian officials over at least the past decade. The agreement

granted them immunity for their criminal acts in return for their full cooperation with legal authorities.

Mr. Janot recently said a recording, possibly delivered by mistake along with other evidence by Joesley Batista and executives, suggested that some of them omitted evidence. Mr. Batista said Sunday in a note that he surrendered voluntarily and denied having omitted evidence related to his plea agreement.

PAID ADVERTISEMENT

**Founders Keepers asked Niraj Shah, co-founder/CEO of Wayfair**

## Who has been your pivotal hire?



His answer...

Name: **Kate Gulliver**

Role: **VP, Head of Global Talent**

Joined Wayfair: **February 2014**

Niraj on Kate:

**Founders Keepers:** At what point in the business did you make the pivotal hire?

**NS:** "Kate was hired in February 2014 to lead investor relations. In April 2016, she took on the role of Head of Global Talent.

**Founders Keepers:** What impact did Kate have on your business?

**NS:** "Kate drove our successful IPO process and the building of relationships with the Wall Street community. She is now creating a strategic approach to Talent as we grow from 6,000 to 10,000++ employees.

**Kate before Wayfair:**

- VP, Bain Capital
- Associate; McKinsey & Co
- Education: B.A. in Political Science and Government from Yale University  
MBA Harvard

**Founders Keepers** is a specialist digital executive search firm. We help the most ambitious companies in the world, at critical stages in their growth, hire their most impactful talent.

Contact: [richard@ff.co](mailto:richard@ff.co) | [www.founderskeepers.co](http://www.founderskeepers.co)



## TECHNOLOGY

# Apple Backs Augmented Reality

New iPhone and software are expected to enhance experience for consumers

BY TRIPP MICKLE

Apple Inc. is gearing up for a big push to popularize augmented reality, launching new hardware and software in the coming weeks that make it easier for users to shop for virtual couches, slay digital zombies and drop artificial videos into their living rooms.

A new high-end iPhone is expected to be unveiled Tuesday with a dual-lens camera system and 3-D sensors that improve depth-sensing and enhance augmented-reality experiences. Apple's new operating system, iOS 11, which becomes available this fall, will offer new augmented-reality capabilities first previewed in June. Meanwhile, apps that impose virtual images on real scenes are expected to flood the company's App Store, as companies ranging from IKEA to AMC Networks Inc. hope to benefit from Apple's promotion of augmented reality.

Apple Chief Executive Tim Cook has touted augmented reality, telling analysts last month: "This is one of those huge things that we'll look back at and marvel on the start of it."



GABRIELLE LUIRE/GETTY IMAGES

'This is one of those huge things that we'll look back at and marvel on the start of it,' Apple CEO Tim Cook told analysts last month. An Apple conference for developers in San Francisco in 2016.

Katy Huberty, an analyst with Morgan Stanley, said Apple sees the addition of augmented reality—which combines the virtual and the real on a smartphone screen or other device—as potentially as transformational for its business as the App Store's debut in 2008.

If the technology takes off, she said, it could help reinvigorate flagging iPhone sales. It also could ease questions

about Apple's continuing ability to innovate.

The hope among some augmented-reality enthusiasts is that Apple will popularize the technology, triggering consumer trial and adoption. Some proponents, though, are skeptical about the technology's immediate potential.

Matt Miesnieks, a partner at Super Ventures, an investment firm that targets augmented-reality startups, ex-

pects most early apps in the field will become seldom-used novelties. He said features enabled by Apple's augmented-reality development platform, ARKit, are limited and it is awkward for people to hold handsets in front of their faces to commingle real and digital worlds.

Mr. Miesnieks doesn't see apps gaining traction until late next year, when he expects an updated ARKit with more ca-

pabilities.

Augmented reality shot to prominence last year following the release of "Pokémon Go," a game in which players scoured the real world, with the help of location-tracking technology, to find digital monsters superimposed through the smartphone screen. But public enthusiasm soon faded.

Still, tech companies including Alphabet Inc.'s Google, Facebook Inc., and Snap Inc. are vying with Apple to drive augmented reality forward. Google recently announced its own augmented-reality software system, ARCore, to compete with Apple's system.

ARKit, which Apple released in June, eliminates major obstacles for developing augmented-reality apps, offering software capable of tasks like tracking a user's position and estimating the light available in a room.

It also turned an estimated 500 million iPhone owners into potential customers.

Using ARKit, Touch Press Inc. was able to build an augmented-reality world based on the children's book "The Very Hungry Caterpillar" in about six weeks, a quick turnaround that surprised the company because previous augmented-reality projects performed inconsistently, said Chief Executive Barry O'Neill.

Apple declined to comment.

## MIMS

Continued from page B1  
and others, connecting them may be seamless.

Imagine downloading an entire movie in seconds. Or streaming games and 4K videos from your phone to your TV without dropping a frame. Or even wandering around the living room in a VR headset, unencumbered by a tether to some giant PC.

This is the promise of WiGig. It's sometimes described as the next generation of Wi-Fi, but that isn't accurate. Until now, each new variant of Wi-Fi improved upon the last, but this one, known to nerds as 802.11ad, has a special purpose.

WiGig technology is capable of sending and receiving data at up to 8 gigabits a second—almost six times as much as the current peak. But in order to achieve superhigh transfer rates, it operates at 60 GHz, far higher in frequency than the 2.4 GHz and 5 GHz bands that we normally access. The trouble is, 60 GHz radio waves can't penetrate most walls, says Ronald Glibbery, CEO of Perao Technologies, which makes chips that power WiGig systems.

In June, Intel and HTC demonstrated a wireless VR system they argue could be WiGig's killer app. Anyone who has tried whole-room VR knows it's annoying to have a cable snaking out the back of your head. And in environments where Wi-Fi spectrum is already impossibly crowded, such as airports or convention centers, WiGig could enable "cones" of high-speed connectivity.

A handful of products already support WiGig, including \$350-and-up Wi-Fi routers from Netgear and TP-Link, and a \$1,000 laptop from Acer.

Some tech problems can't be solved by Wi-Fi's evolution alone.

Will higher-frequency microwaves be a health hazard? The Federal Communications Commission sets rules, based in part on recommendations from nonprofits such as the National Council on Radiation Protection and Measurements, in an attempt to ensure that doesn't happen.

Transmitting information with light is as old as the signal fire, but transmitting high-speed data via the lights above our heads has only been possible for about five years. A handful of startups—including VLN-Comm, Velmenni and PureLiFi—are working on sys-

tems that flicker LED lights so quickly they can transmit information at up to 43 megabits a second. The flashing of these lights is beyond human perception, tens of millions of times per second, far faster than any annoying fluorescent bulb.

As the light flickers, a sensor attached to a laptop, TV, tablet or phone picks it up and turns it back into data, like a telegraph worker translating Morse code.

While current "LiFi" is actually slower than conventional Wi-Fi, in theory it's possible to transmit a thousand times as much information via light. Just look at trans-Atlantic fiber-optic cables.

But the challenges of making LiFi work are considerable. For one thing, there has to be a line of sight between transmitter and receiver. The upside is that putting more LiFi lights into a building won't lead to interference, like conventional Wi-Fi. Alistair Banham, PureLiFi's CEO, says most applications in its pilot program tend to be in places where security is paramount.

Meanwhile, traditional Wi-Fi isn't standing still. Qualcomm and other industry heavyweights are working on 802.11ax, which should make the existing spectrum more efficient.

One day, we may beamabytes at each other using gamma rays. In the meantime, we'll have to settle for wireless standards that are ever faster but, owing to inescapable laws of physics, come with new quirks to adapt to.

# Facebook Embraces 'Video-First' Future

BY DEEPA SEETHARAMAN

Facebook Inc. is loosening its purse strings in its drive to become a major hub for video.

The social-media giant is willing to spend as much as \$1 billion to cultivate original shows for its platform, according to people familiar with matter. The figure, which could fluctuate based on the success of Facebook's programming, covers potential spending through 2018, one of the people said.

The investment would far outpace Facebook's previous outlays on video content, including its live-video deals last year. It also signals Facebook's readiness to spend more than before to become what Chief Executive Mark Zuckerberg calls a "video-first" platform.

Facebook's thirst for video content pits it against traditional broadcasters such as Time Warner Inc.'s HBO and deep-pocketed tech companies such as Amazon.com Inc. and Netflix Inc., which all are banking on video to capture the fleeting attention of users

### Former Chinese Official Joins Team

BEIJING—Facebook Inc. has hired a veteran executive and former Chinese official for a new position leading its government relations here, in another sign it is escalating efforts to regain access to China.

William Shuai joins Facebook from LinkedIn Corp.'s China operation, where he also managed government relations. Unlike most other U.S. social-networking companies, LinkedIn agreed to submit to government censorship to gain

access to the market. The company has since been acquired by Microsoft Corp.

Facebook has been blocked in China since 2009, reflecting the government's concern over the ability of large social networks to stir unrest. But Facebook founder Mark Zuckerberg believes China is key to the company's growth, and has been working for several years to stage a return.

In an email response to questions from The Wall Street Journal, Mr. Shuai said he was "still learning" about his new company and declined to comment.

—Alyssa Abkowitz

and seize billions of dollars in advertising that is expected to migrate from television to digital video. Apple Inc. is preparing its own billion-dollar war chest for content.

"Our read-through is that Facebook is likely willing to spend billions of dollars to buy rights for content that might otherwise appear on TV," Pivotal Research analyst

Brian Wieser wrote in a recent note.

Facebook declined to comment on its spending strategy for video.

The moves come as Facebook seeks new avenues of revenue growth to offset an expected slowdown in its core business. They also reflect Mr. Zuckerberg's evolving views on paying for content, some-

thing he previously resisted, according to people familiar with the matter. Mr. Zuckerberg has said Facebook is willing to pay for some content now, but ultimately expects creators will be financed through an ad revenue-sharing model.

Facebook is trying to set itself apart from a crowded market with programming that its two billion monthly users will want to discuss—preferably on the social network. It also is interested in deepening engagement around sports, which already spark conversations on Facebook.

The company recently bid more than \$600 million for the digital rights to stream cricket matches in India from 2018 to 2022, according to a tweet by the Indian Premier League.

Facebook ultimately lost its bid to 21st Century Fox Inc.'s Star India, which bid \$2.6 billion for broadcast and digital-streaming rights. 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

In an interview, Pivotal's

Mr. Wieser said Facebook's cricket bid was eye-popping given the relatively small size of the Indian digital ad market. He likened the bid to spending \$24 billion in the U.S., where the online advertising market is 40 times as large as in India.

Facebook is also looking to clinch deals that make it easier for users to consume and share video on the platform, including talking with record labels to secure rights to music playing in the background of videos that users upload, people familiar with the discussions said. Facebook is prepared to pay hundreds of millions of dollars for the rights, one of the people said.

Facebook has been negotiating music rights for years, but discussions intensified last year, people familiar with the matter say. One of the people said Facebook hopes to wrap up negotiations this year.

Bloomberg earlier reported Facebook's discussions to secure music rights.

—Anne Steele contributed to this article.

## PHONES

Continued from page B1  
gaming device, a GPS system, a music player, a reader, a flashlight and a wallet.

U.S. consumers now spend more than three hours a day on average on their mobile devices, according to research firm eMarketer. Patrick Moorhead, president of Moor Insights & Strategy, said people are postponing upgrades to their other gadgets so they have more to spend on their smartphones.

"The utility value of these

products is so, so high," said Horace Dediu, an industry analyst at Asymco and a former Nokia Corp. business development executive.

The companies believe their prices are justified to pay for innovations such as longer battery life, larger displays and voice assistants. Apple's newest iPhone is expected to have components that cost about 80% more than the components in the iPhone 7, including an edge-to-edge, organic light-emitting diode, or OLED, display, wireless charging and new sensors, according to brokerage firm Susque-

hanna International Group.

If consumers take the new price points in stride, Apple and Samsung could widen their advantage over hundreds of smartphone rivals, many struggling to break even. Apple and Samsung claim nearly all the industry's combined annual profits, with about 79% for Apple and 15% for Samsung, according to market researcher Strategy Analytics.

The two are defying the gravity that usually pulls consumer prices downward as innovation wanes and manufacturing costs fall.

The average iPhone selling

price rose about 2.5% to \$645 in Apple's fiscal 2016, up from \$629 in fiscal 2009. Last year's pricier iPhone 7 Plus with a dual-lens camera outsold its predecessor, the iPhone 6s Plus.

Samsung had to pull the Galaxy Note 7 from shelves last year due to overheating batteries, but the Galaxy S7 model went on to become its top-selling phone ever. Unlike Apple, Samsung, the world's largest phone maker by shipments, also sells hundreds of millions of lower-cost handsets, such as the "Z series" in India, which retails for around \$90.

New features on Samsung's Galaxy Note 8 include a dual-lens camera and a mammoth 6.3-inch OLED screen. The Note 8's component costs rose about 20% over the prior year, according to an estimate by IHS Markit, a market researcher.

Many consumers are balky at a \$1,000 handset. A recent survey of wireless consumers by Barclay's found only 11% of respondents would spend more than \$1,000 on a smartphone, with respondents on average saying they would spend only about \$580.

—Ryan Knutson contributed to this article.

## BUSINESS WATCH

### ROSNEFT

#### Glencore, Qatar to Sell Large Stake

Glencore PLC and Qatar have agreed to sell the bulk of their nearly 20% stake in Russian oil giant PAO Rosneft to a Chinese energy company in a deal valued at about \$9 billion.

The deal, announced by Swiss commodity miner and trader Glencore on Friday, gives CEFC China Energy Co. a 14.2% stake in state-controlled Rosneft, deepening a growing economic relationship between China and Russia. It also adds a twist in a complex agreement to raise money for the cash-strapped government of President Vladimir Putin by selling off part of the crown jewel of Russia's energy industry.

Glencore and the Qatar Investment Authority formed a consortium to buy a 19.5% stake

of Rosneft in an \$11.3 billion deal last December, giving Moscow a cash infusion during a budget crunch. But in the deal's complex structure Glencore's actual equity stake in Rosneft was only about 0.5% and Qatar's just under 5%.

The rest of the deal was financed by Russian banks and Italy's Intesa Sanpaolo SpA.

—Scott Patterson and James Marson

### APPLE

#### Qualcomm Loses Royalty Injunction Suit

A federal judge Friday denied Qualcomm Inc.'s motion for a preliminary injunction in its lawsuit against Apple Inc.'s leading manufacturers, allowing the manufacturers to continue withholding royalty payments as the case continues.

The decision was a small but expected victory for Apple in

what is shaping up to be a multiyear battle with Qualcomm over royalty prices for technol-

ogy used in iPhones and iPads.

For Qualcomm, it was the latest setback to its profitable patent-

licensing business.

In January, Apple sued Qualcomm in the Southern District of California over its licensing practices, alleging the leading supplier of chips for smartphones demanded unfair terms for its technology. Apple later filed suits in several overseas markets, including the United Kingdom, China, Japan and Taiwan.

In addition to ruling against Qualcomm in the contract manufacturers' case, Judge Gonzalo Curiel denied Qualcomm's motion to unify Apple's overseas suits.

Apple said it was pleased with the decision, adding, "Qualcomm must establish the fair value of its technology and defend its business practices in court." A Qualcomm spokeswoman said, "While we are disappointed by today's rulings, we recognize that the motions involved high procedural hurdles."

—Tripp Mickle and Ted Greenwald



ANDREY RUDAKOV/BLOOMBERG NEWS

Work at a Rosneft operation in Russia. CEFC China Energy is buying a 14.2% stake in the state-controlled oil giant.



# What's Your Tolerance for Investment Risk? Probably Not What You Think

Questions financial advisers ask clients to get at the answer actually measure something else—leading to misguided investment strategies

BY MEIR STATMAN

**ANYBODY WHO HAS EVER BEEN** to a financial adviser knows the drill. The adviser begins by asking you to fill out a questionnaire, aimed at getting at a key measure: your appetite for risk. By knowing how much risk you're able to tolerate, the adviser knows how much you're willing to lose to get where you want to go.

The adviser can then construct a portfolio that reflects your risk tolerance.

Pretty simple, no? If only.

The truth is that the questions advisers ask often don't measure what they purport to. Instead, they take all sorts of different concepts—such as regret, fear and overconfidence—and they lump them all together under this vague concept called risk. Each of those things is worth understanding and examining on its own. But to call them risk ends up distorting more than clarifying, and leaves investors with portfolios that may be disturbingly inappropriate for their goals.

To get a better sense of what risk questionnaires actually measure—and how advisers and investors could refine those questions—here's a look at some typical questions.

## RISK VS. FEAR AND EXUBERANCE

*Imagine a steep stock-market decline, as happened during the 2008-09 financial crisis when the S&P 500 index plunged more than 40% in six months. How would you react?*

*I would sell all of my stock investments.*

*I would sell some of my stock investments.*

*I would make no changes to my stock investments.*

*I would increase my stock investments.*

This is a typical question posed to investors, supposedly to gauge their tolerance for a market decline. But what do the answers tell us? Not what we typically believe.

For starters, consider that everybody finds it difficult to foresee future emotions. Today, the fear induced by the stock-market crash of the recession is fading, while fear induced by the dot-com crash of 2000 and the crash of 1987 are long gone.

Rather, how people feel about a big decline depends almost entirely on what has been happening in the market recently. So asking people how they would feel if the market falls 40% is likely to elicit an answer "I am afraid" in the wake of a big decline, and "I am not afraid" when the market has been moving up.

In other words, the answer tells you very little.

But while the question doesn't reveal anything about an investor's

tolerance for risk, it does hint at another important measure: an investor's current feelings of fear or exuberance.

To get at those feelings, advisers might ask clients to estimate stock-market returns in the coming 12 months, and their perception of market risk during the same period. Investors who say the returns would be high and risk low are likely infected by exuberance. Investors who say that returns will be low and risk high are likely afflicted by fear.

Once advisers get answers to the question, they need to push back. In

## Questions Investors Should Ask Themselves

How strongly do you agree with the following statements?

Your answers offer a window into your investing attitudes and have important implications for your investing strategies.

**I HAVE LESS** money than I need. I find it difficult to pay my bills. I am financially worse off than my parents were at the same age.

*People who agree strongly aren't necessarily poor, but they lag behind their aspirations. This motivates them to accept risk and possibly losses for a chance to reach their aspirations.*

**I FEEL BAD** if another alternative has done better than the one I have chosen.

*People who agree strongly have a high propensity for regret. One prophylactic is to keep yourself ignorant of how alternatives have done.*

### SUCCESS IN CHOOSING

investments with above-average returns depends on skill more than on luck, and I have the skills to choose such investments.

*People who strongly agree are likely overconfident in their skills at choosing winning investments, motivating them to hold undiversified portfolios and trade often.*

**IT'S MORE LIKELY** that stock-market returns will be low and risk high in the coming 12 months than returns high and risk low.

*People who think it's more likely that returns will be low and risk high are probably excessively fearful, motivating them to invest too little in stocks. People who think returns will be high and risk low are probably excessively exuberant, motivating them to invest too much in stocks.*

THE WALL STREET JOURNAL.

2009 they should have said, "I know you are afraid. So am I. It is a natural feeling in times like today. You believe that future returns will be low and risk high, so you want to sell your stocks. But I also know that feelings can be exaggerated. More likely than not, the economy will recover and the stock market as well, as happened post-2000 and post-1987. You are better off leaving your portfolio alone, even if fear compels you otherwise."

Advisers also need to push back in the other direction in periods of exuberance. "I know that you feel good about the stock market and believe that returns will be high and risk low. But I know that feelings can be exaggerated. It isn't wise to increase your stock allocation beyond prudent levels, because sometimes declines follow increases, and you are not in a financial position to withstand a decline if you want adequate retirement income."

## CONFUSING REGRET AND RISK

*Suppose that five years ago you bought shares in a highly regarded company. The same year the company experienced a severe decline in sales due to poor management. The price of the shares dropped drastically and you sold at a substantial loss. The company has been restructured under new management, and most experts now expect the shares to produce better than average returns. Given your bad past experience with this company, would you buy shares now?*

This question is typically presented as about risk attitudes, interpreting a "no" answer as bolstering a conclusion that a client is highly risk-averse and therefore should be assigned a low-risk portfolio.

The problem is that this is not really a question about risk attitudes. Instead, it's more about regret. Attitudes toward risk and regret are both important, but they are different. Indeed, the correlation between the two attitudes is close to zero.

Regret is a painful emotion, and pride, its opposite, is pleasurable, but both are effective teachers. We recall our choices and their outcomes, and learn to repeat choices that brought pride and avoid choices that inflicted regret.

So this is an important question for financial advisers to ask—but not to learn about their clients' appetite for risk. Rather, it tells us about their susceptibility to regret and pride.

Advisers should diagnose pride-seeking and especially regret-aversion in their clients, perhaps asking them more directly whether they agree with the statement: "Whenever I make a choice, I feel the pain of regret if another alternative has done better than the alternative I have chosen."

Advisers should then proceed to reduce clients' susceptibility to pride and regret by educating them about the dominant role of luck in the link between investment choices and outcomes, rather than recommend low-risk investments to regret-averse clients.



PHOTO ILLUSTRATION BY C.J. BURTON

## CONFIDENCE AND OVERCONFIDENCE

*How much confidence do you have in your ability to make good financial decisions?*

The risk questionnaire asking this question considers people who profess high confidence as willing to accept high risk, bolstering recommendations for high-risk portfolios.

There is indeed a relation between confidence and risk tolerance: High confidence generally corresponds to high risk tolerance. But advisers should pause before recommending high-risk portfolios to confident clients, because confidence can easily turn into overconfidence.

Overconfident investors perceive risk as lower than less-confident investors, biasing upward the measure of their risk tolerance. Advisers therefore need to adjust downward their assessment of the risk tolerance of overconfident investors, and perhaps tamp down their overconfidence as well.

Perhaps a better question diagnosing overconfidence asks: *Some people believe that they can pick investments that would earn higher-than-average returns. Other people believe that they are unable to do so. Please indicate your belief.*

## DON'T FORGET ASPIRATIONS

*How strongly do you agree with this statement: "Generally, I prefer investments with little or no fluctuation in value, and I'm willing to accept the lower return associated with these investments."*

Attitudes about volatility are central in risk questionnaires. Investors who strongly agree with the above statement are deemed to have low

risk tolerance, tilting adviser recommendations toward portfolios that are less volatile, and less likely to offer the opportunity for substantial gains.

But risk isn't just about the fear of volatility. Risk is also the risk of failing to meet our goals. In this context, an investor's appetite for risk could be very different than it would seem by just asking about whether they feel comfortable with volatility.

Many who would be willing to wager \$10,000 on a 50-50 chance for a \$3,639 loss or a \$4,229 gain might not be willing to wager \$100,000 or \$1 million for proportionally higher gains and losses.

That's why it's better for investors to think about that question where there are substantial stakes, such as lifetime standard of living. Consider the following question:

*Suppose that you are given an opportunity to replace your current investment portfolio with a new portfolio. The new portfolio has a 50-50 chance to increase your standard of living by 50% during your lifetime. However, the new portfolio also has a 50-50 chance to reduce your standard of living by X% during your lifetime. What is the maximum X% reduction in standard of living you are willing to accept?*

The lesson in all these questions is that advisers and investors can't just think about their tolerance for risk in a vacuum, without thinking about their aspirations.

Risk is the payment we make for a chance to reach our aspirations.

**Dr. Statman** is the Glenn Klimick professor of finance at Santa Clara University's Leavey School of Business and the author of *Finance for Normal People: How Investors and Markets Behave.* Email reports@wsj.com.

# A Key to Feeling Better: Try Buying Some Time

Many people don't do it out of guilt. But the growth in the sharing economy might be the answer.

BY ASHLEY WHILLANS AND MICHAEL NORTON

PEOPLE FEEL HAPPIER when they pay to save time than when they buy something nice for themselves.

Those are the results we found in a series of recent studies. Spending on things like housecleaning services or grocery delivery left people feeling more satisfied than spending on things like new clothes and wine. The findings held true for people in different countries, and at different income levels.

But we learned something else: Even though people feel better when they spend money to free up time, they often don't choose to do it.

## A shortage of time

We went looking into this topic to see how people were dealing with a big problem: They have more discretionary income than in previous decades, but less time to use it—between work and other obligations, they simply have too much to do, or at least feel that way.

So, we theorized that spending money to "buy time" might reduce stress and improve people's mood. To test the idea, our research team headed to a science museum in Van-



DAVID VOGIN

couver last year and offered visitors—60 working adults—a total of \$80 to spend on two weekends, as long as they let us tell them how to spend it. One weekend, we sent participants \$40 and told them to spend the money in any way that would save them time. Some people arranged grocery delivery services, while others hired house cleaners. One woman paid a teenager in the neighborhood to run errands for her. Another bought pre-made bean dip

for her house party.

On a different weekend, we sent those same people \$40, but told them to spend it on a material thing for themselves. Our participants filled their shopping bags with pretty nice stuff, including polo shirts, books, board games and wine.

On each weekend of the study, we asked people how pressed for time and how happy they felt. We found that people felt happier when they used money to buy time rather than

buying a material thing. And they said they felt that way because they felt less pressed for time.

The same results showed up in a survey of more than 6,000 adults from the U.S., Canada, Denmark and the Netherlands. We asked the participants about their typical spending habits and their life satisfaction, and found that people who typically spent money on saving time reported greater satisfaction. This finding held even when we took individuals' wealth into account. The benefits of buying time were remarkably consistent across the income spectrum.

## Why not do it?

But only 50% of respondents actually chose to spend money to buy time, and only 28% spent it on outsourcing disliked tasks. The results were even more pronounced when we returned to the science museum in Vancouver and approached a group of 98 working adults. We asked them what they would do if we gave them \$40 to spend the following weekend. Over half reported that they would spend the money on a material purchase, but only 2% reported that they would make a time-saving purchase.

Why? Isn't it obvious that it is

more enjoyable to pay someone to clean the bathroom while you watch Netflix in your pajamas?

Our ongoing research suggests that one barrier to buying time is that people often feel guilty about paying someone else to complete their disliked tasks. To the extent that people feel that they are creating a burden for the service provider—rather than an opportunity to earn money—even those who could benefit from buying time might choose not to participate in the sharing economy.

This barrier to participation may be further reinforced by companies with reputations for paying low wages and offering no benefits. Encouraging consumers to recognize that at least some corners of the sharing economy do treat workers well may encourage them to buy time—potentially short-circuiting the negative relationship between financial affluence and time affluence.

**Dr. Whillans** is an assistant professor and **Dr. Norton** is a professor at Harvard Business School. **Elizabeth Dunn**, a professor of psychology at the University of British Columbia, contributed to this article. Email reports@wsj.com.

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## MARKETS DIGEST

Data as of Friday, September 8, 2017

### Nikkei 225 Index

**19274.82** ▼121.70, or 0.63%

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

Year-to-date  
52-wk high/low  
All-time high

20230.41 16251.54  
38915.87 12/29/89

### STOXX 600 Index

**375.51** ▲0.56, or 0.15%

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

Year-to-date  
52-wk high/low  
All-time high

396.45 328.80  
414.06 4/15/15

### S&P 500 Index

4 p.m. New York time

Last 23.82 24.86

Year ago 18.83 18.52

Trailing P/E ratio 2.00 2.12

All-time high: 2480.91, 08/07/17

Bars measure the point change from session's open

June July Aug. Sept.

June July Aug. Sept.

June July Aug. Sept.

### International Stock Indexes

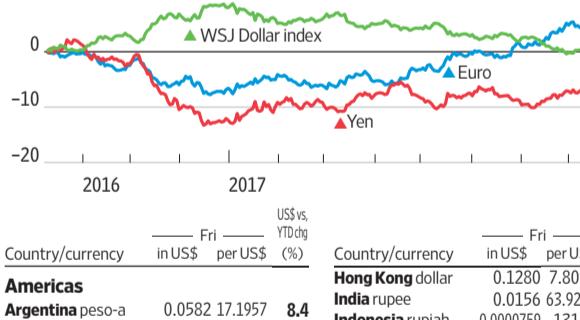
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	2853.39	2.03	▲0.07	2390.11	● 2878.99	12.7		
	<b>MSCI EAFE</b>	1953.56	4.68	▲0.24	1614.17	● 1955.39	16.0		
	<b>MSCI EM USD</b>	1091.17	1.07	▲0.10	838.96	● 1091.36	26.5		
<b>Americas</b>	<b>DJ Americas</b>	594.13	-0.78	-0.13	503.67	● 597.46	9.9		
Brazil	<b>Sao Paulo Bovespa</b>	73078.85	-333.56	-0.45	56820.77	● 73412.41	21.3		
Canada	<b>S&amp;P/TSX Comp</b>	14985.32	-39.21	-0.26	14349.10	● 15922.37	-2.0		
Mexico	<b>IPC All-Share</b>	50083.80	-165.32	-0.33	44364.17	● 51713.38	9.7		
Chile	<b>Santiago IPSA</b>	3867.95	-14.23	-0.37	3127.54	● 3932.62	20.0		
<b>U.S.</b>	<b>DJIA</b>	21797.79	13.01	▲0.06	17888.28	● 22118.42	10.3		
	<b>Nasdaq Composite</b>	6360.19	-37.68	-0.59	5046.37	● 6435.33	18.2		
	<b>S&amp;P 500</b>	2461.43	-3.67	-0.15	2085.18	● 2480.91	9.9		
	<b>CBOE Volatility</b>	12.12	0.57	▲4.94	9.36	● 22.51	-13.7		
<b>EMEA</b>	<b>Stoxx Europe 600</b>	375.51	0.56	▲0.15	328.80	● 396.45	3.9		
	<b>Stoxx Europe 50</b>	3058.45	5.18	▲0.17	2730.05	● 3276.11	1.6		
Austria	<b>ATX</b>	3230.33	-6.89	-0.21	2320.70	● 3208.48	23.4		
Belgium	<b>Bel-20</b>	3938.24	16.30	▲0.42	3426.21	● 4041.03	9.2		
France	<b>CAC 40</b>	5113.49	-1.13	-0.02	4332.45	● 5432.40	5.2		
Germany	<b>DAX</b>	12303.98	7.35	▲0.06	10259.13	● 12888.95	7.2		
Greece	<b>ATG</b>	802.72	-8.32	-1.03	551.93	● 858.08	24.7		
Hungary	<b>BUX</b>	37596.75	-186.76	-0.49	27476.40	● 38097.59	17.5		
Israel	<b>Tel Aviv</b>	1388.09	...	Closed	1363.50	● 1478.96	-5.6		
Italy	<b>FTSE MIB</b>	21776.66	54.15	▲0.25	16134.71	● 22048.30	13.2		
Netherlands	<b>AEX</b>	518.82	-0.01	-0.002	439.07	● 536.26	7.4		
Poland	<b>WIG</b>	64306.53	-75.34	-0.12	46756.18	● 65208.48	24.3		
Russia	<b>RTS Index</b>	1119.61	8.88	▲0.80	960.32	● 1195.61	-2.8		
Spain	<b>IBEX 35</b>	10129.60	4.70	▲0.05	8607.10	● 11135.40	8.3		
Sweden	<b>SX All Share</b>	557.23	0.13	▲0.02	496.66	● 596.72	4.2		
Switzerland	<b>Swiss Market</b>	8912.05	5.39	▲0.06	7593.20	● 9176.99	8.4		
South Africa	<b>Johannesburg All Share</b>	55724.67	-153.52	-0.27	48935.90	● 56655.88	10.0		
Turkey	<b>BIST 100</b>	108451.70	-1291.25	-1.18	72519.85	● 110423.11	38.8		
U.K.	<b>FTSE 100</b>	7377.60	-19.38	-0.26	6665.63	● 7547.63	3.3		
<b>Asia-Pacific</b>									
Australia	<b>S&amp;P/ASX 200</b>	5672.60	-17.30	-0.30	5156.60	● 5956.50	0.1		
China	<b>Shanghai Composite</b>	3365.24	-0.25	-0.01	2980.43	● 3385.39	8.4		
Hong Kong	<b>Hang Seng</b>	27668.47	145.55	▲0.53	21574.76	● 28094.61	25.8		
India	<b>S&amp;P BSE Sensex</b>	31687.52	24.78	▲0.08	25765.14	● 32575.17	19.0		
Japan	<b>Nikkei Stock Avg</b>	19274.82	-121.70	-0.63	16251.54	● 20230.41	0.8		
Singapore	<b>Straits Times</b>	3228.56	0.50	▲0.02	2787.27	● 3354.71	12.1		
South Korea	<b>Kospi</b>	2343.72	-2.47	-0.11	1958.38	● 2451.53	15.7		
Taiwan	<b>Weighted</b>	10609.95	71.44	▲0.68	8902.30	● 10617.84	14.7		

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

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



London close on Sept. 8

Country/currency	Fri	US\$ vs. per US\$ (%)	London close on Sept. 8		
			in US\$	per US\$	(%)
<b>Europe</b>					
Bulgaria leva	0.6155	1.6247	-12.6		
Croatia kuna	0.1620	6.1733	-13.9		
Euro zone euro	1.2040	0.8306	-12.6		
Czech Rep. koruna-b	0.0461	21.678	-15.6		
Denmark krone	0.1618	6.1802	-12.6		
Hungary forint	0.003927	254.65	-13.5		
Iceland krona	0.009451	105.81	-6.3		
Norway krona	0.1292	7.7420	-10.4		
Poland zloty	0.2835	3.5269	-15.8		
Russia ruble-d	0.01747	57.247	-6.6		
Sweden krona	0.1260	7.9392	-12.8		
Switzerland franc	1.0571	0.9460	-7.2		
Ukraine hryvnia	0.0384	26.0650	-3.8		
UK. pound	1.3202	0.7575	-6.5		
<b>Middle East/Africa</b>					
Bahrain dinar	2.6515	0.3772	-0.01		
Egypt pound-a	0.0566	17.6600	-2.6		
Israel shekel	0.2846	3.5132	-8.7		
Kuwait dinar	3.3231	0.3009	-1.5		
Oman rial	2.5976	0.3850	0.003		
Qatar rial	0.2700	3.704	1.8		
Saudi Arabia riyal	0.2666	3.7503	-0.01		
South Africa rand	0.0773	12.9390	-5.5		
<b>Asia Titans</b>					
Hong Kong dollar	0.1280	7.8096	0.7		
India rupee	0.0156	63.9250	-5.9		
Indonesia rupiah	0.000759	13168	-2.6		
Japan yen	0.009280	107.76	-7.9		
Kazakhstan tenge	0.002981</td				

## FINANCE & MARKETS

# Chinese Buyers Face Higher Bar Abroad

Merger activity slows as some sellers grow wary of deals with mainland companies

Chinese companies are finding it harder to buy and invest in businesses abroad—even if they are willing to pay top dollar for such deals.

By Julie Steinberg  
in Hong Kong and  
Ben Dummert in  
London

Political, regulatory and other hurdles to Chinese cross-border acquisitions are mounting in the U.S., Europe and even Japan, making some sellers wary of striking deals with firms that have strong ties to China. At the same time, China has been reeling in some big deal makers on concerns about capital leaving the country and high debt posing a risk to its economy.

Together, the constraints are limiting the prospects of Chinese companies that still have the resources and ability to expand overseas, and damping an already lackluster environment for global mergers and acquisitions this year. The setback for Chinese firms also comes after they emerged in recent years as credible bid-



RICHARD B. LEVINE/ZUMA PRESS

China's largest dairy company bid for Stonyfield. Danone sold the yogurt maker to a French firm.

ders for U.S. companies.

"In some ways they were the perfect buyer because they seemed to have a long-term view and an unlimited checkbook," said Scott Barshay, head of mergers and acquisitions for law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York. Their purchases "definitely drove up asset prices," he added.

So far this year, Chinese companies have announced \$113 billion in cross-border deals, down nearly a third

from the same period a year earlier, according to Dealogic.

These days, simply being Chinese can be a disadvantage in some deal negotiations.

Earlier this summer, **Inner Mongolia Yili Industrial Group**, China's largest dairy company, bid more than \$900 million for Stonyfield Farm Inc., a Londonderry, N.H. yogurt maker, according to people familiar with the matter.

Stonyfield's owner, European packaged-food giant **Danone SA**, instead sold the

business for \$875 million to French dairy company Lactalis, which won in part because Danone and its advisers felt there was too much regulatory uncertainty associated with a Chinese buyer, people familiar with the matter said.

In Japan, **Toshiba Corp.** has spent months seeking a buyer for its large memory-chip division. It initially spurned a high bid from **Hon Hai Precision Industry Co.**—better known as **Foxconn Technology Group**—after Japanese government of-

ficials expressed concerns about the risk of Toshiba's chip technology being leaked to China, where Taiwan-headquartered Foxconn has vast electronics manufacturing operations. The deal talks aren't dead, however, and Toshiba is still weighing multiple offers, including one from Foxconn.

The Chinese government recently formalized rules limiting the types of transactions companies can pursue, restricting overseas investments in industries such as property, hotels and entertainment. Companies were largely following those rules for months before they were codified.

Acquisitions that are core to companies' main businesses are generally permitted and are continuing, say bankers, though deals of a certain size are more heavily scrutinized.

Still, the guidelines, designed to stem outlandish deals and capital flight, have sharply slowed the pace of Chinese deals following a record 2016 in which corporations announced over \$220 billion of acquisitions abroad.

China National Chemical Corp. last year announced a \$43 billion takeover of agro-giant **Syngenta AG**, China's biggest foreign deal to date. That deal was delayed several times due to antitrust concerns from the European Com-

mission and closed months after had been expected.

China-U.S. activity has fallen more precipitously. There have been 86 announced Chinese deals in the U.S. so far this year worth \$9.9 billion, down from 118 deals worth \$33 billion in the same period last year. One reason: the Committee on Foreign Investment in the U.S., a body that screens deals for national security concerns, has been toughening its scrutiny of Chinese deals.

Some Chinese are looking for acquisitions in places where they feel more welcome—including Hong Kong, Singapore, Brazil, the Philippines and India. Israel is an emerging hot spot, bankers say. Itamar Har-Even, co-founder of Ion Pacific, a Hong Kong investment bank, said some Israeli targets offer intellectual property Chinese firms are seeking at reasonable valuations. The number of China-Israel deals his firm is advising on is triple that of last year, he added.

One indicator of Chinese interest: the breakfast buffet at the Royal Beach Tel Aviv hotel, which last year added spring rolls and egg noodles to cater to the growing number of Chinese deal makers flocking to the top-rated hotel, said a hotel spokesman.

## Now Showing: Short Sellers' Claims on China Firms

Deep-pocketed U.S. investors trying to expose fraud they allege among companies in mainland China have found a new way to promote their cause: a feature film.

A documentary called "The China Hustle" premiered Friday at the Toronto International Film Festival. The 84-minute film features prominent American short sellers including Carson Block of Muddy Waters LLC, who in 2011 undertook an aggressive crusade against Chinese tim-

ber company Sino-Forest Corp., and James Chanos, one of Wall Street's most vocal naysayers on China.

By Steven Russolillo in  
Hong Kong  
and Vipal Monga in  
Toronto

The film, written and directed by Jed Rothstein, took about two years to produce. Its backers include American documentary filmmaker Alex Gibney and billionaire investor

and entrepreneur Mark Cuban.

Mr. Cuban, who helped finance the film through his media company, 2929 Entertainment, said in an interview that he got involved in part "because I'm not a big fan of the job" the U.S. Securities and Exchange Commission does. In 2008, the SEC charged Mr. Cuban with insider trading after he sold shares in an internet company, but Mr. Cuban was cleared years later by a federal jury in Dallas.

The new documentary pro-

files a cast of U.S. investors trying to expose and profit from irregularities and alleged fraud at many Chinese companies by shorting, or betting against, their publicly traded stocks.

It takes aim at audit firms and investment banks that helped engineer transactions such as reverse mergers that took certain Chinese companies public. It also says the SEC has been largely unable to go after Chinese citizens who run the companies.

In 2015, the Chinese affiliates of the Big Four accounting firms settled a yearslong dispute with the SEC over their reluctance to give the regulator documents about Chinese companies that were under investigation. Other than that, few Chinese executives have been charged or sued by U.S. enforcement agencies.

An SEC spokesperson declined to comment.

The film also calls into question the reliability of in-

formation from companies such as Chinese e-commerce giant **Alibaba Group Holding Ltd.**, whose initial public offering in 2014 was the largest on record. An Alibaba spokesperson didn't immediately respond to a request for comment.

Mr. Rothstein, the film's director, said in an interview: "We're trying to make people aware that short sellers are blowing the whistle about a larger fraud that is still brewing."

The Future of Everything: A Hardware Update for the Human Brain

Emily Borghard has a computer inside her skull, but you wouldn't know it to look at her. A small bump behind her left ear, the only external evidence of her implant, is partially covered by a tuft of hair that's still growing in from the last time she had the batteries changed. Before Borghard received a brain implant, she was having as many as 400 "spikes" of seizure-like activity a day, along with multiple seizures. This unrelenting storm of abnormal neural activity turned her into

Corruption Trial? Flaming Phones? No Problem for Samsung, the Smartphone Industry's New Inescapable Force

It has been a year of bad news for Samsung. Its Galaxy Note 7 smartphones began bursting into flames last fall. Leader Lee Jae-yong was imprisoned in February and remains on trial over corruption allegations by his son. But here's the twist: Samsung Electronics Co. just reported its best quarterly profit ever, beating Apple Inc.'s projected results.

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# MARKETS

THE DAILY SHOT | By Lev Borodovsky and Amrit Ramkumar

## Storms Ripple Through the Markets

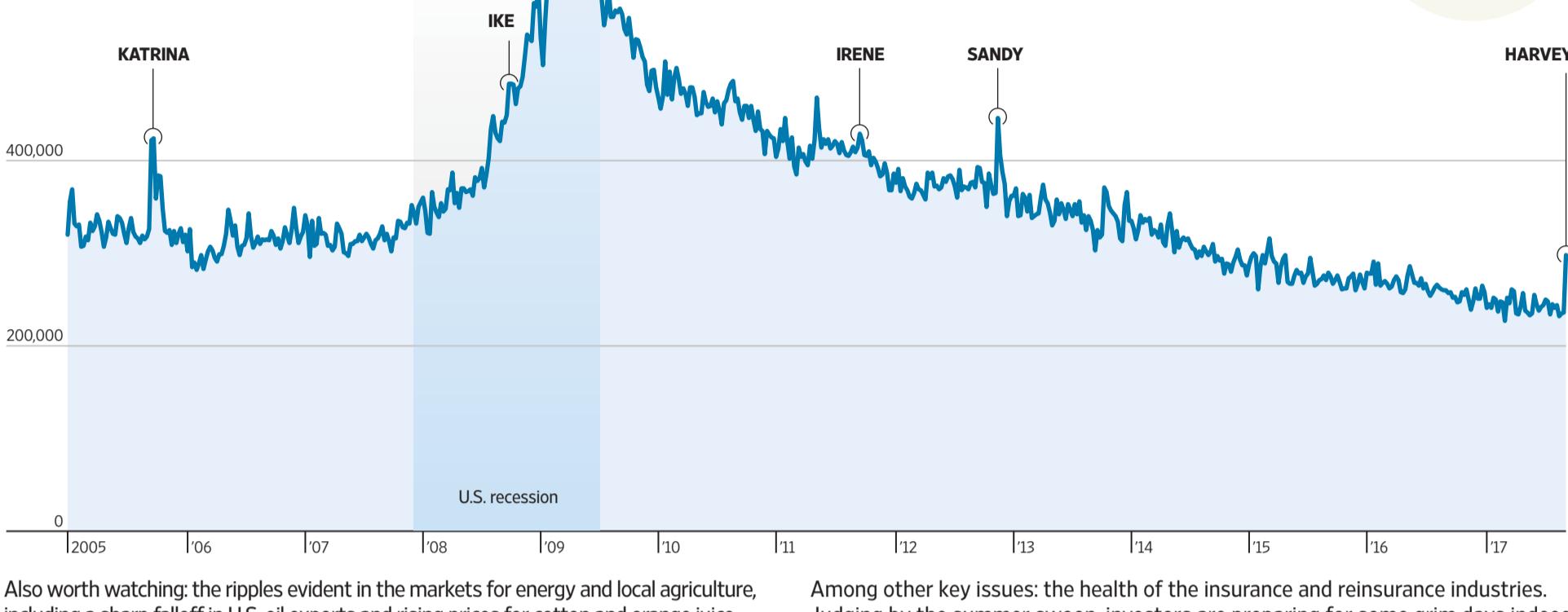
How hard will the one-two punch of Hurricanes Harvey and Irma hit the U.S. economy? While past storms haven't changed the trajectory of the national economic expansion, the scale of potential disruption is evident in the sharp increase in jobless claims that typically accompanies a major weather event.

WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at [wsj.com/newsletters](http://wsj.com/newsletters)

### Initial jobless claims, weekly

With spikes following major weather events

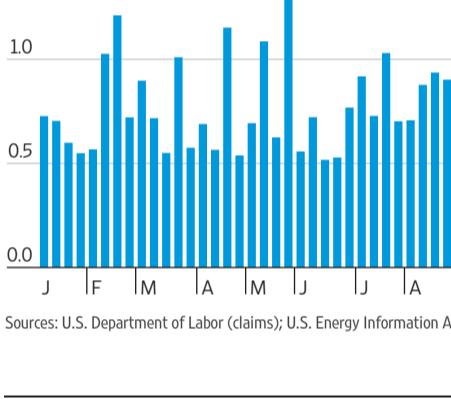
600,000 claims



Also worth watching: the ripples evident in the markets for energy and local agriculture, including a sharp falloff in U.S. oil exports and rising prices for cotton and orange juice.

### U.S. crude-oil exports, weekly

1.5 million barrels a day



Sources: U.S. Department of Labor (claims); U.S. Energy Information Administration (exports); FactSet (price performance)

### Commodity futures

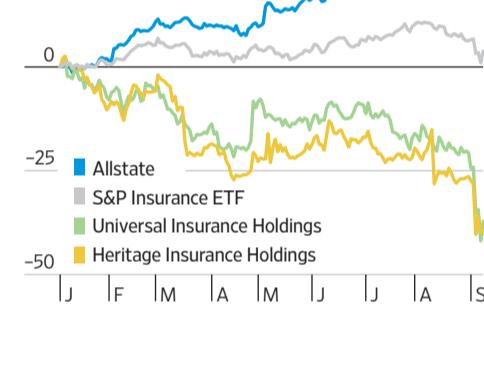
Price performance, year to date



Among other key issues: the health of the insurance and reinsurance industries. Judging by the summer swoon, investors are preparing for some grim days indeed.

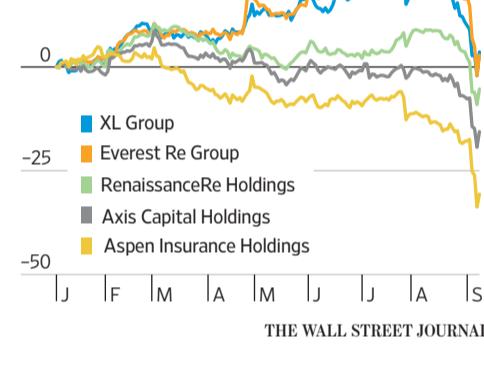
### Home insurers

Share-price performance, year to date



### Reinsurance and specialty-insurance sellers

Share-price performance, year to date



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## HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## Irma Will Test Cat-Bond Market

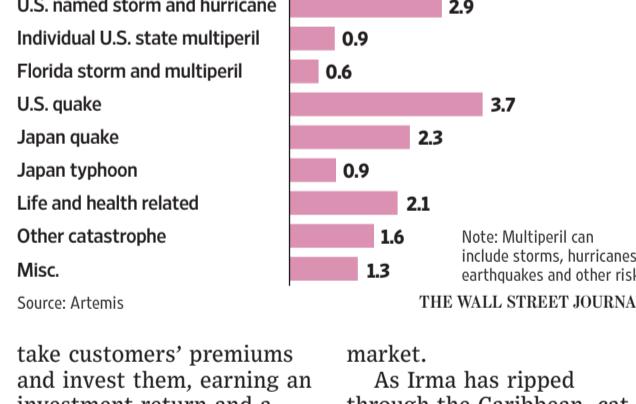
The market for catastrophe risk is about to face its toughest test as Hurricane Irma tears through Florida. For the illiquid but wildly popular world of catastrophe bonds, a deep pool of capital means a big hit might only make them more popular.

Across the market, investors have poured cash into cat bonds, but have been getting less return per unit of catastrophe risk: In 2012, the average coupon on cat bonds was almost 4.5 times their expected losses. This year that multiple has dropped below 2 times, according to researcher Artemis.

Cat bonds are different from traditional reinsurance. While they cover similar risks, investors in cat bonds can't just make a promise to pay claims like an insurer does. Cash invested in cat bonds goes into custody accounts or U.S. Treasurys and investors get a coupon payment that compensates for the risk that the money they invested is needed to settle claims. Traditional insurers

### Picking Perils

Catastrophe bonds outstanding by type of exposure



take customers' premiums and invest them, earning an investment return and a payment for risk.

Roughly \$14 billion of cat bonds face exposure to Atlantic hurricanes, according to Artemis. That is about half of all cat bonds, one corner of alternative reinsurance markets. Investors also put money into private and less liquid collateralized reinsurance contracts and vehicles known as sidecars, a bigger, more opaque

market.

As Irma has ripped through the Caribbean, cat-bond trading has remained subdued.

But most Florida or U.S.-storm-focused bonds aren't trading because the price gap between where people will buy and sell is too large. The fact that Irma tracked to the west and didn't make a direct hit on Miami likely means the market will escape the worst possible losses. More trad-

ing will take place this week while damage is being assessed, a process known as postcat trading, for bonds that suffer the most damage. In the past, when markets suffer a big loss, a rise in insurance rates has followed. There is less capital available, and some investors worry the latest storm increases the chances of future storms.

Trouble is that many specialist fund managers who are the biggest players—owning about 60% of the market—have a stream of investors lined up waiting to put in money to cash in on such a rise. Some have been waiting years for a big event to create such a market correction. Plus, cat-bond yields still look great compared with yields on other kinds of bond investments.

Investors are already taking on a lot of risk for the returns they get. If a major loss just leads to a rush of new cash into the market, questions about the sanity of the market are only going to get louder.

—Paul J. Davies

### OVERHEARD

Hurricanes and other natural disasters are times for quaint technologies and the people who still know how to use them to shine.

Enter Zello, a walkie-talkie app that has rocketed to the top of the charts in the Apple and Android stores.

The "Cajun Navy" used it to communicate as it rescued people from flooding in Houston.

Unfortunately, the usefulness of the app is being overestimated by the very people who take more modern technology for granted. Zello has had to point out that it doesn't actually turn one's cellphone into a walkie-talkie.

It uses cellular signals or Wi-Fi, just like actual calls and texts.

Also, unlike actual radios, batteries bought at the supermarket won't keep your cellphone charged. You need electricity for that.

Zello has been tweeting out the app's quite obvious limitations to set people straight, at least to those who still can access Twitter.

## Akzo's Woes Keep Deal Talk Alive

**Akzo Nobel** seems less and less likely to retain its independence.

On Friday, before an extraordinary general meeting held to confirm the appointment of new Chief Executive Thierry Vanlancker, the European paint group said its finance chief, Maelys Castella, was taking leave of absence for health reasons, issued a profit warning and unveiled a new management structure.

Former Chief Executive Ton Büchner, who was instrumental this year in defending the company against three takeover approaches from U.S. peer **PPG Industries** and noisy activism from top shareholder **Elliott Management**, stood down for health reasons less than two months ago. To paraphrase Oscar Wilde, to lose one top executive may be seen as a misfortune; to lose both looks like carelessness. "The coincidence is, I concede, very coincidental," said Chairman Antony Burgmans.

The reorganization is designed to revive growth and boost margins despite rising commodity costs. The irony underlying this frenetic management activity is that Mr. Burgmans's arguments for not entering talks with PPG—as Elliott and many other shareholders wanted—centered on the disruption and cost-cutting that would result from a merger.

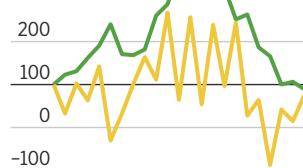
The more Mr. Burgmans and his team lose credibility, the likelier a fresh takeover approach from PPG—though the U.S. group would be wise not to hint at a deal before the pugnacious chairman retires next April. Bid speculation should put a floor under the share price, however sickly Akzo's financial results are.

—Stephen Wilmot

## As Metals Surge, Miners Risk Falling Down Same Old Hole

### Bumpy Road

Indexes, 2006=100



\*December 2017 figure is estimated.

\*\*Net increase from a year earlier.

Sources: Factset, Thomson Reuters, CEIC, company documents

THE WALL STREET JOURNAL.

Commodity powerhouse Australia has always been lucky, but the past few months have been particularly kind. Copper, coal and aluminum prices are at or near multiyear highs—with iron ore not far behind—and big miners' shares are riding high too.

That is a welcome for mining investors. The cloud looming over recent stellar results from the likes of **Rio Tinto**, **Anglo American** and **BHP** is that they are falling into a familiar trap: using high commodity prices as an excuse to spend more at current levels next year, there is a real danger of another tumble in prices in the next

couple of years.

There is some logic to the price gains for metals so far this year, with demand strong and investment in new supply low. Chinese property investment was galloping along at growth rates of more than 10% by late 2016, levels not seen since before the commodity crash. Total capital expenditure by the Big Five languished at around \$8 billion in the first half of 2017—about one quarter of the boom levels of 2011 and 2012.

The bad news is that miners' guidance implies a roughly 30% rise in capital expenditure in the second half of 2017—the sharpest on

year rise since 2012—just as Chinese real estate is starting to look wobbly. Property investment in China grew at its slowest pace in more than a year in July.

Hot weather may have played a role, but if August data show investment weakening again, demand for iron ore and copper will follow.

Industrial metals have not yet lost their shine, but the mining sector has a history of misreading China.

If capital expenditures keep rising at the same rate next year, it might be time to sell those shares while they are still glittering.

—Nathaniel Taplin