

# THE WALL STREET JOURNAL.

DOW JONES | News Corp

FRIDAY - SUNDAY, SEPTEMBER 22 - 24, 2017 - VOL. XXXV NO. 165

WSJ.com EUROPE EDITION

DJIA 22359.23 ▼ 0.24%

NASDAQ 6422.69 ▼ 0.52%

NIKKEI 20347.48 ▲ 0.18%

STOXX 600 382.88 ▲ 0.24%

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GOLD 1290.60 ▼ 1.63%

EURO 1.1939 ▲ 0.37%

## What's News

Business & Finance

Top SEC officials weren't told until recently about a 2016 cyberattack, raising doubts about how the breach was initially handled. A1

◆ Benchmark has said it is unlikely to sell its shares in Uber, complicating a potential \$93 billion investment deal with SoftBank. B1

◆ Cat-bond investors could be on the hook for up to \$150 million after two earthquakes struck Mexico. B1

◆ CVS will limit opioid prescriptions to seven days or less for certain patients in a bid to fight addiction. B3

◆ Whole Foods plans to change the way companies can sell and market their products in its stores. B3

◆ The EU said it is ready to propose new taxes on tech firms by next spring if there isn't "adequate global progress" on new rules. B4

◆ Commonwealth Bank of Australia is selling its life-insurance operations to AIA for \$3.05 billion and may shed its asset-management unit. B5

◆ The ECB plans a new overnight interest rate as an alternative to scandal-plagued benchmarks. B5

◆ Postal Savings Bank is raising up to \$7 billion in one of the largest-ever sales of offshore securities by a Chinese lender. B5

◆ Impax Labs is in merger talks with rival generic-drug maker Amneal. B3

◆ U.S. oil is trading at the biggest discount to the global price in two years. B8

### World-Wide

◆ Trump signed an executive order targeting trade with North Korea, launching a new phase of a crackdown on Pyongyang. A1

◆ Rescue workers continued to search for survivors from the Mexican quake that killed at least 230 people, with hundreds still missing. A3

◆ Puerto Rico is emerging crippled after Hurricane Maria hobbled its telecom system, destroyed its power grid and flooded communities. A5

◆ A U.S. demand to reopen the Iran nuclear deal has left Europe scrambling to heed U.S. concerns without sparking an Iranian walkout. A4

◆ Iraq's army launched an offensive to drive Islamic State from one of the group's few remaining strongholds in the country. A4

◆ Opponents of a GOP plan to dismantle most of the ACA are scrambling to ramp up resistance before a possible Senate vote next week. A5

◆ Mueller is seeking to determine what White House officials knew about a probe of ex-national security adviser Flynn early this year. A5

◆ Saudi Arabia's king plans to discuss Syria, the Qatar blockade and oil output with Putin next month in Russia as political ties deepen. A3

◆ S&P became the last of the three major rating firms to lower its view on China's creditworthiness. A4

◆ Died: Liliane Bettencourt,

94, L'Oréal heiress and the world's richest woman. B1

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€3.20; CHF5.50; £2.00;

U.S. Military (EUR) \$2.20

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## WORLD NEWS

# Chechnya Leader Seeks Global Muslim Role



### MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

When the exodus of Rohingya Muslims from Myanmar began a month ago, some of the loudest protests erupted in an unexpected corner of the Muslim world: Russia's republic of Chechnya.

In the capital Grozny, Chechen leader Ramzan

Kadyrov presided over a Sept. 4 rally in solidarity with the Rohingya that, according to official

count, was attended by a million people. He proposed, among other things, dropping a nuclear bomb on Myanmar to stop what he called a "genocide of Muslims."

Another large Muslim protest, also with the involvement of Chechen representatives, paralyzed central Moscow and forced Myanmar diplomats to temporarily abandon their embassy there.

For Mr. Kadyrov, a 40-year-old who has turned Chechnya into a personal fief where Islamic laws and customs are enforced more



Muslims rallied this month in Grozny in solidarity with the Rohingya, a Muslim minority in Myanmar.

The Chechen leader's latest intervention in the Myanmar crisis didn't please the Moscow establishment.

"Russian foreign policy in terms of making major decisions is very much centralized. This means that Kadyrov's démarche was met with irritation at the foreign ministry and by the leadership in general," said Andrey Kortunov, director of the Russian International Affairs Council, a state-run think tank in Moscow.

On the other hand, Mr. Kadyrov could play a valuable role for Russia in the broader Muslim world just as the country faces widespread criticism for its involvement alongside the Iran-led Shiite axis in the Syrian war.

As a young rebel, Mr. Kadyrov used to fight against Russian forces in Chechnya's war of secession. His father Akhmad, Chechnya's former mufti, or most senior Sunni Islamic scholar, once formally declared jihad against Russia—only to switch sides and become the region's president under a peace deal with Moscow. The elder Mr. Kadyrov was assassinated by jihadist insurgents opposed to the peace deal in 2004.

Chechnya today feels like a separate country. While Chechnya's security forces theoretically report to Moscow, in practice they are Mr. Kadyrov's praetorian guard,

with their parades—broadcast on his Instagram feed—punctuated by pledges of loyalty and cries of "Allahu akbar."

Because of this autonomy, Mr. Kadyrov offers a Sunni alternative to existing Islamist movements in the Middle East. Unlike the theology of Islamic State or al Qaeda, his brand of Islamism—colored by the relatively moderate Sufi tradition espoused by his late father—isn't hostile to Shiites and appeals to millions of followers of Sufi religious orders in the region.

In part in recognition of this status, Mr. Kadyrov over the past year was received with honors far above those of a provincial Russian governor when visiting Muslim nations, particularly by the monarchies of the Persian Gulf. Those included even Saudi Arabia, with which Mr. Kadyrov has reconciled of late.

"Kadyrov is a man of big ambitions. He plays the role of an unofficial Russian envoy in the countries of the Middle East," said Dmitri Trenin, director of the Carnegie Moscow Center. "Yes, sometimes he makes statements that go further than or contradict Russia's official position. But in general he promotes Russia as a state with a large Muslim community and therefore a state that has the right to participate in all Muslim affairs. And that's something positive for Russian foreign policy."

## HACK

Continued from Page One

informed of a breach to an SEC database that houses information critical to investors," said Mr. Sporkin, now a partner at the law firm Buckley Sandler LLP.

Mr. Clayton's statement described other SEC vulnerabilities to hackers, but provided few details about the intrusion, possible trading or which companies might have been affected. The SEC hasn't responded to requests for additional details.

Mr. Clayton, a former corporate lawyer, has a deeper background in cybersecurity than many of his predecessors. He led Sullivan & Cromwell LLP's cybersecurity practice and retained a cybersecurity adviser, Christopher R. Hetner, who was formerly chief information security officer at GE Capital.

SEC officials routinely examine the cybersecurity defenses of brokerage firms and investment advisers and have sometimes indicated they could take enforcement action

against a public company that misled investors about a hack affecting share prices.

Mr. Clayton is sure to face questions about the event next week, when he is scheduled to testify before the Senate Banking Committee. Sen. Mark Warner (D., Va.), a member of the panel, said he planned to ask Mr. Clayton about the duties of public companies to

**'It's not great optics if the agency itself is hacked,' said a former enforcement official.**

disclose when they are hacked. Yahoo Inc. took two months to disclose to the public and its shareholders after learning that 500 million user accounts were hacked in 2014.

"The SEC's disclosure, which comes not even two weeks after Equifax revealed that it had been hacked, shows that government and businesses need to step up their efforts to protect our most sensitive personal and com-

mercial information," said Mr. Warner. The Senate Banking Committee oversees the SEC.

Edgar was launched during the 1990s to equalize access to information among retail and sophisticated investors, but has occasionally caused headaches for the commission. Academic researchers found in 2014, for instance, that hedge funds and other investors got earlier access to market-moving documents than other users of the standard, web-based system, giving them a potential edge. The SEC later said it fixed the problem.

The system ingests a mountain of data, filed by thousands of public companies and brokerage firms and mutual funds. While most filings are made public as soon as they are received, some other forms aren't meant to be disclosed immediately and could be juicy targets for hackers.

One example: correspondence that shows the SEC's feedback on disclosures such as annual reports. The letters often focus on questions of accounting judgment and lead to companies updating language in filings. The letters typically become public 20 days after

the SEC closes the file.

Seeing that type of information before it is released publicly could allow a hacker to gain insight into a pending accounting restatement, which would hurt a company's stock price, said Richard Truesdell, head of capital markets at Davis Polk & Wardwell LLP.

The Edgar system also stores confidential forms that companies file when they sell shares for the first time, known as registration statements, said Brian Lane, a partner at Gibson Dunn & Crutcher

LLP. The forms are withheld from investors as companies receive feedback on the disclosures from the SEC staff. Seeing the forms during that phase would provide fascinating insight into a private company's earnings, but a hacker couldn't immediately profit from the information because the stock isn't yet trading on an exchange, Mr. Lane said.

Mr. Clayton's statement didn't identify the precise date of the intrusion or what sort of nonpublic data was obtained. The agency said hack-

ers exploited a vulnerability in part of Edgar that allows companies to test the accuracy of data transmitted in new forms. Newly appointed directors and officers often file test forms that reveal the extent of their ownership of company stock or options, Mr. Lane said.

"We face the risks of cyberthreat actors attempting to compromise the credentials of authorized users, gain unauthorized access to filings data, place fraudulent filings on the system, and prevent the public from accessing our system through denial of service attacks," Mr. Clayton said in his statement Wednesday.

David Smyth, a former SEC enforcement official who is now a partner at law firm Brooks, Pierce, McLendon, Humphrey & Leonard LLP, said the SEC is in a difficult position because it is subject to the same cyberthreats as the rest of Wall Street.

"But it's not great optics if the agency itself is hacked," he said. "I do find the fact that the hack wasn't disclosed to the commissioners themselves quite surprising," he added.

*—Tatyana Shumsky contributed to this article.*

## ETF

Continued from Page One aware of," said Christopher Marinac, director of research at Atlanta-based FIG Partners, of exchange-traded funds, a popular form of index investing.

"Passive ownership is not first or second on the list, but now it is definitely on that

list," he said.

So far, researchers say, the influence of passive investing is most pronounced for mid-size- and small-company stocks, which generally trade less frequently than the largest ones.

Pankaj Patel, head of quantitative research at Cirrus Research, in Tarrytown, N.Y., this year published a series of reports on ETF ownership of

U.S. stocks, prompted by client demand. He found dozens of small and midsize companies with more than 20% of their shares outstanding owned by ETFs.

Mr. Patel said one-way money flows into or out of index funds potentially create opportunities for active managers who, for example, might opt to hold a stock longer than they might otherwise when flows are cresting, or pare back a holding sooner if money is moving out.

"Portfolio managers should be aware of heavy ETF ownership," Mr. Patel said. "It can be an advantage when flows are positive, but you want to be careful when they turn around."

Analysts say November's presidential election provided a case study for the effects of passive investing on small-cap stocks.

Roughly \$9 billion poured into more than two dozen financial-stock ETFs in the month following the election, according to Keefe, Bruyette & Woods.

Melissa Roberts and Pell Birmingham, quantitative analysts at the firm, found that ETF flows had a meaningful impact both on the daily trading volumes and performance of certain financial-sector stocks.

Shares of companies included in financial ETFs

rose by a median 19.4% over

the period, compared with

14.2% for financial stocks not

in these ETFs, they found.

The passive effect was compounded, they said, because

many financial-sector stocks

are included in the Russell

2000 index of small-company

shares.

Some \$5 billion flowed into the largest ETF tied to this index, the iShares Russell 2000 ETF, in the month after the election. KBW estimates that ETF flows into all financial ETFs, plus the small-cap stock ETF, resulted in 24% of share turnover in Southwest Bancorp Inc. in the month after the election and 23% in First Connecticut Bancorp Inc.

These small banks' stock

prices rose 28% and 27%, re-

spectively, over that period.

"ETFs aren't really driving

performance, but flows can ex-

acerbate performance," Ms.

Birmingham said.

Research from Savita Sub-

ramanian, equity and quantita-

tive strategist at Bank of

America Merrill Lynch, sug-

gests that companies with a

larger proportion of tradable

shares in passive funds tend to

see heightened choppiness

since fewer shares are avail-

able for active traders. The

"true float" of available shares is diminished, she said.

"Stocks with more float held by passive funds exhibit, on the margin, higher volatility," Ms. Subramanian said.

Still, being owned by indexes can be a good thing.

Nearly 40% of the tradable shares of Meredith Corp., a media company with a market capitalization of \$2.4 billion, is owned by passive mutual and exchange-traded funds—more than any stock in the U.S. market, according to Steven De-Santis, a small- and midcap

analyst at Jefferies.

Passive ownership in Mere-

dith received a major boost in

January, when the stock was

tapped for inclusion in an in-

dex that powers the \$16 billion SPDR S&P 500 Dividend ETF,

which includes only companies

that have raised dividends for

20 years in a row. In a matter

of days, the ETF bought nearly

three million Meredith shares

and became one of the stock's

biggest single owners. Trading volume during the session when Meredith was added to the index was the heaviest in more than a year, according to FactSet.

"We have seen inclusion in indexes add to demand for Meredith stock," said Mike Lovell, Meredith's director of investor relations. He said the company doesn't manage its business with an aim toward index inclusion, but added that its fundamentals, including a long record of paying dividends, tick many boxes for indexes that screen for such traits.

**THE WALL STREET JOURNAL.**

Europe Edition ISSN 0921-99  
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London, SE1 9GF

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Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01;

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

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## CORRECTIONS & AMPLIFICATIONS

**Hoffman-Madison** Waterfront, a partnership between real-estate firms Madison Marquette Inc. and PN Hoffman & Associates Inc., in October is opening the first phase of a \$2.5 billion mixed-used waterfront development in Washington. A Property Report article on Wednesday about open-air shopping centers and mixed-use property developments incorrectly said

it was Madison Marquette's project and incorrectly said the project was valued at \$2 billion.

**Australian physician** John Valentine previously taught medical ethics. A Page One article on Monday about aid groups working to rescue migrants in the Mediterranean Sea incorrectly called him a professor of medical ethics.

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

# WORLD NEWS

## Populists Redirect German Campaign

Supporters say AfD party is speaking plainly of old taboos; calling out 'lies'

By ANTON TROIANOVSKI

WISMAR, Germany—Candidate Georg Pazderski of the anti-immigrant Alternative for Germany spent nearly half his 25-minute speech in this harbor town earlier this week highlighting the danger of Islamist terrorism. Chancellor Angela Merkel dispatched the topic in roughly 80 seconds in an address here the next day.

As this country's election campaign reaches its crescendo ahead of Sunday's vote, its participants increasingly appear to be fighting different battles. Ms. Merkel, looking assured of victory, is engaging her opponents in mainstream parties on pensions, infrastructure, education, and economic policy. The Alternative for Germany, meanwhile, is creeping up in the polls while positioning itself as the only party sounding the alarm about what it says is the exis-

tential threat posed by Muslim immigration.

The AfD, as the party is known, is now polling at above 10%—less than its peak early this year and well below what other far-right parties elsewhere in Europe have garnered in recent elections. But for Germany, if the polls hold, its impending entry into parliament will mark a turning point in a country where right-wing populism has long been banished from mainstream discourse. And it will show that despite Germany's thriving economy, an undercurrent of popular distrust and discontent threatens to increasingly unsettle a largely stable political system.

The unease is especially apparent here in the former East Germany, where unemployment is higher and the mainstream political parties are less deeply anchored than in the more-prosperous former West. But AfD is drawing rising support from across the country, polls show.

Interviews with AfD supporters conducted in recent weeks, from the German southwest to the Baltic sea-

### Protest Vote

Some typical characteristics of Alternative for Germany voters are outliers when compared with backers of other parties.

■ Alternative for Germany ■ Social Democrats ■ Christian Democrats

■ Free Democrats ■ Left ■ Greens

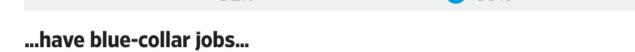
### AfD supporters are more likely to be male...

Percentage of male supporters



### ...tend to live in less densely populated areas...

Percentage of supporters in towns with fewer than 20,000 people



### ...have blue-collar jobs...

Percentage of supporters classified as laborers



### ...and earn less

Average hourly wages



\*Includes Bavarian sister party Christian Social Union

Sources: German Institute for Economic Research analysis based on an ALLBUS survey of about 3,500 respondents conducted in March-September 2016 (male support, residence, employment); SOEP panel study, 2015 (wages)

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until now," said civil servant Uwe-Schulz Kopanski, referring to immigration as the biggest one. "These lies, these lies, these lies—people have had enough."

In the center of Wismar, a Baltic seaport town of about 45,000 people, an outdoor-goods store advertises \$7 cans of self-defense spray next to the thermoses and water bottles in its window.

"The demand is very, very high in Wismar, because there are many foreigners," an employee said.

Around the corner in City Hall, Mayor Thomas Beyer said the share of foreigners in town had increased to about 6% from 4% since 2015, in part because of the influx of asylum seekers. The data don't show any increase in violent crime as a result, he said. But, he noted, many voters were unsettled by change—and a significant number were supporting the party that has become Germany's most prominent symbol of protest against the establishment.

"The parties, in part, no longer speak the language of the people," Mr. Beyer said.

counting his own center-left Social Democrats among those guilty of losing touch.

Ms. Merkel closed her speech on Tuesday by warning that isolationism could carry big risks for a country that makes much of its wealth from exports. "We must understand that we cannot only take care of ourselves," she said.

The previous day, leading AfD politicians took a different tack at their own rally here. The mainstream parties have yet to "see reason and finally take care of the security of German citizens," Mr. Pazderski said. He and deputy party chairwoman Beatrix von Storch both said deportations of rejected asylum seekers were happening too slowly.

"In addition to a heart, we have a brain," Ms. von Storch said of her party.

"This is a party that's finally showing protest," said Martin Schmalz, a 28-year-old bus driver at the event in Wismar who was considering voting for the AfD. The party, he said, says what "the German citizen has on the tip of his tongue but can't say out loud."

## Energy Alliance Propels Russia-Saudi Cooperation

Saudi Arabia's King Salman plans to discuss Syria, the Qatar blockade and oil production with Russian President Vladimir Putin next month in Russia, according to people familiar with the matter, as energy cooperation deepens political ties between the two former foes.

By Summer Said  
in Riyadh  
and James Marson  
in Moscow

In the first visit to Russia by a Saudi monarch, King Salman is expected to give his support for new cease-fires and "de-escalation zones" in Syria, where Riyadh and Moscow have been on opposing sides, the people said.

The king is also expected to cement a deal with Russia to extend efforts to withhold global oil supply and prop up crude prices through the Saudi-led Organization of the Petroleum Exporting Countries, the people said. Russia isn't a member of OPEC, but its cooperation was key in a deal among 24 countries to cut almost 1.8 million barrels of oil a day this year.

The visit, scheduled for early October, is the latest sign of a warming relationship between the two largest crude-oil producers, who have long been on opposite sides of the Middle East's geopolitical fault lines. Russia counts Saudi rivals Iran and Syria as its closest Middle Eastern allies, while Saudi Arabia has looked to the U.S. as an ally.

"Cooperation between these vehement Cold War enemies used to be unthinkable. Not anymore," said Jim Krane, a fellow specializing in Middle East energy and geopolitical issues at Rice University's Baker Institute.

The thaw began last year as Saudi Arabia sought Russian support for the cut in oil production, which it hoped would reverse a historic downturn in petroleum prices.

Though the OPEC-led production cut has done little to raise oil prices, Russia and Saudi Arabia have since talked about establishing a joint en-

ergy-investment fund and the first Saudi imports of liquefied natural gas from Russia, according to Russian and Saudi officials.

Saudi oil officials are considering stakes in LNG projects led by Russian companies OAO Novatek and state energy giant, PAO Rosneft, people familiar with the matter said.

Saudi Arabia has other sources for many of the imports that Russia could provide, including weapons, barley, pig iron and refined copper. The LNG deals under discussion could take months to come together or not happen at all, people familiar with the talks said.

But the countries have political reasons to move closer and cite their oil coordination as a first move to build trust as they try to tackle broader economic and geopolitical issues.

In May, Mr. Putin spoke about Syria with then-Deputy Crown Prince Mohammed bin Salman, the king's son who has since been elevated to crown prince and heir apparent. The two countries remain at odds but have celebrated their dialogue.

Russia this year ended its criticism in the United Nations of Saudi Arabia's war against Houthi rebels in Yemen. The Saudis saw that as a concession that came after the kingdom threw its weight behind cutting its oil production, Saudi officials said.

The diplomacy has highlighted Russia's balancing act in the Middle East between its traditional partner Iran, gas-producing Qatar—an economic rival that it now courts as an investor—and Saudi Arabia.

The king's discussions on Qatar are likely to be closely watched. Saudi Arabia and its Arab allies have cut off diplomatic and economic ties with Qatar over what it says is the emirate's support for Iran and the Muslim Brotherhood.

Russia has taken a neutral stance, calling for a diplomatic resolution through talks.

—Georgi Kantchev and Benoit Facon in London contributed to this article.

### Alliance of Giants

U.S. energy output has surpassed Saudi Arabia and Russia, driving the two countries to cooperate.

15% of global oil liquid production



THE WALL STREET JOURNAL

### BRUSSELS BEAT | By Marcus Walker



German Chancellor Angela Merkel appeared at a campaign rally in Freiburg on Monday. Victory for her party looks inevitable.

## Grip Weakens for Established Parties

Germany's seemingly predictable election campaign may well have a twist in its tail.

If the last opinion polls before Sunday's parliamentary elections are a guide, the crumbling of Europe's old political order is affecting even Germany, the continent's bastion of stability.

Support for Germany's two major parties could fall below 60% combined, while protest parties of the far right and far left could win 20% of the vote between them, a pattern of polls suggests.

Politics in Germany remain rather staid compared with many other European countries. Victory for Chancellor Angela Merkel's conservative Christian Democrats looks inevitable, even if they win fewer votes than four years ago. The anti-immigration Alternative for Germany, which could win over 10% according to surveys, remains smaller than its far-right peers in neighboring France or Austria.

In swaths of Continental Europe, the established center-right and center-left parties have suffered far more dramatic collapses, while populist movements from the nationalist right to the anticapitalist left have become strong enough to aspire to power.

Germany is unique. Its booming economy barely felt the eurozone's debt crisis. Unemployment is below 4%, compared with around 9% overall in the 19-country eurozone.

In an age of international rage against incumbents, around two-thirds of Germans say they're satisfied with Ms. Merkel. More broadly, the country's postwar political culture and institutions strongly favor moderate, mainstream parties over radicals.

Yet even in Germany, the grip of center-right Christian Democrats and center-left Social Democrats is weakening.

The deepest reason for the fragmentation of Europe's politics is that societies have become more complex. Old cen-

ter-left parties were rooted in organized labor, old center-right parties in churches. Both have declined. Social media have broadened the reach of anti-mainstream messages.

Another factor is that globalization has reduced the ability of national governments to manage some of the most potent electoral issues, from economic crises to migration.

"Voters still expect solutions from their government, but that's no longer always possible," says Peter Filzmaier, political scientist at Austria's Danube University Krems.

The almost inexorable result is that new parties cater to dissatisfied segments of the electorate—including populist movements that attack old elites and offer simple fixes. Over time, more small parties have won a place in Germany's federal parliament.

The rise of Germany's political fringes also reflects Ms. Merkel's weaknesses, however. Her consensus-seeking style has erased policy differ-

ences between her Christian Democrats and other mainstream parties. She could form her next coalition government with any of the other moderate parties, voters know. That means Germans who truly dislike the chancellor have only the radical AfD or the Left to turn to.

The AfD's challenge to German postwar taboos—it wants Germans to feel less guilt and more pride about the country's history, including the Third Reich—is likely to prompt much soul-searching in Germany's establishment.

Other mainstream leaders in Europe's big year of elections have made more effort than Ms. Merkel to style themselves as outsiders to the establishment, or to reach out to voters tempted by populism. The greater flexibility of such leaders in Germany's neighbors reflects the fact that they are under greater pressure from anti-establishment insurgents.

A similar test could face Ms. Merkel's successors.

## Hundreds Still Missing After Mexico Quake

By ANTHONY HARRUP AND ROBBIE WHELAN

MEXICO CITY—Rescue workers, hampered by heavy rains, continued to search for survivors early Thursday from this week's deadly earthquake that killed at least 230 people, a toll that seemed sure to rise amid reports of nearly as many people missing.

Overnight, the body of a 58-year-old teacher was removed from the collapsed remains of the Enrique Rebsamen primary school in southern Mexico City.

No children are trapped alive in the primary school, contrary to widespread media

reports, according to Mexico's Navy undersecretary. "We are certain that all of the children have unfortunately died, are in hospitals or safely at home," said Angel Sarmiento.

Only one person could still be alive under the rubble of the school, thought to be a woman who works there, Mr. Sarmiento added. He said 25 people died at the school, most of them children.

An estimated 1,800 people in central Mexico were injured, federal officials said.

Help started coming in from outside the country. Specialized disaster teams from the U.S., Spain, Israel and Guatemala arrived to help the

search for survivors.

Several Israeli engineers turned up at the site of the collapsed primary school to help figure out how to move rubble.

Many of the teams brought trained sniffer dogs. Guatemala's team brought Drago, a rescue dog made famous for finding a missing woman on a volcano.

"Thermal sensors are good to detect survivors beneath the rubble, but nothing beats the sense of smell of a rescue dog," said one Spanish officer who specializes in urban rescue operations.

Mexican rescuers, known as Topos, or moles, had al-

ready pulled out at least 52 people from the rubble in the previous two days, including two women stuck for 11 hours in a collapsed apartment building in the trendy Roma district.

Mexico City officials said 38 buildings collapsed, most of them multistory apartment or office buildings.

More than 200 people were missing and believed to be trapped, according to broadcaster Televisa.

Thousands of citizens, coordinating largely through social media, have rushed supplies of food, water, medical and other supplies to places where they are most needed.

## WORLD NEWS

# U.S. Stance On Iran Deal Presses EU

European officials don't want the accord renegotiated but are open to building on it

By LAURENCE NORMAN

U.S. demands to reopen the 2015 Iranian nuclear agreement have placed European governments in the diplomatic crosshairs, scrambling to heed U.S. concerns without sparking an Iranian walkout from a deal they say is working.

Trump administration officials and their European allies exchanged sharply differing views following a meeting Wednesday night in New York of foreign ministers from Iran and the six powers that negotiated the deal. That came after President Donald Trump's assertion that he had decided whether to stick with it—while not revealing his decision.

U.S. Secretary of State Rex Tillerson had already said Tuesday that Washington would stand by the deal only if there were changes to it, including addressing provisions that allow Iran to expand its nuclear activities from the middle of the next decade.

Iranian officials said this

week they have no intention of renegotiating the pact, in which it agreed to significantly wind back its nuclear activities in exchange for the suspension of most international sanctions.

To keep the deal alive, Brussels may need to strike a balance between U.S. and Iranian pressures, while maintaining a united front among the three European governments that helped broker the accord. European officials say they won't reopen it but are open to ways of building on the agreement.

"The agreement is working and is delivering for its purpose," European Union foreign-policy chief Federica Mogherini, who chairs the body that oversees compliance, said Wednesday. "We already have one potential nuclear crisis," she said in reference to standoff over North Korea's program.

Mr. Trump must decide by mid-October whether to certify if the U.S. believes Iran is in compliance with the accord. If he says it isn't, Congress would have 60 days to decide whether to reinstate suspended U.S. sanctions.

Iranian President Hassan Rouhani said Wednesday that



EU foreign-policy chief Federica Mogherini says the Iran deal is working. Germany, France and the U.K. helped negotiate the accord.

if the U.S. withdraws from the deal Tehran would decide whether to restart banned nuclear activities based in large part on how Europe responds. Europe could keep its own sanctions on Iran suspended.

"Iran has different options.

A big part of the equation is related to what reaction the European Union will have to this issue," Mr. Rouhani said.

With many U.S. economic and banking ties to Iran still forbidden under U.S. law, the impact of renewed sanctions could fall most heavily on European firms doing business in

Iran. In the past, European companies have faced multi-billion-dollar fines for breaching U.S. sanctions on Tehran.

Ms. Mogherini now faces a set of interlocking diplomatic and technical challenges.

First, she must ensure that the U.K., France and Germany—the European half of the six powers—stick together. All three have said they want the U.S. to stand by the agreement, but at a time that Britain is exiting the EU and working closely with Mr. Trump's administration, that stance could be tested.

Even if the accord isn't reopened, any supplementary steps to hem in Iran's future nuclear activities could also be opposed by Russia and China, which also helped negotiate the accord. Moscow and Beijing are building ever closer economic and political ties with Tehran.

Ms. Mogherini will face pressure to factor in U.S. concerns. The U.S. wants strict oversight of Iran's compliance and has criticized the sunset clauses in the agreement that allow Tehran to step up research activities and then

gradually expand production of key nuclear materials.

The Europeans have already moved to tighten the deal's implementation. French President Emmanuel Macron reiterated in a speech at the United Nations this week the agreement could be "filled out" with international action to contain Iran's missile program. The EU hasn't followed the U.S. lead in imposing new sanctions on those involved in missile tests.

—Farnaz Fassihi and Rory Jones contributed to this article.

## S&P Cuts China's Credit Rating

BY LINGLING WEI

BELIJNG—S&P Global Ratings became the last of the three major rating firms to lower its view on China's creditworthiness, a move that came as Beijing has taken measures to tamp down risks and emphasize stability.

The timing of the move, just weeks ahead of a Communist Party leadership transition, was likely to be an irritant for Beijing and raised eyebrows among some economists and investors.

In a statement Thursday, S&P said the downgrade, to A-plus from AA-minus, reflected its assessment that "a prolonged period of strong credit growth has increased China's economic and financial risks." The rating and the view of risks in China now match those of Moody's Investors Service, which lowered China's rating in May, and Fitch Ratings, which did so in 2013.

"The S&P conclusion isn't exactly head-slapping news to the market or Chinese regulators," said David Loevinger, a managing director at fund manager TCW in Los Angeles. "It's a bit ironic given that China's fundamentals are the strongest they've been in two years," Mr. Loevinger said.

China's economy expanded 6.9% in the first half of the year, well above Beijing's 2017 growth target, though recent data indicate that higher borrowing costs are starting to have an effect on business activity.

An S&P spokesman declined to comment on questions about the timing of the rating firm's action.

In a bid to keep the economy on an even keel ahead of the power transition, Beijing has moved aggressively to rein in rampant borrowing this year.

However, S&P raises a valid concern about China's credit continuing to expand faster than output, economists and analysts say. That reflects more loans going into supporting unprofitable firms as opposed to more productive areas.

Chinese officials have maintained that Beijing has the ability to control its debt growth and prevent systemic risks.

The Ministry of Finance didn't respond to requests for comment late Thursday.

## Iraq Moves to Retake ISIS Redoubt

By BEN KESLING  
AND GHASSAN ADNAN

BAGHDAD—Iraq's army launched an offensive to drive Islamic State from the town of Hawija, one of the group's few remaining strongholds in the country and a hub it uses to threaten the oil-rich city Kirkuk and Iraq's semiautonomous Kurdish region.

The operation comes days after Prime Minister Haider al-Abadi announced the military had begun clearing the militants from areas that remain under their control in Anbar

province, some along the Syrian border. The dual offensives mark one of the final steps in the campaign to oust Islamic State from Iraq.

"Hawija provides a strategic position and a main source for Daesh funding," counterterrorism forces spokesman Sabah al-Noman said, using an Arabic acronym for Islamic State.

Hawija is used by the group as a center to build explosives including car bombs, and to launch attacks on surrounding areas including Mosul. It is also home to four Islamic State training camps, Mr. Noman said.

The town "now comes second in significance only to Raqqa in Syria," he said, referring to the group's de facto capital in Syria, which is under assault from an array of Syrian and Kurdish forces.

Mr. Abadi, announcing the start of the Hawija operation, called it "a fulfillment to our pledge to our people to liberate all Iraqi lands and cleanse them from Daesh terrorist gangs."

Iraqi troops are pushing through the outskirts of Hawija, which once had a population of over 400,000 people but is now home to just 45,000. Troops are

expected to begin an assault on the town in early October, according to an Iraqi official.

In Anbar province, meanwhile, Iraqi forces announced the retaking Thursday of their first major objective, the town of Ana. They will later push toward the top prize in western Iraq, the border crossing town of al-Qaim.

The operations to retake Hawija and towns in Anbar launched as the Kurdish region in Iraq's north prepares to hold a controversial independence referendum on Monday. The Iraqi government, United Nations and U.S., along with most of the international community, have opposed the vote's timing in large part because it coincides with the final stages of the battle against Islamic State.

The district of Hawija makes up some 30% of Kirkuk province, according to Iraqi officials. Though Kirkuk falls under the control of Mr. Abadi's Baghdad government, Kurds claim the land should be part of their semiautonomous region.

Kirkuk's city and provincial leadership is Kurdish, and the city is largely protected by the Kurdish military forces known as the Peshmerga.

The area, riven with ethnic divisions, has become a potential flashpoint for unrest as plans for the referendum move forward.

Kurdish leaders have said they are willing to consider calling off the referendum at this time if given certain concessions.

Despite the best stretch of economic growth in more than a decade, inflation in Japan remains weak, having picked up only a little speed. In July, Japan's core inflation accelerated to 0.5%, far from the BOJ's target of 2%.

"I believe the current framework is sufficient for reaching the 2% target," Mr. Kuroda said.

—Megumi Fujikawa

JAPAN

## Central Bank Stands Fast on Easy Money

The Bank of Japan stuck by its ultraeasy monetary policy even as the U.S. Federal Reserve and other major central banks indicate that their withdrawal of stimulus is imminent.

BOJ Gov. Haruhiko Kuroda told a news conference that any potential interest-rate increases in the U.S. don't mean that rates need to be raised in Japan too, because they should be determined by the economic and price conditions in each country.

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"I believe the current framework is sufficient for reaching the 2% target," Mr. Kuroda said.

—Megumi Fujikawa

PHILIPPINES

## Protesters Denounce Duterte's Policies

Thousands of antigovernment protesters thronged Manila on Thursday in the largest outpouring of opposition against President Rodrigo Duterte's deadly war on drugs and strongman style of governance.

The protests, planned to coincide with the 45th anniversary of the declaration of martial law by former dictator Ferdinand Marcos, extend weeks of backlash against the Duterte administration after the alleged police killing of a teenager last month.

"Human lives are indispensable. One death is too many," said Robbie Solis, a 32-year-old who lives in Manila and joined a protest. "Even if there's a high chance that the person is a criminal, people still have rights."

—Jake Maxwell Watts



AHMAD AL-RUBAYE/AGENCE FRANCE PRESSE/GETTY IMAGES

## KOREA

Continued from Page One counts for more than 90% of Pyongyang's trade.

"China, their central bank has told their other banks...to immediately stop doing business with North Korea," Mr. Trump said.

The presidential order outlines a broad list of North Korean targets, including goods, services and technology, Mr. Trump said. "Our new executive order will cut off sources of revenue that fund North Korea's efforts to develop the deadliest weapons known to humankind," he said.

The U.S. seeks the "complete denuclearization" of North Korea, Mr. Trump said.

"It is unacceptable that others financially support this criminal, rogue regime," Mr. Trump told President Moon Jae-in of South Korea and Prime Minister Shinzo Abe of Japan, who were both there with delegations.

Mr. Abe replied, in remarks that were translated into English, that he had considered

the North Korean nuclear tests to be unacceptable and suggested that they were "beyond the scale of Hiroshima."

Referring to Mr. Trump as "Donald," Mr. Abe praised his leadership and described the meeting as "significant."

Treasury Secretary Steven Mnuchin planned to brief reporters Thursday afternoon, along with United Nations Ambassador Nikki Haley.

Mr. Trump also twice mentioned the U.S. trade agree-

ment with South Korea, from which he has threatened to withdraw, but said that it mattered less than the two countries' shared security interests.

"We are on a very friendly basis working on trade, we're working on a trade agreement. But much more important, frankly, than trade is the other aspect of our relationship...North Korea," Mr. Trump said.

"Because of the fact that our trade deal is so bad for

the United States and so good for South Korea...we're going to try to straighten it out and make it fair for everybody. But our real focus will be on the military and our relationship with South Korea, which is excellent," he said.

The U.S. pushed a resolution

last week that resulted in the Security Council agreeing to sanction 90% of North Korea's annual revenue and reduce the country's oil imports by 30%.

## Seoul Approves Aid, Despite Standoff

SEOUL—South Korea's government said it would send \$8 million in new humanitarian aid to North Korea, despite the nuclear standoff on the peninsula.

The left-leaning administration approved the new aid tranche Thursday, after a meeting of government officials chaired by unification minister Cho Myoung-gyon.

Since taking office in May, President Moon Jae-in has em-

phasized a two-track approach toward North Korea, supporting tougher sanctions in response to Pyongyang's weapons tests while opposing military action and leaving the door open to peace talks.

Seoul plans to provide \$3.5 million in vaccines and medical aid through Unicef and \$4.5 million in food through the U.N. World Food Program for malnourished children and pregnant women, the unification ministry said, with the timing and size of aid deliveries to be determined later.

Since the aid would be provided as medical products and

food, not in cash, there was virtually no possibility that it would be diverted for other purposes, the ministry said.

Despite the North's advancing weapons tests, Seoul has said it would maintain humanitarian assistance regardless of political situations.

That approach has prompted criticism from U.S. President Donald Trump, who this month suggested South Korea was seeking "appeasement" with the North. The U.S. Embassy in Seoul didn't comment on the aid decision.

—Min Sun Lee

## U.S. NEWS

# Opponents of GOP Repeal Effort Dig In

Critics step up attacks on latest health bill amid narrow window for Senate vote

By STEPHANIE ARMOUR

Opponents of a Republican plan to dismantle most of the Affordable Care Act are scrambling to ramp up a resistance campaign before a possible Senate vote next week on a bill many never expected would gain traction.

With such a narrow window, consumer and other groups are seeking to pressure specific GOP senators they see as most likely to waver. They also assert that Republicans are trying to ram through a bill outside the normal process while renegeing on a promise to preserve the ACA's consumer protections, claims the bill's sponsors reject.

Timing is clearly a challenge for the bill's supporters, who must cobble together votes by a Sept. 30 deadline, when a parliamentary vehicle that enables the Senate to pass legislation with a simple majority expires. Senate Majority Leader Mitch McConnell (R., Ky.) has said he plans to hold a vote next week, by Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana.

But it also doesn't leave



GOP Sen. Lindsey Graham of South Carolina and former Sen. Rick Santorum, a Republican, in Washington on Wednesday.

ferring to the other sponsors of the bill.

The attacks seek to hit the bill's sponsors in areas of political vulnerability.

Save My Care, a health-care advocacy group, has launched ad campaigns in Nevada, Alaska, West Virginia, Maine, Tennessee and Arizona. An ad this week targets Sen. Dean Heller (R., Nev.) for co-sponsoring a bill that lets states waive ACA protections for people with pre-existing conditions.

"We're pulling out all the stops. We're putting out a lot of phone calls," said Brad Woodhouse, campaign director at Protect Our Care, an advocacy group focused on blocking the repeal.

The proposal would let states get waivers to end the ACA prohibition on insurers charging higher premiums to people with pre-existing health conditions. That was the situation before the ACA established the restriction.

A few months ago, Mr. Cassidy spoke out in favor of protections for people with pre-existing conditions. Mr. Cassidy has said the bill would protect these consumers because it stipulates that coverage must be affordable.

Critics say that definition is so vague that rates for sick people still could become prohibitively expensive.

much time for the bill's opponents, who had weeks to build up resistance to previous ACA-repeal attempts, including legislation that failed in July to pass the Senate.

"This bill is complicated and far-reaching," said Larry

Levitt, a senior vice president at the Kaiser Family Foundation. "Interest groups don't have a lot of time to mobilize and figure out what it means."

Republican leaders have begun responding to the attacks on their bill to topple much of

the ACA. They say it protects people with pre-existing conditions and returns control over health care to the states. They disagree with critics who say they have been secretive with the bill's process, pointing out that they're holding public hearings early next week on the legislation.

"Under Graham-Cassidy-Heller-Johnson, more people will have coverage and we protect those with pre-existing conditions," Mr. Cassidy said Wednesday on CNN, re-

plying to critics.

But it also doesn't leave

## White House Ties To Flynn in Focus

Special Counsel Robert Mueller is seeking to determine what White House officials knew about a federal investigation into former national security adviser Michael Flynn early this year.

By Aruna Viswanatha, Rebecca Ballhaus and Del Quentin Wilber

The move comes as Mr. Mueller's team examines whether President Donald Trump or other administration officials sought to obstruct that probe, according to people familiar with the matter.

As part of that effort, Mr. Mueller's prosecutors have indicated they would like to interview key White House officials and have requested a trove of documents on a range of topics, including Mr. Flynn and a warning from a Justice Department official about his interactions with a Russian diplomat, the people said.

Mr. Flynn was forced to resign on Feb. 13, just a few weeks into Mr. Trump's presidency, for giving misleading statements about his contacts with Russian officials to Vice President Mike Pence.

The day after Mr. Flynn's resignation, Mr. Trump met with then-Federal Bureau of Investigation Director James Comey in the Oval Office. Mr. Comey later testified before Congress he believed Mr. Trump was asking him to back off an investigation into Mr. Flynn when Mr. Trump allegedly asked the director if he could see his way "to letting Flynn go."

Mr. Mueller is investigating whether Mr. Trump's actions amounted to obstruction of justice. Mr. Trump has denied any wrongdoing.

Mr. Mueller's request, which includes a dozen other topics of interest, including

the May firing of Mr. Comey, provides a window into Mr. Mueller's investigation, the people said. Mr. Mueller's probe has taken aim at two of Mr. Trump's top advisers during the 2016 campaign: Mr. Flynn and former Trump campaign chairman Paul Manafort.

The special counsel's office is exploring whether Mr. Manafort engaged in potential violations of lobbying and money-laundering laws, according to people familiar with the matter. Mr. Manafort has said he did nothing wrong.

The investigation also focuses on alleged Russian interference in the 2016 presidential campaign and whether the Trump campaign colluded with Moscow. Russia has denied interfering, and Mr. Trump has denied any collusion.

Mr. Mueller's document request came last month, according to one of the people. A spokesman for the special counsel declined to comment.

"The White House does not comment on any specific requests being made or our conversations with the special counsel," said Ty Cobb, the White House special counsel, in an interview. "The White House is fully committed to cooperating" with Mr. Mueller's probe, he said.

White House aides were ordered earlier this year to begin preserving documents that Mr. Mueller might request. Aides weren't surprised by the special counsel's latest request, a White House official said. It was earlier reported by the New York Times.

People close to the president's legal team described the requests as within Mr. Mueller's mandate as a special counsel. Exploring the president's history of business dealings, they said, would fall outside that mandate.

## Puerto Rico Assesses Storm Damage

SAN JUAN, Puerto Rico—Puerto Rico is emerging crippled after the most powerful hurricane to hit the U.S. territory in almost a century.

Levitated its telecommunications system, destroyed its power grid and left communities flooded.

Puerto Rican authorities warned the island's 3.4 million residents of a long, difficult path to recovery from Hurricane Maria. Abner Gómez, executive director of the island's emergency-management agency, said residents should be prepared to sustain themselves without aid for 72 hours, given the severity of the damage, the obstacles to reach people and how thinly stretched government resources are.

"It's a crisis," said Gov. Ricardo Rosselló in a news conference aired at the only radio station that can still be broadcast across the entire island. He said the government's main goals are to open seaports and airports so aid shipments can



Hurricane Maria hobbled the island's telecommunications system and destroyed its power grid.

flow in, as well as to restore telecommunications. "I haven't been able to communicate with my parents," he said

More than 95% of Puerto Rico's wireless cell sites are currently out of service, the Federal Communications Commission said Thursday. That's worse than immediately following Hurricane Irma, which knocked out 56% of the island's wireless networks.

Many areas confronted historic flooding that stranded residents. Gov. Rosselló joined National Guard troops early Thursday that were conducting rescue operations in Levittown, a suburb of San Juan, according to a spokeswoman for the governor.

Gov. Rosselló said authorities have rescued 500 people in the flooded town of Toa Baja, 26 miles west of San Juan.

"Puerto Rico was absolutely obliterated," President Donald Trump said Thursday. "Their electrical grid is destroyed. It wasn't in good shape to start off with. But their electrical grid is totally destroyed."

FCC Chairman Ajit Pai said the agency is reaching out to telecom providers to look for ways to help get the communications networks back online.

## Poll: President's Outreach Effort Pays Off

BY JANET HOOK

President Donald Trump's deal with congressional Democrats to keep the government funded and provide hurricane relief is drawing strong support from across the political spectrum, a new Wall Street Journal/NBC News poll has found.

News poll has found.

The poll found 71% of adults in the U.S. approved and 8% disapproved of Mr. Trump bypassing GOP leaders to strike a short-term spending deal with Congress' Democratic leaders, Sen. Chuck Schumer of New York and Rep. Nancy Pelosi of California.

Meanwhile, the GOP president's job approval rating edged up for the first time since the spring, rising 3 percentage points to 43%. That is still the lowest mark for modern presidents at this point in their first term.

Still, Mr. Trump is in a stronger position within the

GOP, compared with the party's congressional leaders.

Nearly six in ten registered Republicans are dissatisfied with the work of Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.) to achieve the party's legislative priorities.

Messrs. McConnell and Ryan are facing the highest levels of unpopularity since they became national figures: 41% have a negative view of Mr. McConnell, including 25% of Republicans.

Overall, 40% view Mr. Ryan unfavorably, including 21% of Republicans.

Bill McInturff, the GOP pollster who conducted the survey with Democratic pollster Fred Yang, said those findings illustrate the toll on GOP leaders of a president who has blamed them publicly for failing to deliver on key legislative promises.

Mrs. Pelosi engenders an even higher level of negative feelings than either GOP leader, but she retains more support within her party than Messrs. McConnell and Ryan do in theirs. Some 43% view Mrs. Pelosi in an unfavorable light, including 17% of Democrats.

The president's approval rating had been stuck around 40% for months, and much of the 3-percentage-point increase since an August poll comes from improved standing among voters unaffiliated with any party: 41% now approve of the job he is doing, up from 32% in August.

### For Trump, Bipartisanship Wins Applause

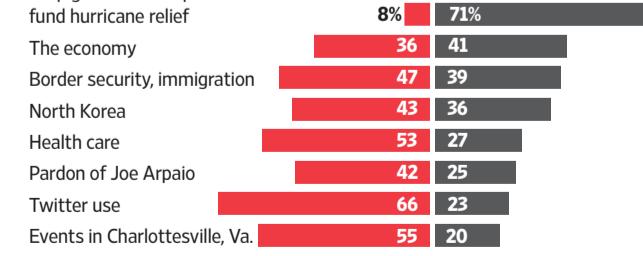
President Trump's job-approval rating has ticked up amid high support of his agreement with Democrats to fund the government and provide hurricane aid. Opinion of other Trump actions is lower.

### ON PRESIDENT TRUMP

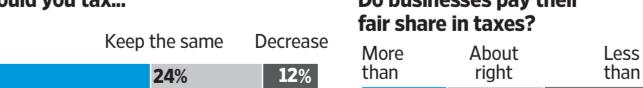
#### Do you approve of Mr. Trump's job performance?



#### Do you approve of Mr. Trump's handling of these issues?



#### Do businesses pay their fair share in taxes?



#### Do you think you pay your fair share in taxes?



## Household Net Worth Rises

BY ERIC MORATH

The total net worth of U.S. households pushed further into record territory, climbing by \$1.7 trillion in the second quarter of 2017, to \$96.2 trillion.

The increase reflected rising values of stocks and homes, but the gain was smaller than the \$2.3 trillion advance in the first quarter, according to the data the Federal Reserve released Thursday.

Household wealth in the stock market climbed by \$1.1 trillion in the second quarter. While a slightly smaller increase than in the first quarter, the improvement still reflected a steady upward trend in equities prices supported by solid

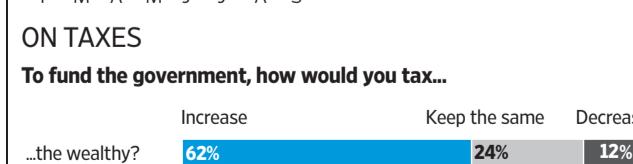
business and consumer confidence and broad economic growth around the globe.

The value of real estate rose by \$564 billion last quarter, a better gain than the prior quarter, showing that home prices are rising at time when demand for housing is high and unemployment is low. The sum Americans held in savings accounts and in bonds fell slightly in the quarter. Overall assets rose by \$1.8 trillion last quarter. That was partly offset by a \$146 billion increase in household debt.

The figures are from a quarterly Fed report, known as the Flow of Funds, which tracks the aggregate wealth of all U.S. households and non-profit organizations.

### ON TAXES

#### To fund the government, how would you tax...



Note: 'Not sure/don't know' answers not charted

Source: WSJ/NBC News telephone polls, most recent of 900 adults conducted Sept. 14-18; margin of error: +/-3.27 pct. pts.

## IN DEPTH

# ALDI

*Continued from Page One*  
zon.com Inc. acquired Whole Foods Market Inc. this summer and Google struck a partnership with Wal-Mart. But the Germans have a plan, forged in the rubble of World War II.

The strategy "is simple," said Aldi spokesman Florian Scholbeck, sitting in the darkened break room of a prototype store in the company's home state. "But it's not easy."

Even in Germany, not much is known about how Aldi operates. It does little media advertising, doesn't publish financial statements, and its top executives don't give interviews.

The Wall Street Journal figured out Aldi's idiosyncratic playbook through internal documents, the company's rare public filings, and interviews with past and present managers.

It offers a deliberately pared-down selection, sometimes a tiny fraction of the number of items sold by rivals, which helps Aldi cut costs to levels U.S. grocers can only dream of. Among other benefits, fewer items means faster turnover, smaller stores, less rent, lower energy costs and fewer staff to stock the shelves. That parsimony enabled Aldi to establish itself in Europe and then launch into the U.S.

About 70 years ago, brothers Karl and Theo Albrecht, fresh from military service in World War II, took over their family's store in Schonnebeck, a mining neighborhood of the bombed-out industrial city of Essen. In the early 1950s, they began rolling out their ascetic concept to other branches throughout the region.

Back then, their stores offered just 250 items, the basics miners' and steelworkers' families needed to survive—flour, sugar, coffee, butter, bacon, peas and condensed milk.

In the 1950s and '60s, Germany's economic miracle took off, and a wave of glitzy supermarkets selling thousands of items sprouted up to serve the newly affluent middle class. Aldi didn't flinch.

In his only known public remarks on Aldi's business model, Karl Albrecht said in a 1952 speech that the brothers had once toyed with the idea of following the supermarket trend.

In the end, they decided to keep their limited selection after realizing it gave them an edge: "We had much lower expenses," Mr. Albrecht said.

By keeping costs low, the Spartan assortment allowed the founders to sell their inventory for less and turn it over at lightning speed, boosting profit margins, according to former executives.

"Speed wins, speed kills," said Craig Johnson, president of the Connecticut-based retail consultancy Customer Growth Partners.

In 1961, the brothers divided their growing empire into two kingdoms, Aldi Nord and Aldi Süd (the shared name came from a contraction of the words "Albrecht" and "discount"). They organized each part as a Gleichordnungskon-



An Aldi supermarket in Chicago. Aldi's increased focus on the U.S. comes amid upheaval in the supermarket landscape.

zern, a legal structure under which a fleet of legally independent companies swear loyalty to each other while reporting to a central board.

The arcane structure had one crucial advantage: It meant the group never triggered financial reporting requirements imposed on other businesses of its size. German companies must publish earnings reports if they check two out of three boxes: more than €65 million in assets, over €130 million in annual sales, or more than 5,000 employees.

Broken up into small parts, Aldi's armada of companies didn't cross these thresholds. Under their cloak of secrecy, the brothers could hide their colossal and rapidly rising sales volume from competitors.

After the split, the twin dynasties continued to keep their selection in check, pool market intelligence and avoid direct competition.

By then, Aldi Süd was selling 400 items per store in its Southern German fief, its inventories arranged on wooden pallets on the floor. In the

as simple, as standardized and as streamlined as possible," said Matthias Queck, an Aldi expert at the German grocery consultancy LZ Retailytics.

Crucially, Aldi limits its stock of brand-name items, so it is often easier to negotiate low prices from its suppliers. Even Wal-Mart, famous for extracting concessions from its suppliers, can sometimes only go so far because premium consumer-goods companies have to bear costs such as advertising.

On a basket of 30 typical household items, Aldi's prices are on average almost 17% lower than Wal-Mart's, according to research conducted by Mr. Johnson of Customer Growth Partners.

"It's a system of 1,000 details all made against the backdrop of costs," said Dieter Brandes, who sat on Aldi Nord's board of directors with Theo Albrecht until 1985. "Nobody needs 50 different types of toilet paper," he said.

With its limited assortment, Aldi's biggest problem, according to Eberhard Fedtke, who managed Aldi Nord stores in the flagship region in Essen in the 1970s, was "where to get enough stock, and where to put all the cash we were making."

His region of around 40 Aldi stores rang up sales of about 1.2 million deutsche marks, or roughly \$3 million at the time, every day. His stores sold out of goods so quickly, in about eight days, that he would order inventory twice in the time it took suppliers to bill him once.

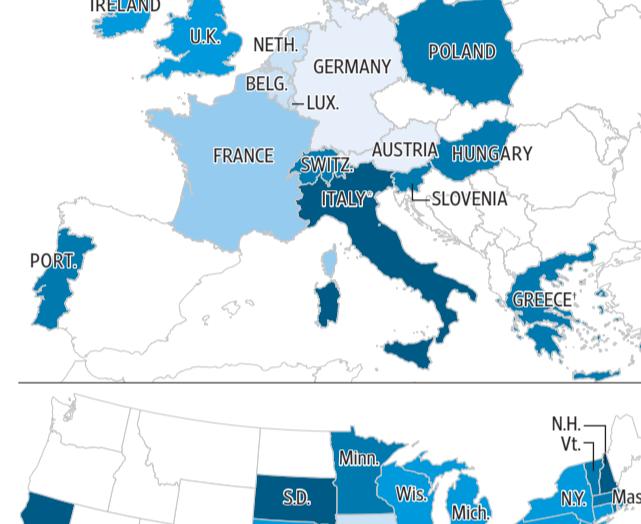
While becoming the first to scale the hard-discount model in Germany, Theo Albrecht of Aldi Nord found a kindred spirit in the U.S., buying the California-based franchise Trader Joe's in 1979 from its founder, Joe Coulombe.

Trader Joe's had concocted a similar model based on limited selection, keeping inventory back then to 1,100 items. In Mr. Albrecht's obituary, the only comments from the family on the acquisition, Trader Joe's is described as a "pre-

### Growing Empire

Expanding across Germany and beyond gave Aldi Süd and Aldi Nord massive purchasing power, allowing them to negotiate some of the lowest prices in the grocery industry with suppliers.

#### When Aldi entered each market, by decade:



\*Expansion in progress, not yet opened. †Entered, then left, in 2010

Note: Stores in Australia since 2001; e-commerce sales in China since 2017 through Alibaba shopping portal.

Source: the company

THE WALL STREET JOURNAL.

mium discounter."

Other American brands also developed a concept based on curbing selection, including Costco Wholesale Corp., which these days limits its stock in U.S. stores to 3,800 items to boost turnover speed.

Aldi is gambling it is more in tune with the American tastes, rolling out small, nimble stores instead of sprawling warehouses and supermarkets that take longer to navigate.

The expansion of the Ger-

man hard-discount model in the U.S. "comes at a time when shoppers are, more than ever, seeing the appeal in a small format, quick-trip-type store that offers low prices and high quality," said Mike Paglia, director of retail insights at the Kantar Retail consultancy in America.

"The typical 40,000 square-foot supermarket is a dinosaur, and it's extinct," said Phil Lempert, an American grocery retail expert. "Those stores need to die."

An Aldi store in Greenville, N.C., this summer featured a private brand of diet soda in boxes of 12 for \$2.25 and a cup of Greek yogurt for 69 cents. In the parking lot, Latonya Edwards, 44, a nurse, said she comes to Aldi to stock up on staples for her pantry such as canned goods, a signature of the brand since the Albrecht brothers entered business after the war. "You have to know how to shop," said Ms. Edwards, who was pushing a full cart toward her car.

Theo Albrecht of Aldi Nord approached cutting waste at the company with religious fervor, according to Mr. Fedtke, who attended Catholic church with the brothers at St. Markus in Essen-Bredeney, a neighborhood of industrialist estates.

The younger Mr. Albrecht asked employees to turn the lights off when the sun was out, took notes on scrap paper and asked store managers to set bathroom hand dryers not to blow for one second too long.

Former executives say he saw every cent of waste in a single store as an existential threat that, if multiplied across his growing empire, could put his fortune at risk.

One of Aldi's strengths that has eluded many discounters is its ability to draw middle-class shoppers despite its limited array of goods. It did this by cultivating the image of a company focused on quality rather than pinching pennies.

"Poor people need us, rich people love us," Theo Albrecht used to tell executives, according to Mr. Brandes, the former board member.

There too, executives say, the limited assortment played a central role. The small number of items ensured staff could carefully choose, taste-test and quality-control each item.

The ground floor of Aldi Süd's headquarters in Mülheim has a test kitchen where every day from 8:30 a.m. to 2:30 p.m. the company's executives and buyers sample food sold in its stores and conduct blind tastings to see if it beats the competition. One test involves sampling spoonfuls of olive oil.

Mr. Scholbeck, who became Aldi Nord's first ever communication director this year, said a €4.99 bottle of Spanish Grenache red wine recently on sale in the company's German stores scored 93 out of 100 points on the American wine expert Robert Parker's rating system, making it an "outstanding wine of exceptional complexity."

"You should see what kind of cars were out there!" he said. "The Porsche drivers were buying 6-packs. Because the quality is on point."

After the introduction of the euro fueled rising prices, the discounter asserted itself as a mainstay in the vast majority of German households, according to analysts.

A Forsa Institute poll in 2002 found that 95% of blue-collar workers and 88% of white-collar workers in Germany shopped at Aldi.

"Aldi is like a lighthouse," said Michael Lohse, spokesman for Germany's Farmer's Association. If its prices move, other retailers "have to follow them."

# TRIX

*Continued from Page One*

She said in an interview Thursday she likes the way the artificial colors and high-fructose corn syrup look and taste. The new recipe—not so much. "My kids find the color of the new Trix cereal quite depressing," she said.

So change it back is what the company did. General Mills has decided to reintroduce the original, more-vibrant Trix, artificial flavorings and all, and will start selling it on supermarket shelves alongside the more wholesome version in October.

The reintroduction of Classic Trix is a reversal of General Mills' pledge two years ago to remove artificial colors and flavors from all its cereal brands. It said the seven reformulated, all-natural cereals boosted sales by 6% in early 2016.

At the same time, natural-ingredient haters flooded the company with calls, emails and social-media posts, according to Mike Siemienas, a spokesman.

It turns out consumers "don't all want one thing," he said.

"It's basically a salad now," said 35-year-old Justin Storer of the new Trix. The Chicago lawyer said he gets

most of his lunches from the 7-Eleven across the street from his office while his co-worker eats "weird vegetable chips from Trader Joe's and puffed kale."

Food giants have long sought to shed additives to appease consumers' desire for simple, natural ingredients. Kellogg Co. also said two years ago it would remove artificial dyes from Froot Loops cereal and Nutri-Grain bars by the end of 2018. It hasn't released the new versions yet, a spokeswoman said.

Aldi has always been focused on "making everything

trendy, natural and organic food, and is not embarrassed about it. He's never tried kale chips because Pringles are "just too good."

Mr. Fauria has tried and failed to find Apple Jacks in Sprouts and Whole Foods stores. "It's an atrocity," he said. Once, he ended up with Bear Naked cereal, which he said gets too soggy in the milk. "Apple Jacks hold up better." (That could be the artificial additives. Kellogg makes both Apple Jacks and Bear Naked.)

Other products including

Pringles and Pop-Tarts, which are made with additives such

as maltodextrin and Blue 2 Lake, have withstood the health trends. Kellogg says they are two of the company's best-selling brands.

When Hostess products returned to shelves in 2013 after being out of production for eight months following the company's bankruptcy, retailers placed orders for 50 million Twinkies and nearly 40 million Hostess CupCakes in the first two weeks.

Food giants like General

Mills thought switching to simpler ingredients would help revive lackluster sales of goods such as cereal and canned soup. Some consumers

also have cited health reasons for wanting to steer clear of artificial dyes in particular.

That didn't stop an outpouring of nostalgia when the company announced its new formula.

On Twitter after the death of Classic Trix, people posted messages such as, "I genuinely feel bad for the kids that never got to experience the old Trix cereal," and "My childhood fading away with the colors of Trix cereal."

Rabobank food industry analyst Nicholas Fereday said the revival of Classic Trix could be called "Trix Shameless."

Part of the problem for Trix was that General Mills' food scientists said they couldn't replicate the vibrant red and neon blue-green corn puffs with fruit and vegetable juices. Besides producing a bland color, the juices and extracts gave the cereal a different taste.

Trix has long marketed itself as a cereal for kids. Its commercials have featured its floppy-eared mascot, the Trix Rabbit, repeatedly getting rebuffed in his efforts to wrest the cereal from children. They end with the slogan, "Silly Rabbit, Trix are for kids."

Alex Guarnaschelli, a chef on the Food Network's Iron Chef and Chopped reality television shows, said she occasionally enjoys childhood favorites such as Fruity Pebbles

cereal, because the look, flavor and smell are nostalgic. The experience is also liberating, she says, because her mom wouldn't let her eat sugary cereal as a child.

"We either had granola in a box with people backpacking on a mountain on the cover, or an all-natural amaranth flake," Ms. Guarnaschelli said.

Kraft Heinz Co. tried a different tack when it quietly removed artificial yellow dye from its boxed macaroni and cheese in 2015. Its signature yellow color was easier to replicate, so after months of selling the new recipe, most consumers didn't notice a difference, the company said. It then began an ad campaign with the slogan "It's changed. But it hasn't."

General Mills said it isn't planning to bring back artificially colored Fruity Cheerios or other cereals it replaced with natural ingredients, because it hasn't received as many complaints about those.

The company is delaying swapping some of its other iconic, playful cereal brands with all-natural versions until it can get the new recipes right.

Food scientists are still working on removing the synthetic dyes in its Lucky Charms, Mr. Siemienas, the spokesman, said, because those marshmallow bits are a "big challenge."



Boxes of General Mills cereal displayed on supermarket shelves.

RICHARD B. LEVINE/ZUMA PRESS

# BOOKS

'A revolution is not a dinner party.' —Mao Zedong

## Through a Glass, Darkly

In 1949, Truman and U.S. policy makers struggled to foresee the consequences of the Chinese revolution

### A Force So Swift

By Kevin Peraino

Crown, 379 pages, £20.90

BY HAL BRANDS

**ONE OF THE MOST** daunting challenges of statecraft is how to fashion coherent policy in the midst of a revolution. Foreign policy frequently rests on established diplomatic relationships and ingrained assumptions; revolutions sweep such verities away, creating geopolitical turmoil in the present and intellectual uncertainty about the future.

For more than two centuries—particularly since the U.S. became a global power—American leaders have frequently been forced to confront the dilemmas presented by revolutions in countries of strategic importance. The uncertain and contradictory nature of the Carter administration's policy toward the collapsing regime of the shah of Iran in 1979, the indecisive character of the Obama administration's response to the Arab Spring in 2011, and other such episodes testify to the perpetually vexing nature of the challenge. As Kevin Peraino reminds us in "A Force So Swift: Mao, Truman, and the Birth of Modern China, 1949," much the same difficulty confronted the Truman administration amid the culmination of the Chinese revolution.

The year 1949 marked the final collapse of Chiang Kai-shek's Nationalist regime, a deeply flawed government that the U.S. had, nonetheless, supported out of necessity for many years, and the rise of Mao Zedong's Communist dictatorship, which would eventually become one of the bloodiest tyrannies ever to plague the earth. Although no one in a position of authority in Washington wished for Chiang's forces to be defeated by Mao, by 1949 the consensus among American officials was that Chiang's regime was simply too corrupt and incompetent to be saved. Meanwhile, Mao's dictatorial tendencies were clear enough, but his future geopolitical orientation—whether he would lean decisively toward Stalin's Soviet Union or take a more neutral course in the manner of Yugoslavia's Tito—remained murky, at least to those watching anxiously in the West.

So how should the U.S. respond to the likely takeover of the world's most populous country by a Communist movement at a time of intensifying Cold War between Washington and Moscow? Mr. Peraino recounts the endgame of the Chinese civil war over the 12 months beginning in December 1948, as well as the resulting debates in Washington. As Mao's and Chiang's forces battled each other in China, he writes, "American policymakers battled fiercely with one another as they struggled to shape a response."

Indeed, the disputes were as fierce and profound as any that oc-



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**RED TIDE** Communists entering Beijing after the defeat of Chiang Kai-shek's Nationalists, 1949.

curred during the Truman years, and they were only complicated by the myriad other dilemmas faced by U.S. global strategy in the early Cold War.

The Truman administration had wrapped its call for the energetic containment of an expansionist Soviet Union in inspiring, universalistic rhetoric, and yet Truman's advisers understood that limited resources compelled them to choose carefully where America would actually make a stand. American strategists preferred—correctly—a "Europe first" approach to containment, due to the enormous geopolitical significance of that continent, but it was in Asia where Communist movements were gaining the most ground.

The administration had sought to build bipartisan support for containment in the late 1940s, and yet the loss of China—whether the result of American abandonment or Chiang Kai-shek's own inadequacies—was certain to ignite a political firestorm in Washington. In these circumstances, and amid the cloud of uncertainty and confusion created by the rapid progression of events in China, the Truman administration pursued a policy that was itself uncertain and confused.

The administration moved progressively toward a break with Chiang over the course of 1949, for instance, and yet it continued to send military supplies to his regime. Truman and his secretary of state, Dean Acheson, sought to distance themselves from the Nationalists—both to deflect blame for their collapse and to signal openness to a relationship with the Communists—by publishing a white paper detailing the failings of Chiang's government.

But that initiative also offended Mao by holding out hope for a restoration of "democratic individualism" in China. Acheson and his chief advisers—such as Policy Planning Staff director George Kennan—hoped eventually to drive a wedge between the domineering Stalin and the equally headstrong Mao, but Washington simultaneously pursued policies—such as covertly supporting anticommunist elements in western China—that seemed more likely to force the two Communist powers together, at least in the short term.

Finally, Acheson's State Department favored allowing Mao to conquer Taiwan, the island redoubt to which Chiang retreated, as a way of fully disentangling Washington from the conflict; the Defense Department and Gen. Douglas MacArthur, by contrast, demanded that the island be held as a critical bulwark against communism in Asia.

Throughout 1949, U.S. strategy was more hesitant and contradictory than coherent and purposeful, and by the end of that year the civil war had concluded in precisely the scenario—a Communist China seeking an alliance with Stalin—that American officials had feared most.

In fairness, it isn't clear that there were many better options available to U.S. officials or that bad policies—as opposed to rotten circumstances—were the root of America's problems in China. By 1949 there was no possibility of saving Chiang's government absent a major military intervention that would have consumed untold and badly needed American resources with scant chance of success. Nor, in retrospect, was there ever much hope for a positive relationship

with Mao (some excessively optimistic State Department reporting to the contrary), who was a devoted Communist and deeply suspicious of the U.S. "Third forces"—movements that were both anti-Chiang and anti-Mao—were simply not strong or cohesive enough to exert much influence.

**The 'origin story'**  
of America's decades-long friction with  
Mao and its abiding commitment to Taiwan.

The trouble, as Kennan aptly put it in 1948, was that "there are operating in China tremendous, deep-flowing, indigenous forces which are beyond our power to control." Under the circumstances, the policy toward which the Truman administration stumbled—avoiding a quixotic military intervention on behalf of Chiang, shoring up the Southeast Asian perimeter through military and economic assistance to neighboring countries, and hoping that Communist ideology would eventually tear Beijing and Moscow apart rather than bind them together—was not such an unreasonable course to follow. It reflected, as Mr. Peraino writes, "a dark, but coherent, worldview."

Mr. Peraino's book is a useful guide to the final months of the civil war and the challenges that U.S. officials confronted. The story he tells will be largely familiar to those who have studied this period, for the book—despite diligent research in many of the relevant archives and sources—breaks relatively little new

ground in terms of argumentation or analysis.

The value lies primarily in Mr. Peraino's ability to tell an interesting story well, to illuminate the personalities of the key actors—Chiang and Mao, Truman and Acheson, and others—and to capture the travails inherent in coming to grips with a revolution in progress. The intimate, blow-by-blow reconstruction of the story offers a vivid sense of what it must have been like for American policy makers as they grappled not just with the rapidly deteriorating situation in China but with the political pressures, bureaucratic disputes and personality clashes that made their labors all the more trying.

That said, "A Force So Swift" is unsatisfying in some key respects. Mr. Peraino's focus on the events of 1949 is a good device for keeping the narrative moving and covering the climax of China's revolution. Yet it means that crucial parts of the story get less attention than they deserve.

Many of the key developments in both the civil war and U.S. policy came in 1947-48, when Chiang's forces suffered disastrous military setbacks and the Truman administration deprioritized China—with obvious implications for Chiang—in order to focus on Europe. These events are treated mostly as prologue in the book.

Similarly, although Mr. Peraino describes the connections between the Chinese civil war and U.S. domestic politics, he curiously declines to say much about the ties between the "Who Lost China?" debate that followed Chiang's flight from the mainland and the rise of McCarthyism.

Not least, one of the most surprising outcomes of the Chinese revolution—that the U.S., which had tried so hard to cut Chiang loose, ended up committed to preserving his regime on Taiwan as a result of the Korean War—is treated almost as an afterthought. In reading this book, one sometimes gets the sense that one is reading only part of a much longer and more fascinating tale, and perhaps not the most important part.

Yet the fact that the narrative leaves the reader wanting more rather than less is the mark of a tale well told. And what Mr. Peraino does well in this book is to capture a critical moment in the founding of what is today the most important bilateral relationship in the world and to show the dynamics that so often complicate the policy maker's task at times of upheaval and revolution.

One imagines that U.S. officials will confront those dynamics many times again in the future. By way of preparation, they could do far worse than to read Kevin Peraino's book.

*Mr. Brands is a professor of global affairs at Johns Hopkins University.*

## Lifestyles of the Rich and Tidy

BY SAM SACKS

**THE SUBURBS** are a hazardous place for novelists to venture, and the more comfortable they are the more acute their dangers. Storytellers are in their natural element when finding meaning amid confusion, like creators dividing light from the darkness. The problem with suburbia is that it has already done the work for them. Its very purpose is to provide order and stability. Because its universe is designed to be predictable, novels set there need to be in the business of un-making—or creative destruction.

This is especially true for the affluent Cleveland suburb of Shaker Heights, which, built in 1912, is among the country's oldest planned communities. The eeriest details of Celeste Ng's novel "Little Fires Everywhere" (Little Brown, 338 pages, £14.99) concern the city ordinances that keep Shaker Heights running with the precision of a futuristic dystopia. To avoid unsightliness, trash bins are stashed behind each house and picked up by garbage collectors on motor scooters. Families who fail to mow their lawns

in a timely fashion wake up to find city employees doing it for them, before receiving hefty fines. On Halloween sirens blare at 6 and 8 p.m. to mark the start and end of trick-or-treating.

Elena Richardson is a third-generation Shakerite who has raised her children to respect its rules and regulations. She's a journalist at the lo-

For a novel that sides with rebels and freethinkers, Celeste Ng's latest is a bit too poised and orderly.

cal newspaper, her husband is an attorney, and their kids are Lexie, Trip, Moody and Isabelle, the last-named being the youngest and the "black sheep" of this neatly groomed fold. When the book begins, the Richardsons' beautiful house has burned down and everyone correctly assumes that Izzy, who has vanished, started the blaze. Ms. Ng unfolds the story of why she did it.

As with so many novels, events are set in motion when a stranger comes to town, in this case the mul-

timedia artist Mia Warren, who rents a property from the Richardsons with her teenage daughter, Pearl, after years of nomadic, hand-to-mouth subsistence. Just as Pearl is seduced by the easy comforts in

mystery of Pearl's father she starts a series of deceptions and reprisals that culminate in the fire.

Ms. Ng, whose best-selling debut, "Everything I Never Told You" (2014), also took place in small-town

Ohio, captures her setting with an ethnologist's authority, fleshing out the region's politics (progressive), its local scandal (a divisive custody battle), its infamous high school prank (the legendary Toothpick Day incident). And there are time-capsule pleasures in her evocation of 1997, when Jerry Springer ruled af-

ternoon TV and internet searching was done on AltaVista.

The writing is poised and tidy as well—too tidy, in fact, for a novel whose allegiances are with rebels and freethinkers. The characters' central traits are so baldly stated that they may as well be spelled out in topiary. Elena believes "that passion, like fire, [is] a dangerous thing," whereas our budding arsonist Izzy senses in Mia "a similar subversive spark to the one she often felt flaring inside her." Suburbia's insidious power is that it, much like high school, transforms people into stereotypes, defining them exclusively by the degree to which they "fit in." Ms. Ng doesn't dodge this trap.

Which isn't to say that "Little Fires Everywhere" isn't smart and readable. It's both, eminently so. But 2017 has seen unforgettable breakdowns of suburban domesticity in treatments as various as Nicole Krauss's intellectual fantasia "Forest Dark," Dan Chaon's gothic horror novel "Ill Will" and the undiluted surrealism of David Lynch's "Twin Peaks" reboot. Ms. Ng's book seems, in contrast, a little too orderly.

*Mr. Sacks writes the fiction chronicle for the Journal.*



GETTY IMAGES

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*Mr. Sacks writes the fiction chronicle for the Journal.*

## BOOKS

'Here I am, out from behind the disguises and inventions and artifices of the novel. Here I am . . . denuded of all those masks.' —Philip Roth

# Against Trivialization

### Why Write?

By Philip Roth

Library of America, 452 pages, £29.99

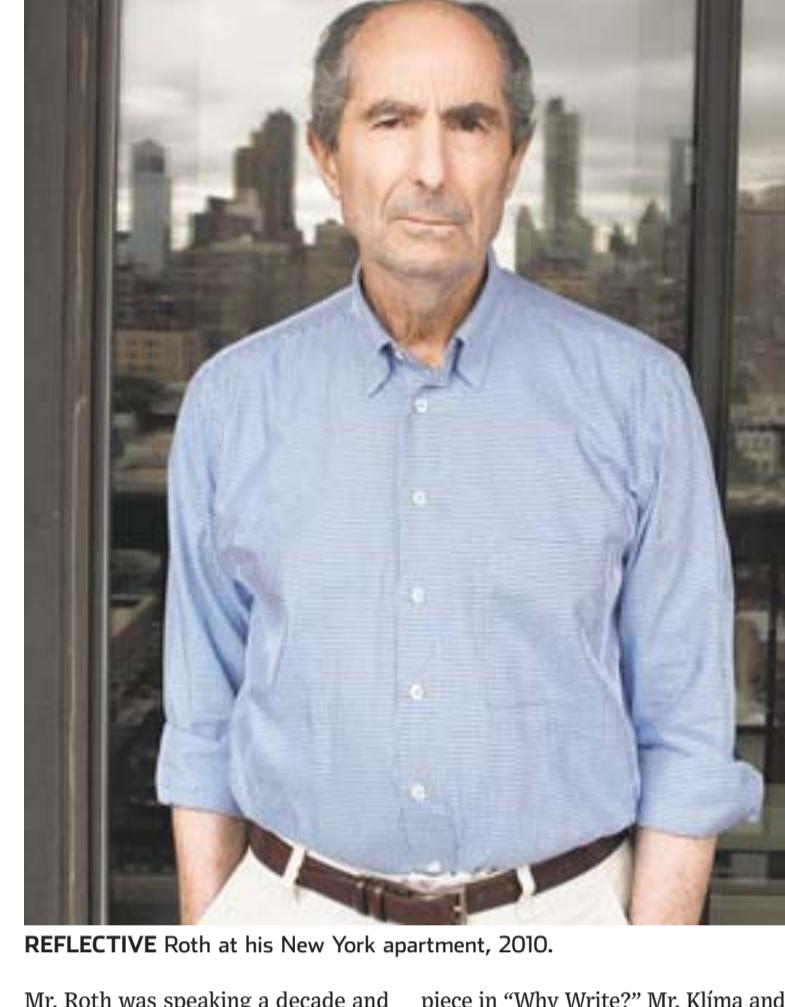
BY JAMES CAMPBELL

**WHY WRITE?** In an interview with the Swedish newspaper Svenska Dagbladet in 2014, four years after the publication of what he claimed would be his final novel, Philip Roth offered an oblique answer to the question that gives the title to this collection. "Writing for me was a feat of self-preservation. . . . It was also my good luck that happiness didn't matter to me and I had no compassion for myself. Though why such a task should have fallen to me I have no idea. Maybe writing protected me against even worse menace."

The interview is one of 15 in "Why Write? Collected Nonfiction, 1960-2013." A reader opening the book in expectation of an assortment of literary and social essays, in the manner of James Baldwin, John Updike or Gore Vidal, will be disappointed. In addition to the interviews, there is a scattering of brief memoirs and some appreciations, but Mr. Roth's subject matter can be summed up as "My novels. And me."

The sense of disappointment will not last long. Mr. Roth's responses to interviewers are eloquent and free from inhibition. A man who can say "It was . . . my good luck that happiness didn't matter to me" is in a strong position to weather stormy accusations, such as being a "Jew hater" and a "woman hater," charges that have pursued him down the years, since the publication of "Goodbye, Columbus" (1959) and, especially, "Portnoy's Complaint" (1969). It was Mr. Roth's "good luck" to grow up feeling confident that orthodox opinion—or correct thinking—is the artist's enemy.

There is one form of tyranny that troubles Mr. Roth, however, of which he makes mention more than once in this enjoyable book: "the trivialization of everything," which, speaking in 1988, he felt was "of no less importance for Americans than repression is for Eastern Europeans." The threat to serious literary debate in America (he could have thrown in Britain and most of Western Europe, too) is not "the censorship of this or that book in some atypical school district somewhere. . . . It's the superabundance of information." If that claim sounds perfectly up to date, remember that



CONTOUR/GETTY IMAGES

REFLECTIVE Roth at his New York apartment, 2010.

Mr. Roth was speaking a decade and a half before the words "smartphone" and "Facebook" were coined.

The trivialization of everything, he continues in an interview titled "On Zuckerman," "results from exactly what they do *not* have in Eastern Europe or the Soviet Union—the freedom to say anything." This leads to a discussion of the proposition, not uncommon at a time when the Soviet empire still stood, that the Western writer, blithe about freedom and sheltered from existential drama, might benefit from a little state oppression.

Mr. Roth's experience of Eastern Europe and his involvement with writers from Czechoslovakia in particular forbids any such glibness. "Why Write?" is unusual in containing not only interviews with Roth, for the Paris Review and other journals, but several interviews by him, with foreign writers: Aharon Appelfeld, Primo Levi, Ivan Klíma and Milan Kundera among them. All justify the space they occupy in another writer's book, the last two in particular.

At almost 30 pages, the conversation with Mr. Klíma is the longest

piece in "Why Write?" Mr. Klíma and Mr. Kundera were allied in their opposition to the Communist regime in Czechoslovakia, but not in much else. Mr. Klíma explains that the picture of the totalitarian system that one finds in the émigré Mr. Kundera's novels—novels that have had much greater success in the West than those of Mr. Klíma himself—is the sort of picture that you would see from a very capable foreign journalist who'd spent a few days in our country. Such a picture is acceptable to the Western reader because . . . it reinforces the fairy tale about good and evil, which a good child likes to hear again and again." Czech readers expect "a deeper insight into our lives from a writer of Kundera's stature."

The interview with Mr. Kundera, though shorter, is equally engrossing and a reminder of why in the 1980s and '90s he was seen by Western readers as a wise and witty messenger from an obscure planet, whatever the merit of Mr. Klíma's criticism may be. Particularly striking is Mr. Kundera's belief that it was in Central Europe "that modern culture found its greatest impulses: psychoanalysis,

structuralism, dodecaphony, Bartók's music, Kafka's and Musil's new aesthetics of the novel." A Modernist Enlightenment, snuffed out by the postwar division of Europe.

Mr. Roth can be said to have played a part in rekindling the aesthetic flame—he would say a minor part, but it is a significant one nevertheless. In 1976, he was instrumental in establishing the Penguin series "Writers From the Other Europe," featuring works by Mr. Kundera, Danilo Kiš (Yugoslavia), Bruno Schulz

Roth grew up confident that orthodox opinion is the artist's enemy.

(Poland) and George Konrád (Hungary). In "A Czech Education," included here, Mr. Roth relates how, between 1972 and 1977, he traveled regularly to Prague to visit writers, journalists and historians whose books could not be published and whom he terms "the repudiated." Some "were selling cigarettes at a streetcorner kiosk, others were wielding a wrench at the public water works, others spent their days on bicycles delivering buns to bakeries. . . . These people, as I've indicated, were the cream of the nation's intelligentsia."

In 1977, Mr. Roth was refused a visa to return to Czechoslovakia, doubtless because his activities in promoting writers of the "Other Europe" had by then reached the ears of the authorities. On one of the many occasions on which he was accosted by the police, Mr. Klíma was questioned about his friend Mr. Roth's regular visits to Prague. What was it all about? Mr. Klíma reacted with faux-naïveté: "Don't you read his books?" The policemen were stymied, "but Ivan quickly enlightened them. 'He comes for the girls.'

As a punch line to a speech—in this case before the PEN Literary Gala in 2013—it would have raised a laugh, but readers of a collection of "essential statements" on Mr. Roth's writing life might hope for a more thorough account of his involvement with that Penguin series: the risks it presented to both authors and editor, its estimated successes and frustrations. "A Czech Education" is one of 14 pieces in the third and final part of the book, eight of which derive from the texts of speeches.

"Why Write?" also contains roughly half the contents of "Reading Myself and Others" (1985) and the complete contents of "Shop Talk" (2001), his two previous collections of nonfiction. There is a fond essay on his friend Bernard Malamud—whose character surely shadows that of E.I. Lonoff, the principal figure in Mr. Roth's novel "The Ghost Writer"—and another about the artist Philip Guston. In each case, the subject of the article is as much Philip Roth as anything else. "Rereading Saul Bellow" is the closest the collection comes to straightforward literary criticism. Its pedestrian development, novel by novel, helps to answer the question why Mr. Roth has not done more in that line.

If Mr. Roth's basic subject is me and my novels, the former is protective of the latter. An amusing 14-page letter to Wikipedia, titled "Errata," sets out to correct the misrepresentations of his work that he found on the website. The first concerns the novel "The Human Stain" (2000), described in the Wikipedia entry at the time of writing (2012) as "allegedly inspired by the life of the writer Anatole Broyard." Broyard was a book critic for the New York Times, who, although African-American by heritage, passed in literary society for white (there is debate about how much of a secret his passing was). When Mr. Roth contacted Wikipedia to correct the misstatement that his novel was based on Broyard's experience, he was told (through his "official interlocutor") "that I, Roth, was not a credible source. 'I understand your point that the author is the greatest authority on their own work,' writes the Wikipedia Administrator—but we require secondary sources."

Mr. Roth reveals that the inspiration for "The Human Stain" was "an unhappy event in the life of my late friend Melvin Tumin, professor of sociology at Princeton for some thirty years," the type of event involving student complaint that has become more common since Tumin's ordeal in 1985. Wikipedia amended the entry on "The Human Stain" but not enough to satisfy the "greatest authority" on the work of Philip Roth. As well as being consistently intelligent and entertaining, "Why Write?" is a primary source.

Mr. Campbell is the author of a biography of James Baldwin, "Talking at the Gates," and a columnist at the *Times Literary Supplement*.

# Salvation and Self-Sacrifice

### The Ninth Hour

By Alice McDermott

Bloomsbury, 247 pages, £16.99

BY MAUREEN CORRIGAN

**IF VARIETY WERE** an absolute requirement for literary greatness, Alice McDermott would be out of luck. With few exceptions, her characters are always Irish-American and Catholic. They live the kind of lives that are unfailingly called "small"—meaning that they're mostly working class. And Ms. McDermott's novels frequently look back to an era (from the twilight years of Tammany Hall to the ascendancy of JFK) when Irish-Americans were a distinct and dominant urban ethnic presence. So resolutely does Ms. McDermott, who was born in Brooklyn, remain on native grounds that her dedicated readers no longer bother to ask what a new McDermott novel is "about," but, rather, which outer borough of New York City the story is set in this time: Brooklyn, Queens or, for those characters who've moved on up, the outermost aspirational borough of all, Long Island.

Ms. McDermott's range may be confined, but she sees a world within those dusty parish halls, tenements, bars and funeral homes whose interest is inexhaustible. With the precision of a master—never over-reaching for significance or relaxing into sentimentality—Ms. McDermott lays bare the reasons why those "small lives" matter. Though the culture of her novels is very Catholic ("real holy," as we used to say in my own Catholic girlhood in Queens), even readers who think that the term "extremeunction" refers to excessive flattery can appreciate the comfort-coherency and power of her characters' religious worldview. A great

McDermott novel—and "The Ninth Hour" is a great one—makes you realize the wisdom of her decision to stay put in the old neighborhood.

"The Ninth Hour" is a Brooklyn novel. Like its immediate predecessor, "Someone," it's set in the early-to-mid-20th century and is largely a female story. It opens on a dark February afternoon when a young Irish immigrant named Jim sends his wife out to do her shopping and then turns on the gas tap in their apart-

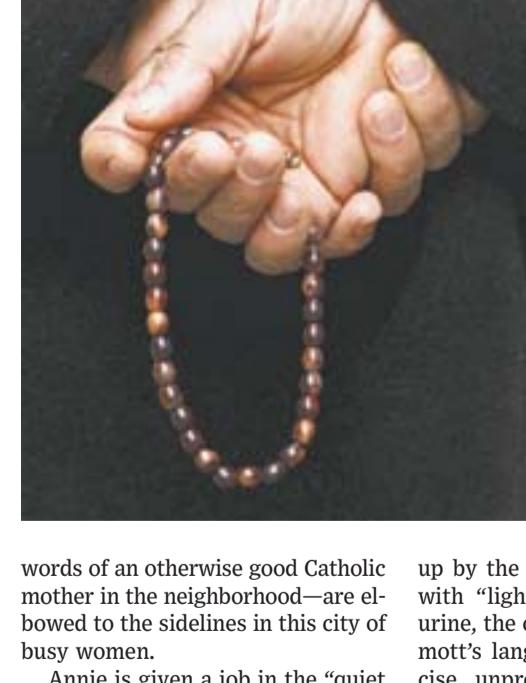
The Irish-Catholic women in McDermott's fiction feel the pull of martyrdom.

ment. Jim has just been discharged from his job as a trainman on the BRT. These days, we would call him clinically depressed, but the collective diagnosis of Ms. McDermott's narrators (the novel is told from the omniscient point of view of Jim's future grandchildren) is, at once, more chilling and poetic:

His trouble was . . . he liked to refuse time. He delighted in refusing it. He would come to the end of a long night, to the inevitability of 5 a.m. . . . and while other men, poor sheep, gave in every morning, turned like lambs in the chute from the pleasures of sleep or drink or talk or love to the duties of the day, he had been aware since his childhood that with the easiest refusal, eyes shut, he could continue as he willed.

Jim's suicide leaves his pregnant wife, Annie, adrift and also marks the exit—except for brief appearances—of men from this novel. Nuns from a nearby convent undertake the

mission to provide for Annie and, eventually, her baby daughter, Sally. (The name of the nuns' order all but demands a spontaneous genuflection: "The Little Nursing Sisters of the Sick Poor, Congregation of Mary Before the Cross.") Even priests—"pampered momma's boys," in the



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words of an otherwise good Catholic mother in the neighborhood—are elbowed to the sidelines in this city of busy women.

Annie is given a job in the "quiet underworld" of the convent's basement laundry, helping the aged Sister Illuminata wash, iron and mend donated clothing, as well as the nuns' own habits, soiled by their nursing work. (Annie contends with "the odor of vomit on wool" and the excretions of the nuns' own "mortal bodies": "menstrual rags and long johns stained yellow at underarm or crotch.") The infant Sally sleeps at her mother's feet in a wicker basket

lined with towels, then graduates to playing on an old rug, helping to sort the laundry, going to school and ultimately declaring her intentions to become a nun—against Annie's wishes. The irony is that Sally is secretly motivated to join the convent to save her beloved mother's immortal soul.

What sounds like a simple plot-line is complicated by a narrative that jumps around in time, spanning events from the Civil War to the present, and that also noses its way deep into the lives of other characters in the neighborhood and within the convent. There's Sister Lucy, a tough nut with a habit of stopping neighborhood women in the street and demanding, "Is your husband good to you?" Just as trying is Mrs. Costello, the milkman's wife, who's missing a leg; she spends days propped

up by the window in a room filled with "light that was the color of urine, the color of bile." Ms. McDermott's language is, as always, precise, unpredictable, and gorgeous. She can make music even out of a catalogue of Sister Illuminata's laundry supplies: "Borax and Ivory and bluing agents . . . bran water to stiffen curtains and wimples, alum water to make muslin curtains and nightwear resist fire."

Back to that reckless idea of Sally's to join the convent: Given that "The Ninth Hour" is narrated by Sally's children, we readers already know her vocation isn't going to

stick. The decisive moment comes during one of the most mesmerizing sections of the novel, when Sally takes an overnight train from New York's old Penn Station to Chicago to enter the novitiate. The whole hallucinatory journey reads like a specifically female riff on the infamous Nighttown chapter in James Joyce's "Ulysses"; instead of reveling (as Leopold Bloom and Stephen Dedalus did) in the lewd jokes, liquor and hot bodies pressed upon her, Sally is repulsed and, by journey's end, she realizes that her own capacity to generously minister to her fellow human beings has limits. Because Sally is a young Catholic woman of her time, she feels guilty about this failing and, so, tries harder and harder to sacrifice herself.

Female self-sacrifice—its allure and moral complications—is Ms. McDermott's overarching subject here. (Her title alludes to the ultimate Christian image of self-sacrifice: In the New Testament, the "ninth hour" is the hour when Christ died on the cross.) As Mary Gordon did almost 40 years ago in her now classic debut, "Final Payments," Ms. McDermott brilliantly dramatizes the pull, especially on loving Catholic daughters, of martyrdom. But, you don't have to be Catholic to understand the impulse. "Save yourself; others you cannot save," urges Adrienne Rich in her early (1963) feminist poem "Snapshots of a Daughter-in-Law." Rich wouldn't have had to issue that warning if the danger weren't general. In "The Ninth Hour," Ms. McDermott has once again managed a marvelous literary feat: She's written another one of those "parochial" novels of hers whose reach is universal.

Ms. Corrigan, the book critic for the NPR program "Fresh Air," teaches literature at Georgetown University.

## BOOKS

'What makes me such a lightning rod for fury? I'm really asking. I'm at a loss.' —Hillary Clinton

POLITICS: BARTON SWAIM

# Can They Forgive Her?

ONLY HILLARY Clinton could make this book boring. "What Happened" (Simon & Schuster, 494 pages, £20) recounts the events of her 2016 presidential campaign, defends her own conduct and decisions, and assigns the blame for her loss to Donald Trump in the November election. Ms. Clinton has always been a tough critic of her foes. Surely we were in for a scorcher. And yet it's a snoozer—excruciatingly tedious.

Readers of her first two memoirs won't be surprised. The reason for the dreariness of "Living History" (2003), about her upbringing and eight years as first lady, and "Hard Choices" (2014), about her time as secretary of state, isn't bad writing or the inability to tell a story. They're fluent and well-structured narratives, and they don't avoid the controversies and scandals that have dogged her public career: Travelgate, the Rose law firm's billing records, Whitewater, the Lewinsky scandal and impeachment trial of her husband, her response to the attacks on American diplomats in Benghazi, Libya.

What makes these accounts so hard to enjoy, even for her admirers, is Ms. Clinton's intense belief in her own righteousness and her effort to use every word at her disposal to make you believe in it, too. "What Happened" is full of long, detailed explanations of why Ms. Clinton and her campaign were always well-meaning and principled but constantly disadvantaged and repeatedly sabotaged at crucial moments. Ms. Clinton blames her loss on Donald Trump's dishonesty; his campaign's ability to generate unthinking resentment; FBI Director James Comey's unprecedented blabbing about his agency's investigation into her use of a private email



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server; the media's fixation on that investigation; Vladimir Putin's interference on the Trump campaign's behalf; sexism; and the voters who assumed she would win and didn't vote. But Americans with any interest in politics have been discussing and debating these points for the past 10 months. The only thing distinguishing Ms. Clinton's discussion is the rigorously one-sided way in which she presents it.

The author seems vaguely aware that the book's chief hypothesis is improbable—was everybody really at fault except her and her senior campaign staff?—and so at various points she offers half-hearted declarations that she bears the ultimate blame. But how can she bear the blame if she never did anything

wrong? This paradox haunts all three of her memoirs and deprives them of any genuine insight or interesting thought.

In a passage early in this book, she recalls the severe criticisms she received as a result of earning millions of dollars in speaking fees from banking groups and refusing to release the transcripts of what she said. "When you know why you're doing something and you know there's nothing more to it and certainly nothing sinister, it's easy to assume that others will see it the same way," she writes. "That was a mistake. Just because many former government officials have been paid large fees to give speeches, I shouldn't have assumed it would be okay for me to do it. . . . I should

have realized it would be bad 'optics' and stayed away from anything having to do with Wall Street. I didn't. That's on me."

Her "mistake" was to think her critics were honest and fair. Her fault was failing to remember that perfectly innocent activities can have "bad 'optics.'"

Other moments of self-criticism similarly miss the "self" part. "Why did I lose?" she asks nearly 400 pages in. "I go back over my own shortcomings and the mistakes we made. I take responsibility for all of them. You can blame the data, blame the message, blame anything you want—but I was the candidate. It was my campaign. Those were my decisions." Note the pronoun: "You" can blame the data or the

message. If you do, Ms. Clinton will "take responsibility."

But what does that mean, exactly? Throughout the book, she pointedly does not blame the data or the message; she vigorously defends her campaign on both counts. What's meant to sound like a mea culpa is just another insistence that she was basically right about everything.

A memoirist no less than a politician must have some genuine awareness of his or her deficiencies.

A memoirist no less than a politician must have some genuine awareness of his or her deficiencies and some ability to express that awareness. The trouble with "What Happened" is not that Ms. Clinton insists that she was right and that her adversaries were wrong and unfair in their criticisms. The trouble with her writing, and indeed with her whole political persona, is that she is obsessed with her own rectitude, and nobody else is.

In all three of her memoirs, she quotes an apocryphal line from John Wesley and claims that it's a personal credo: "Do all the good you can, for all the people you can, in all the ways you can, as long as ever you can." Ms. Clinton thinks of this implausible dictum as somehow essential to her political brand, even as the rest of us think of her as a tough, ambitious and pragmatic politician. Her determination to make us see her as she sees herself is what makes her writing so profoundly dull—and perhaps also what made her susceptible to defeat by a man who, whatever his weaknesses, can't be called boring.

# The Cold War on the Ocean Floor

## The Taking of K-129

By Josh Dean

Amberley, 431 pages, £20

BY HOWARD SCHNEIDER

THE COLD WAR wasn't a shooting conflict, but that doesn't mean there weren't casualties. Nor does it mean that the United States and the Soviet Union didn't use every resource at their disposal to learn as much as possible about each other's military capabilities. Josh Dean's "The Taking of K-129: How the CIA Used Howard Hughes to Steal a Russian Sub in the Most Daring Covert Operation in History" is an absorbing, suspenseful chronicle of a remarkable Cold War episode.

On Feb. 24, 1968, the Soviet submarine K-129, 328 feet long, diesel-powered, with a crew of 98, sailed from its base on the Kamchatka Peninsula in Russia's far east. It was equipped with "the newest, most advanced navigation system in the Pacific Fleet," Mr. Dean writes, and carried three nuclear ballistic missiles. The submarine's mission: patrol off the Hawaiian Islands and, in case of war, annihilate three vital military bases there. The Soviet navy lost contact with the vessel on March 8 and a day later commenced a search. The operation, which encompassed a million square miles of the Pacific, was a failure. In September, Mr. Dean says, the Soviets announced that "the sub had been lost . . . and that all the men on board were 'presumed dead.'"

The American Navy quickly realized that the Soviets were searching for a lost submarine and that it was probably the K-129. After the U.S.S.R. ended its hunt, America's superior technology succeeded where its opponent hadn't. Hydrophones in the Pacific designed to detect Soviet undersea nuclear tests registered an explosion on March 11 that was almost surely the K-129. Further analysis of the data revealed that the sub had sunk 1,560 miles northeast of Hawaii under almost 17,000 feet of water.

A U.S. submarine was dispatched to the site and took photographs that confirmed the K-129 was where the hydrophones indicated. American government officials were eager to examine what was inside the sub, Mr.

Dean writes: "communications codes, code-breaking machinery, and most compelling of all, the nuclear warheads atop the ballistic missiles. Any combination of these things would provide the greatest intelligence haul of the Cold War."

Obtaining those items, however, meant somehow raising the submarine, and conventional wisdom held that no technology existed that could perform the task. Furthermore, if the Soviet Union discovered an American attempt to seize the K-129, all geopolitical hell would break loose, including, possibly, armed confrontation. But because Americans in high places (including, eventually, Presidents Nixon and Ford) fervently desired the K-129, a stealth project was launched.

How the CIA recovered a sunken Soviet submarine in an ingenious and high-risk covert operation.

The venture, code-named Project Azorian, was assigned to the Central Intelligence Agency rather than the Navy because the agency had a great deal of technological expertise with spy planes, like the U-2, and spy satellites. How did Project Azorian—"retrieving] a 3-million-pound submarine from 16,700 feet under the Pacific Ocean," a task "every bit as daunting as the moon landing"—proceed? With a huge, technically dazzling ship, the Hughes Glomar Explorer, that was created by government agencies, defense contractors and other arms of the military-industrial-intelligence complex. In the days before modern computers, Mr. Dean notes, it was designed with "faith, and pencils."

The vessel's main features were a "moon pool," a huge hollow in the ship's bottom to hold the sub; a system to disgorge and retract "twenty thousand feet of threaded gun-barrel steel pipe"; and a "mechanical grabber or claw," attached to the steel pipe, for enfolding the K-129. The claw was so large that, to avoid detection, it had to be assembled offshore inside a nondescript barge, which was then submerged and towed to the Explorer. The extraordinary planning and construction

would take five years and cost at least \$250 million, and the personnel involved wouldn't know if many of the Explorer's novel high-tech elements worked until the ship was hovering over its target.

The CIA realized that a spectacular vessel like the Explorer couldn't be kept a secret, and so the agency crafted an ingenious cover story to account for it. The "Hughes" in the ship's name was the astounding Howard Hughes. His companies were

books and coding machinery. The Explorer retrieved the rest of the sub, however, and the Navy and CIA did obtain some useful information about Soviet submarine technology and the K-129's missiles.

When the Explorer returned to the U.S., some government officials wanted to order the ship to return to the K-129 and secure the remains. But in the fall of 1974 the Soviet Embassy in Washington was tipped off that the American government had

over" Project Azorian, Mr. Dean says that in that same year Helms strongly disliked the idea—clarification by the author would have been helpful. And the relationship between the Hughes Tool Co. and the Summa Corp. (also a Hughes business) is confusingly blurry.

Was Project Azorian worth the money spent and the incredible work that went into it? Mr. Dean thinks it was. He takes what can be called the aesthetic-existential view: "The fact



COVER The barge inside which the Glomar Explorer's claw was assembled.

enlisted to tell the world that they were building the Explorer to mine the ocean floor for valuable manganese nodules. This cover story—complemented by some discreet CIA arm-twisting of journalists—hoodwinked the public and even Soviet intelligence.

On July 4, 1974, more than six years after the K-129 sank, the Explorer reached the submarine's location. Thirty days after it arrived, the pipe and claw began lifting the K-129. But some of the claw's tires were stressed by contact with the sea floor and by the pressure of clutching the K-129, and two-thirds of the sub plummeted back to the bottom of the Pacific—along with its missiles, code

designs on the K-129, and in February 1975 the Los Angeles Times disclosed the real purpose of Project Azorian. The Explorer never returned to the Soviet submarine; its glory days were over. In 2015 it was sold for scrap.

"The Taking of K-129" is admirably thorough in its research. Mr. Dean, a longtime magazine journalist, clearly loves technology, and he is quite good at describing it. He is also deft at detailing how government agencies interacted with one another and with the private sector. Two cavils: Thirty pages after Richard Helms, the director of central intelligence, is described as "want[ing] very badly for [the CIA] to take

that the [CIA] built and protected a cover story for five years is undeniable; by that measure alone, the project was a success. And the program engineers . . . did design and build the most complicated ship in history, a vessel that everyone considers a marvel. That ship was able to do something that seemed nearly impossible." But as an ornery taxpayer and amateur realpolitiker, I suspect that the Cold War would have followed the course it did even if the Explorer had secured the entirety of K-129. Incidentally, it has never been learned what destroyed the submarine.

Mr. Schneider reviews books for newspapers and magazines.

## OPINION

### REVIEW & OUTLOOK

#### All Mr. Comey's Wiretaps

**W**hen Donald Trump claimed in March that he'd had his "wires tapped" prior to the election, the press and Obama officials dismissed the accusation as a fantasy. We were among the skeptics, but with former director James Comey's politicized FBI the story is getting more complicated.

CNN reported Monday that the FBI obtained a warrant last year to eavesdrop on Paul Manafort, Mr. Trump's campaign manager from May to August in 2016. The story claims the FBI first wiretapped Mr. Manafort in 2014 while investigating his work as a lobbyist for Ukraine's ruling party. That warrant lapsed, but the FBI convinced the court that administers the Foreign Intelligence Surveillance Act (FISA) to issue a second order as part of its probe into Russian meddling in the election.

Guess who has lived in a condo in Trump Tower since 2006? Paul Manafort.

The story suggests the monitoring started in the summer or fall, and extended into early this year. While Mr. Manafort resigned from the campaign in August last year, he continued to speak with Candidate Trump. It is thus highly likely that the FBI was listening to the political and election-related conversations of a leading contender for the White House. That's extraordinary—and worrisome.

Mr. Comey told Congress in late March that he "had no information that supports those [Trump] tweets." Former Director of National Intelligence James Clapper was even more specific that "there was no such wiretap activity mounted against—the President-elect at the time, or as a candidate, or against his campaign." He denied that any such FISA order existed. Were they lying?

The warrant's timing may also shed light on the FBI's relationship to the infamous "Steele dossier." That widely discredited dossier claiming ties between Russians and the Trump campaign was commissioned by left-leaning re-

search firm Fusion GPS and developed by former British spy Christopher Steele—who relied on Russian sources. But the Washington Post and others have reported that Mr. Steele was familiar to the FBI, had reached out to the agency about his work and had even arranged a deal in 2016 to get paid by the FBI to continue his research.

The FISA court sets a high bar for warrants on U.S. citizens, and presumably even higher for wiretapping a presidential campaign. Did Mr. Comey's FBI marshal the Steele dossier to persuade the court?

All of this is reason for House and Senate investigators to keep exploring how Mr. Comey's FBI was investigating both presidential campaigns. Russian meddling is a threat to democracy but so was the FBI if it relied on Russian disinformation to eavesdrop on a presidential campaign. The U.S. Justice Department and FBI have stonewalled Congressional requests for documents and interviews, citing the "integrity" of Special Counsel Robert Mueller's investigation.

But Mr. Mueller isn't investigating the FBI, and in any event his ties to the bureau and Mr. Comey make him too conflicted for such a job. Congress is charged with providing oversight of law enforcement and the FISA courts, and it has an obligation to investigate their role in 2016. The intelligence committees have subpoena authority and the ability to hold those who don't cooperate in contempt.

Mr. Comey investigated both leading presidential campaigns in an election year, playing the role of supposedly impartial legal authority. But his maneuvering to get Mr. Mueller appointed, and his leaks to the press, have shown that Mr. Comey is as political and self-serving as anyone in Washington. No investigation into Russia's role in the 2016 campaign will be credible or complete without the facts about all Mr. Comey's wiretaps.

#### The Slow and Steady Fed

**T**he Federal Reserve's Open Market Committee said Wednesday that the not-so-rapid unwinding of its \$4.5 trillion bond portfolio will finally begin in October, and markets are taking it in stride. The committee also signaled that another interest-rate increase is probably coming in December, and that isn't spooking anyone either.

There's no reason they should, since the Fed is moving at such a gradual pace that no one is being taken by surprise. "Our balance sheet will decline gradually and predictably," Fed Chair Janet Yellen said at her news conference following the Fed meeting. We wish the pace of the asset drawdown were faster, and had begun sooner, but at least it is finally under way and will march on a steady course.

One lingering uncertainty is how far the Fed will shrink its balance sheet, which was less than \$1 trillion before the 2008 financial panic.

**A rate increase in December looks increasingly likely.**

The Fed will need to keep more assets now given the increase of cash—an offsetting Fed liability—in circulation. But a return to the

Fed's precrisis role of buying only Treasury bonds to conduct open-market operations ought to be the goal.

Former Chair Ben Bernanke sold the Fed's quantitative easing policies as a crisis-driven necessity that wouldn't last forever, and with the crisis now past the Fed should return to its traditional economic role for the sake of its own credibility.

No one should call any of this a tight monetary policy, not with the fed funds rate still at 1%-1.25%. The bigger question is how the Fed will respond if U.S. Congress passes tax reform that lifts growth to more than 3%. (See nearby.) Then it may have to reconsider its slow pace of rate increases, lest it repeat its mistake of 2003 and keep rates too low for too long after a pro-growth tax cut. We know how that ended.

#### America's Tax-Reform Progress

**U**.S. House Republicans like to grouse about the Senate as a legislative graveyard, but on tax reform GOP Senators may be saving the day. A tentative deal between Senators Pat Toomey and Bob Corker to create \$1.5 trillion in tax-cutting room as part of the budget resolution could rescue the House from its familiar factional dysfunction.

The Senators—key voices on the Budget Committee—announced their deal without specifying a budget number, but our sources confirm that the handshake is for \$1.5 trillion over 10 years. This means the budget resolution will not have to bow to the Beltway golden idol known as "deficit neutrality," so it can be a net tax cut. This creates more budget room for cutting rates and increases the chances that a tax reform will be large enough to spur the economy and raise incomes.

In an ideal world, Congress would put policy above this process mumbo-jumbo. But in Washington a budget outline is necessary for passing tax reform under the Senate's reconciliation process that allows a bill to pass the upper chamber with 51 votes. The alternative is relying on the tender mercies of Chuck Schumer's Democrats to come up with 60 votes.

In an ideal world, the Senate deal would create room for tax cuts of \$2.5 trillion or more. That's at least how much more revenue the government would get if the economy returned to its historic growth rate of 3% a year from the Obama era's 2%. Better policy like tax reform would help growth get to 3%, but Senate leaders fear such an estimate might scare some Members and they can only afford to lose two of their 52 GOP Senators on the floor. The \$1.5 trillion figure is fiscally conservative to a fault, and if Republicans can't agree on that much they ought to pack up and go home.

The \$1.5 trillion deal will also be scored on a "static" basis, which means it won't be hostage to growth estimates from the gnomes at the Joint Tax Committee and Congressional Budget Office. Those outfits will still produce an additional "dynamic" score that considers economic growth, but their Keynesian as-

sumptions mean they always underestimate the growth impact of cuts in tax rates and on capital income. The \$1.5 trillion deal liberates Congress from that process tyranny.

The Senate is more crucial this time because the House still hasn't found a majority for its budget resolution. Freedom Caucus Reps. Mark Meadows and Jim Jordan complained Thursday on these pages that House leaders want Members to vote on a budget without first releasing the details of tax reform. They contend this order doomed ObamaCare repeal: Members were presented with a fait accompli and weren't allowed to influence policy.

This is fake history. The Freedom Caucus demanded—and won—many accommodations on health care. One was preserving the tax exclusion for employer-sponsored health insurance that is a subsidy for large companies, and so much for conservative purity on that one. By Messrs. Meadows and Jordan's own account, their later demands improved the House ObamaCare repeal bill that eventually passed.

On tax reform, the Freedom Caucus has already helped scuttle the border-adjusted tax. Now the gang has pivoted in private to target expensing provisions, while claiming in public that they have no idea what the reform includes. The real question is whether any concession will appease them—or if they'll keep moving the goal posts until the bill is impossible to pass.

The political reality is that the budget resolution has only one purpose: A vehicle to pass tax reform in the Senate with 51 votes. Everything else is political eyewash. If the Toomey-Corker deal passes the Senate, the House should adopt it and move on to the substance of tax reform.

On that score, the \$1.5 trillion is a decent start, and Republicans can create more running reform for lower rates by closing loopholes. The state and local tax deduction is worth another \$1.25 trillion or so. Republicans should follow the Toomey-Corker lead, get past phony budget obstacles, and move on to fulfill their promise to reform the tax code.

#### Donald Trump Goes Nuclear



WONDER LAND  
By Daniel Henninger

On July 28 this year, North Korea's Kim Jong Un tested an intercontinental ballistic missile. Analysts said its potential flight path on an optimum trajectory could travel some 6,400 miles. We can't help but notice that most of the commentators who are dumping

condescension on President Trump for threatening to "totally destroy North Korea" live in New York or Washington rather than Seattle or San Francisco. Or Seoul or Tokyo or anywhere people live who no longer see Kim's 250-kiloton bomb as an intellectual or journalistic abstraction.

Mr. Trump violated foreign-policy sensibilities on the Eastern Seaboard by saying out loud what has been an implicit reality of U.S. strategic policy since the dawn of the nuclear age: We reserve the right to use nuclear weapons to pre-empt a first strike from an adversary, and that includes an enemy's nuclear, chemical or biological weapons. The reason resided in one simple Cold-War word: deterrence.

Toward the end of the Obama presidency, concerns emerged that Mr. Obama would adopt the "no first use" doctrine on nuclear weapons long favored by progressive arms-control activists. He did not. Also worth keeping in mind amid the outcry that Mr. Trump's speech violated some sort of international gentlemen's agreement is that NATO has refused for 70 years to adopt no first use.

Until recently, no American president needed to make such threats in public. An assumption of the Cold War was that the Soviet Union's leadership ultimately was rational, and so we negotiated nuclear agreements with them. Some similar baseline of assumed rationality attached to dealing with each subsequent nuclear power, such as China, India and even Pakistan.

Pakistan and India—estimated to have more than 100 nuclear warheads each—rattled the world's nerves as recently as 2002, when the two countries massed armies along their 2,000-mile border after a terrorist attack on the Indian Parliament.

Whether Iran's revolutionary and messianic religious leadership is "rational" in the Cold War meaning lies at the heart of the disagreement over the Obama nuclear deal with Tehran. The Iranians understood this requirement, and so they put forth as their negotiator Foreign Minister Javad Zarif, a "rational man" from Hollywood central casting, unlike the evil-eye mullahs who actually decide Iranian nuclear strategy, which looks a lot like North Korea's nuclear strategy.

Yet another of Mr. Trump's violations of Eastern Seaboard sensibilities is to

suggest the Iranians are less trustworthy on nukes than, say, Mikhail Gorbachev.

Since 1993, the U.S. has pursued the standard model of rational-man arms control negotiations with North Korea. This false presumption now has brought us to within perhaps one year of Kim being able to attach a miniaturized nuclear bomb to the cone of an ICBM.

The day that happens, the world will have crossed a Rubicon into a nuclear reality incomparably more dangerous than anything in the previous seven decades. On Tuesday, a U.S. president spoke truth to nuclear power. Eastern punditry will never recover from the way Mr. Trump said it, but the rest of the rational world will adapt.

**Critics of Trumpian rhetoric live outside the range of Kim's missiles—for now.**

Adaptation of some sort is needed as well to Mr. Trump's thoughts on sovereignty, mentioned more than 20 times in the speech. I have no fully graspable idea what he is talking about, and I'm not sure Mr. Trump does either.

The idea of protecting a country's national security and economic interests is easy enough to understand. Mr. Trump, however, seems to be talking about something more transcendent.

Sovereignty as a mystical force in the lives of nations is an idea brought into the Trump presidency by Steve Bannon and articulated in the United Nations speech and elsewhere by Mr. Trump's chief speechwriter and Bannon ally, Stephen Miller.

Nationalism and what it means for increasingly volatile populations is a good subject just now, but I don't think Messrs. Bannon and Miller have put across the idea in any feasible operational sense for U.S. policy makers. In practice, that makes it largely irrelevant.

My own tastes in Trumpian philosophizing run more toward statements like this at the U.N.: "Major portions of the world are in conflict, and some, in fact, are going to hell."

Again, the pundits gagged, presumably nostalgic for the prudent, considered cadences of Barack Obama, whose foreign policies left much of the world, um, going to hell. Aleppo's bombardment into rubble comes to mind.

Hearing Mr. Obama describe more of the same will cost you \$400,000 now. President Trump gets to talk for free about Kim Jong Un's march toward a nuclear Armageddon. Between these two, I'll take the free version.

*Write henninger@wsj.com.*

#### Kick North Korea Out of the U.N.

By Claudia Rosett

**C**alls by the United Nations Security Council to isolate North Korea haven't stopped Kim Jong Un from launching missiles over Japan or threatening America and its allies. This week President Trump told the General Assembly that the U.S. is prepared "to totally destroy North Korea" in the event of an attack. If the international community is serious about isolating the Kim regime, there's a less drastic option not yet tried: Expel North Korea from the U.N.

Since the U.N.'s founding in 1945, no member state has ever been expelled. The U.N. charter does, however, provide for eviction: "A Member of the United Nations which has persistently violated the Principles in the present Charter may be expelled from the Organization by the General Assembly upon the recommendation of the Security Council."

North Korea never met the U.N. membership requirements to begin with. The charter says membership is open only to "peace-loving states" that promote "respect for human rights and for fundamental freedoms."

North Korea was admitted in tandem with South Korea on Sept. 17, 1991. At the time, with the Soviet Union in the process of collapse, the rationalization was that finally bringing North Korea into the U.N. fold might induce it to give up its brutal and predatory ways.

Instead, the legitimacy and perquisites conferred by U.N. membership might have helped the regime survive.

Expelling North Korea now could undermine Mr. Kim domestically. His regime would lose the international respect that accompanies a U.N. seat. North Korean diplomats would be forced to give up access to lavishly appointed U.N. offices and soirees in New York, Rome and Vienna.

The U.S. and its allies pay most of the tab for these amenities, while Pyongyang avails itself of opportunities for spying, money laundering and illicit procurement.

From the start North Korea was intent on causing trouble for the U.N. As early as 1993 the Security Council was expressing "concern" that Pyongyang was out of compliance with U.N. nuclear safeguards. North Korea is now in violation of nine Security Council resolutions, after developing intercontinental ballistic missiles and carrying out six nuclear tests.

**Membership has its privileges—spying, money laundering and illicit procurement.**

As for human rights, a special U.N. Commission of Inquiry concluded in 2014 that "the gravity, scale and nature of the violations committed by the Democratic People's Republic of Korea reveal a state that does not have any parallel in the contemporary world."

A bid to toss North Korea out of the U.N. would need strong U.S. leadership, and it could fail. China and Russia could block it with their Security Council vetoes. The despot-packed General Assembly, wary of setting a precedent, could balk.

It's still worth a try. Even failure would better illuminate the perils of relying on a U.N. that values North Korea's company above its own charter. Success could help undercut the Kim regime, and confer a measure of badly needed redemption on the U.N. itself.

*Ms. Rosett is a foreign policy fellow with the Independent Women's Forum, and author of "What to Do About the U.N." (Encounter).*

## OPINION

# After Islamic State, Is There Still an Iraq?

By Michael Dempsey

**A**s the U.S.-led coalition effort to destroy Islamic State's physical caliphate nears its endgame in Iraq, a major question hangs over the country: Is there still an Iraq?

Islamic State has suffered a series of crippling blows, including its loss of the strategically important town of Tal Afar in Nineveh province. The U.S.-led coalition will next focus on driving Islamic State out of Hawijah, some 200 miles north of Baghdad.

**Reconciliation is possible, but the country will have to overcome at least five major challenges.**

Hawijah has an outsize military importance because Islamic State has used it as a staging area from which to attack Baghdad with hundreds of improvised explosive devices, including car bombs. When the Hawijah operation is complete, the coalition will focus on attacking Islamic State in its remaining enclaves along the border with Syria.

Once Islamic State has been deprived of the territory it holds, can Iraq's major communities come together to share power and build a common future? That question is sparking increasingly heated debate in Iraq and the international community.

In my opinion (which doesn't reflect the view of the intelligence community or the U.S. government),

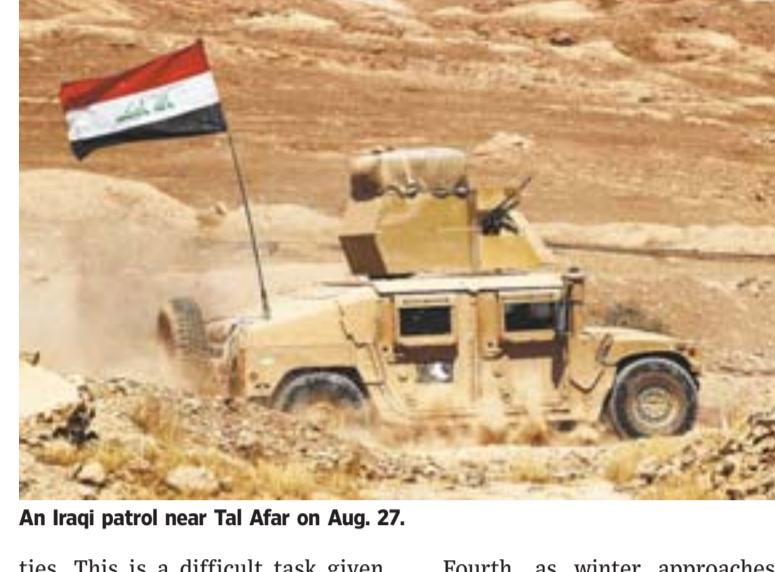
the answer will be determined by how the Iraqis respond to five key unresolved issues.

First, the Kurdish independence referendum, originally scheduled for Sept. 25, is threatening to spark a full-blown crisis even before Islamic State is defeated on the battlefield. At issue is whether a large chunk of Iraq will eventually break away entirely or redefine its relationship with the central government. Complicating the issue is the inclusion in the vote of disputed territories, including the oil-rich city of Kirkuk, which is held by Kurdish forces but claimed by Baghdad.

On Monday Iraq's Supreme Court ordered the referendum suspended until it can assess the vote's legality. United Nations Secretary-General António Guterres is also calling for a delay, as are U.S. Secretary of State Rex Tillerson and the Turkish and Iranian governments. Kurdish leader Masoud Barzani has previously hinted that he might delay the referendum until after national elections in April, but only at the price of concessions and assurances about the Kurds' future status.

Whether or not the referendum is held next week, it's likely to be only the opening act in lengthy negotiations between the parties, and resolving the question in a way that doesn't undermine Baghdad's legitimacy and threaten Iraq's neighbors will be critically important.

Second, to ensure that Islamic State remains marginalized, Prime Minister Haider al-Abadi must accelerate long-delayed political reconciliation efforts, specifically by easing de-Baathification efforts and providing more local power and job opportunities to Sunni commun-



AHMAD AL-RUBAYE/AFP/Getty Images

An Iraqi patrol near Tal Afar on Aug. 27.

ties. This is a difficult task given the deep divisions over this issue within the Iraqi parliament, but Sunni isolation fueled Islamic State's rise, and progress must be made on this issue soon.

Third, Baghdad must exercise tight control over the thousands of Shiite militia fighters (many of whom participated in Tal Afar's liberation) and limit their authority in traditional Sunni areas. Mr. Abadi must ensure that the Shiite militias aren't allowed to determine unilaterally which populations are allowed to re-enter liberated areas, and that the bulk of reconstruction aid from Baghdad isn't distributed only to Shiite communities. The Shiite militias are deeply distrusted by the Sunni populations of Nineveh and Anbar provinces, and they are a potential flashpoint in the delicate Shiite-Sunni relationship.

Fourth, as winter approaches, Baghdad must make progress in improving living conditions throughout the country. Islamic State devastated infrastructure in the areas it controlled. The latest U.N. estimate is that some 11 million Iraqis require humanitarian assistance, with more than three million displaced across the country, more than one million living in temporary housing settlements, and more than 200,000 refugees abroad. The critical work of providing food and shelter to displaced Iraqis is a top priority.

The recent claim by Iraq's minister of water resources that the Mosul Dam is no longer in danger is worrisome, especially if it reflects a willingness of the central government to gloss over difficult infrastructure-related challenges. The grouting work performed by an Italian firm to shore up the dam's foundation was

widely viewed as only a temporary solution, and most experts still believe there is the potential for a catastrophic dam breach.

Fifth, Mr. Abadi has to begin preparing for local and national elections. Despite a surge in his popularity following the Iraqi military's victories against Islamic State, he will likely face a significant re-election challenge from, among others, Hadi al-Amiri, a longstanding ally of Iran.

Mr. Abadi has been a strong partner for the U.S. in the counter-Islamic State campaign, and his re-election offers the best hope for continuing a positive working relationship between Washington and Baghdad, and for balancing Tehran's growing influence in Iraq.

Other challenges will eventually have to be addressed—among them closing the government's budget deficit, modernizing the oil infrastructure and strengthening the banking sector. But these five challenges are urgent.

After nearly three years of a grueling fight against Islamic State and a huge commitment of U.S. blood and treasure, there is finally reason to be optimistic about Iraq's future. But the country is nearing an inflection point, and only with mature and inclusive leadership in Baghdad, sustained U.S. engagement, and support from key allies in the West and the Gulf Cooperation Council will it be possible for Iraq to achieve a future with less violence and suffering and more reconciliation.

*Mr. Dempsey is national intelligence fellow at the Council on Foreign Relations, a fellowship sponsored by the U.S. government.*

## Four Facts for Theresa May and the Brexiteers

By Andrew Hammond  
And Tim Oliver

**T**heresa May gives a landmark speech in Italy on Friday that may be her last best chance to get Brexit moving. Despite the setting, she'll need to speak at least as much to a domestic audience as to a foreign one, in the hope of starting to resolve some of the deep divisions surrounding Brexit policy at home.

Britain under Mrs. May's leadership seems unclear about what end it wants from Brexit, let alone what means it should use to get there. This leaves Britain heading toward a hard, disorderly Brexit that could see an unprecedented breakdown in relations with its closest neighbors, trading partners and allies.

Mrs. May still has a limited window of opportunity to turn things around, with a new president in France and Angela Merkel looking set to win a new term in Sunday's German elections. In what is being billed as a set-piece, agenda-setting speech in Florence, the prime minister on Friday will set out her updated vision for Brexit.

The success of the speech will turn on how well Mrs. May addresses four central points, much to do with Britain's own attitude toward Brexit.

First, she needs to be more honest about what Britain can and cannot achieve in the two-year timeframe of the so-called Article 50 process for negotiations with Brussels. Hoping that Brexit could be settled between March 2017 and 2019 was unrealistic from the start.

This part of the speech should be as much addressed to a domestic audience in Britain as it is to the rest of the European Union. Brexiteers must understand that Britain is likely to require a transitional arrangement after 2019, and that this will require continued budgetary contributions to Brussels to buy more time. Mrs. May needs to face down right-wing critics on this issue. A coherent explanation of the problem would be a start.

Second, Mrs. May needs to dismiss any lingering hopes held by some Brexiteers about the potential for a reordering of European geopolitics. Some Brexiteers hoped that Britain's vote to leave would trigger similar popular movements else-

where and put pressure on Brussels and other national leaders to reform the EU in ways that would benefit Britain and make Brexit easier.

That's not happening. To many politicians and voters in France and Germany, for instance, Brexit looks

### Brexit is not magically remaking the European Union, and Britain needs a reality-based strategy.

like an act of vandalism. Britain's Brexit indecision isn't setting a positive example for others. And the stronger performance of the European economies over the past year, plus the failure of far-right populists to win elections in France and the Netherlands, is changing the mood such that closer European integration, rather than disintegration, now seems more likely. This potentially reduces British leverage in negotiations, which was not high to begin with.

Third, Mrs. May needs to recognize that the EU is changing and

that Britain's place in Europe will be shaped by this dynamic, and not only by its own plans for Brexit. Brexit is but one of several challenges and opportunities confronting Brussels, among them the pressures facing the eurozone, the passport-free Schengen zone, Russian relations, the future of NATO and ties with the U.S.

How the EU responds to these pressures will determine its place in the world and frame its future relationship with Britain. A longer Brexit transition period would allow Britain and the EU time to forge a new, successful relationship based on mutual self-interest.

Fourth, Mrs. May shouldn't lose sight of domestic politics beyond Brexit. Most British people's lives are defined by other concerns. Allowing for a longer transition would give time to focus on drivers of positive change in British society, such as education, public works and productivity, and help deliver the most prosperous post-EU future.

If Mrs. May delivers, she will create the political capital and diplomatic space for a smoother pathway in Brexit talks, increasing prospects of a good final deal. And Brussels

and the EU will be obliged to engage much more constructively in Brexit negotiations.

Such statesmanship won't be easy for Mrs. May. Losing her majority in an election called to strengthen her political position was one of the most disastrous electoral outcomes in British history. The subsequent public infighting among cabinet members shows that many disputes surrounding Brexit are still unreconciled.

Britain remains a country of immense power and potential, which can only be fulfilled if it is governed by leaders with a clear strategy for what they want to achieve and an ability to direct Britain toward it.

Florence may be Mrs. May's last chance to turn things around. The challenges are real, but if she can surmount them, the prize could be a clearer course for positive future relations with European allies.

*Mr. Hammond is an associate at LSE IDEAS at the London School of Economics. Mr. Oliver is a Jean Monnet fellow at the European University Institute in Florence and an associate at LSE IDEAS.*

## Europe Needs to Talk About Resilience

By Michael Heise

**T**en years have passed since the U.S. subprime crisis spilled over into Europe and beyond. Questions of financial resilience have been hotly debated on the Continent ever since.

For many, the global financial crisis shattered the belief that highly developed financial markets tend to be robust and good for economic growth. Their purported benefits, such as efficient capital allocation and the monitoring and transfer of risk, were nowhere to be seen. Rather, it was the "efficiency" of financial markets, in the shape of ever more complex instruments and cross-border schemes, that tipped the Western world into what has become known as the Great Recession.

Since then, regulators have worked studiously to prevent future liquidity crunches and asset meltdowns. They have ramped up capital and liquidity requirements, restricted certain business activities and revamped remuneration incentives to reduce reckless risk taking. Risk management, especially in systemically important institutions, is now under intense scrutiny by regulators and supervisors.

As a result, financial systems in the large Western economies are now better supervised and more robust. Given the massive scope of the reregulation, however, some inconsistencies have crept in.

One of the most damaging inconsistencies lies in preferential capital requirements for government bonds. Regulators still consider them to be risk-free. As eurozone banks still

hold large amounts of their sovereigns' bonds, any doubt about the sustainability of a country's public finances could once again destabilize its banking sector.

Moreover, the zero-capital requirement for government bonds—allowing banks to accumulate government bonds without needing to match higher levels of capital to limit risks, and therefore incentivizing banks to do so—crowds out private bonds and thereby runs counter to central-bank efforts to channel more money into the private economy.

Finally, institutional investors such as insurers need to cover bank bonds with large amounts of capital not only because of default risks, but also because their prices vary substantially in the course of the credit cycle. This makes it difficult for banks to place bail-in capital outside the banking sector. This is inconsistent with the aim of making banks more resilient.

There are also broader questions to ask about financial resilience, and

policy makers shouldn't be shy about raising them, even if this leads them straight to the current state of monetary policy—a taboo subject in many political circles. It shouldn't be: Low or negative central-bank rates still represent the biggest risk to long-term financial stability.

### Regulators can no longer ignore the financial-stability dangers they created after the crisis.

The prolonged stimulus provided by the European Central Bank, the Bank of Japan and the Bank of England, among others, is supposed to push up asset prices, trigger more lending and eventually rekindle inflation. At the same time, regulators and supervisors have rightly forced banks to deleverage and derisk their portfolios. This process hasn't come

to an end in all countries, but it has progressed significantly.

In the U.S., for example, lending to nonfinancial firms and households has been accelerating. In some areas, such as car and student loans, this is happening at a truly disturbing pace. The U.S. Federal Reserve is therefore right to exit its ultraexpansionary policies, and others should stand ready to follow suit in practice, implementing what to date has been only hinted at by the Bank of England and the European Central Bank.

Proponents of pure inflation targeting will, of course, reject the notion that central banks should be responsible for financial stability, arguing that monetary-policy instruments are too blunt to prevent mispricing and excessive leverage. This argument is inconsistent. It is exactly the impact on asset prices—which then increase household and corporate wealth—that monetary policy is aiming at. If monetary policy doesn't affect asset prices, it's hard to see where its impact on the general price level should come from.

Given surging asset prices, declining risk premiums and rising private debt, central banks should figure out how to give more weight to financial stability in their policy strategies. Their policies have successfully stabilized the economies after the financial crisis and insulated markets from various economic and political shocks in the past years. But the resilience of financial markets will be at risk if the balance sheets of banks and investors in the long run again become exposed to overpriced assets and a new surge of debt.

*Mr. Heise is the chief economist of Allianz SE in Munich.*

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PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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## Notable & Quotable: Honor

From a Sept. 20 White House announcement:

On October 23, 2017, President Donald J. Trump will award the Medal of Honor to United States Army Captain Gary M. Rose (retired) for conspicuous gallantry during the Vietnam War.... While his unit was engaged with a much larger force deep in enemy-controlled territory, then-Sergeant Rose repeatedly ran into the line of enemy fire....

On the final day of the mission, although wounded himself, Ser-

geant Rose voluntarily exposed himself to enemy fire while moving wounded personnel to the extraction point, loading them into helicopters, and helping to repel an enemy assault on the American position. As he boarded the final extraction helicopter, intense enemy fire hit the helicopter, causing it to crash shortly after takeoff. Again, ignoring his own injuries, Sergeant Rose pulled the helicopter crew and members of his unit from the burning wreckage and provided medical aid until another extraction helicopter arrived.

## LIFE & ARTS

### FILM REVIEW

# With Ace Actors, but Not Without Its Faults

BY JOHN ANDERSON

**IT'S THE HIGHLY** improbable Howard Cosell, nasal twang resurrected on Nixon-era videotape, who finally pulls together very entertaining but disparate parts of "Battle of the Sexes." Directed by Valerie Faris and Jonathan Dayton ("Little Miss Sunshine"), the film is an extremely good-natured, upbeat recounting of the infamous Bobby Riggs-Billie Jean King "man vs. woman" match of 1973. But it doesn't generate much urgency, not till the sportscaster is heard on air, introducing Ms. King at the Houston Astrodom:

"A very attractive young lady," Cosell begins; the viewer braces him/herself. "If she ever let her hair grow down to her shoulders and took her glasses off, you'd have someone vying for a Hollywood screen test."

Oh, OK: The importance of this rather vintage story wasn't about equal rights, equal pay or men and women being equals on the tennis court. It wasn't even about Ms. King's coming to terms with her sexuality, though that's a major part of the movie's narrative. No, it was about the need to confront a world in which someone with the global exposure of a Cosell could, and would, so casually objectify the top woman tennis player in the world, and do it for a TV audience of 90 million people.

Ms. King is played with what might be called pluck by the ordinarily effervescent Emma Stone. She, like everyone involved with this film, has a specific challenge on her hands: Transform a woman who is essentially living her life undercover into an inspiring champion of women's rights, transparency and fair play. The story, naturally, leans the other way, and the pacing doesn't help: The build-up to Ms. King's seduction by her hairdresser, Marilyn Barnett (Andrea Riseborough), takes so long you want to yell, "Just do it already!" Eventually, they do.

A different problem is presented



In 'Battle of the Sexes,' Emma Stone and Steve Carell star as Billie Jean King and Bobby Riggs in the story of the infamous 1973 tennis match

by Riggs, the ex-champ and tennis hustler for whom obnoxiousness was a marketing tool and who was in thrall to a gambling jones that threatened his marriage and, maybe, his person. (Rumors that he threw the match to Ms. King because of mob debts have long persisted, despite making very little sense, except as a lame excuse for his three-set trouncing.) Not surprisingly, directors Faris and Dayton and screenwriter Simon Beaufoy ("Slumdog Millionaire") skew matters toward a more likable Riggs, even a quasi-tragic one, and they have the priceless asset of Steve Carell playing the role. It deserves to be said that Mr. Carell is both a bona-fide movie star and a marvelous actor, two things that don't always go together. Rarer

still is his willingness to embrace unsympathetic roles into which he simply disappears—the homicidal John du Pont in "Foxcatcher" comes immediately to mind. Watching him play the bratty Riggs evokes something very close to love.

The principals get more or less equal time en route to Houston, but Riggs is, marginally, the more poignant character. A late scene with his son Larry (an affecting Lewis Pullman) is a heartbreak moment of sudden self-awareness: The boy, moments before the King match, declines to attend, and the look on Riggs's face is one of stunned recognition—the son is embarrassed by the father.

But Mr. Carell isn't the only one bringing his A game to "Battle of

the Sexes." Bill Pullman is charmingly oleaginous as Jack Kramer, the head of what was then the U.S. National Lawn Tennis Association, who kicks Ms. King and her players out after they form the Women's Tennis Association; it's fascinating to watch Mr. Pullman's Kramer lean ever so slightly off-center when Ms. King gets him on the rhetorical ropes. Elisabeth Shue is nothing short of regal as Riggs's wife, Priscilla, whose family money kept Riggs both well-maintained and bored, and whose attempts to get her boy-man husband to attend Gamblers Anonymous meetings are purely quixotic. ("You're not here because you're gamblers," Riggs bellows at his fellow addicts.

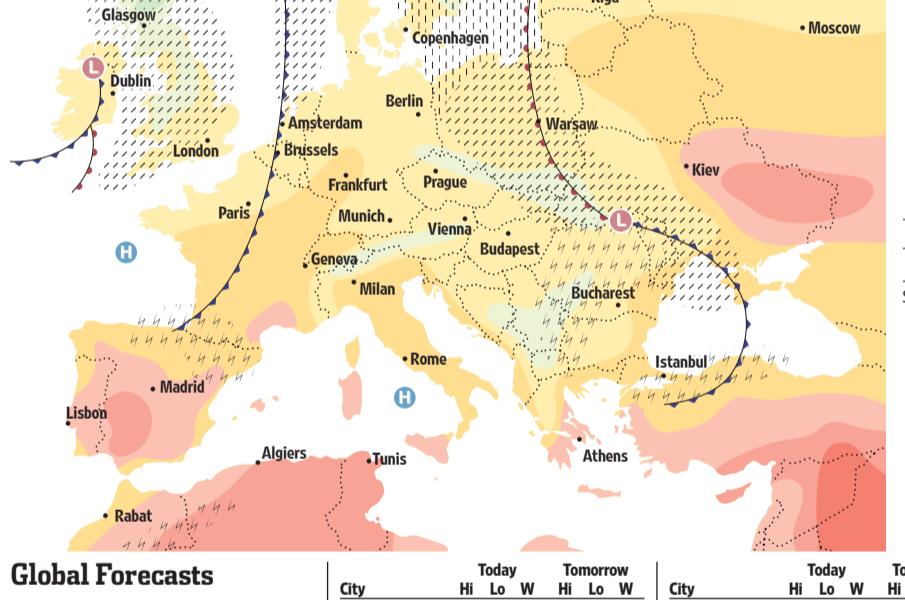
"You're here because you're terrible gamblers!!" So much for 12-

step programs.)

Sarah Silverman, as the Eve Arden-esque Gladys Heldman, and Alan Cumming, as tennis-dress designer Teddy Tinling, steal every scene they're in. And Ms. Riseborough, whose Marilyn rouses Ms. King's inner lesbian, makes Ms. Barnett a seductively winsome muse. The pair's future palimony suit goes unmentioned for obvious dramatic reasons, including the fact that Ms. King would end up losing all her endorsements and incurring huge legal costs at the time her sexuality actually went public. The movie would much prefer us to believe the world was changed by a tennis match.

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

### Weather



### Global Forecasts

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

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

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 18 7 pc 18 9 pc

Anchorage 13 10 r 13 10 r

Athens 26 19 s 26 19 s

Atlanta 30 20 pc 29 19 pc

Bahrain 40 25 s 23 23 s

Baltimore 28 16 s 29 17 s

Bangkok 32 25 t 31 25 t

Beijing 28 12 s 28 17 pc

Berlin 17 7 pc 18 11 r

Bogota 20 9 r 20 9 r

Boise 13 3 pc 16 4 s

Boston 18 15 c 20 17 pc

Brussels 18 6 pc 18 8 pc

Buenos Aires 18 6 pc 21 9 s

Cairo 34 22 s 31 21 s

Calgary 6 -1 sf 12 -1 pc

Caracas 32 26 pc 32 25 pc

Charlotte 31 19 pc 32 18 pc

Chicago 33 21 s 33 20 s

Dallas 35 23 pc 35 24 s

Denver 29 9 pc 17 6 t

Detroit 30 17 s 30 17 s

Dubai 41 31 s 39 29 s

Dublin 17 9 r 17 12 c

Edinburgh 14 9 r 18 10 pc

Frankfurt 19 8 pc 20 8 pc

### AccuWeather.com

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

-15  
-10  
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s  
Warm

c  
Cold

Stationary

Showers

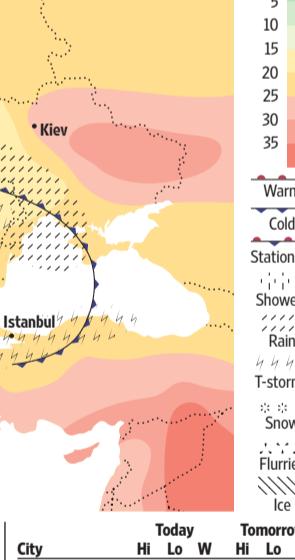
Rain

T-storms

Snow

Flurries

Ice



### Today Hi Lo W Tomorrow Hi Lo W

City Geneva 22 10 pc 22 10 pc

Hanoi 32 25 pc 32 25 t

Havana 31 22 pc 31 22 pc

Hong Kong 33 28 sh 32 28 pc

Honolulu 30 24 s 31 23 s

Istanbul 23 17 r 23 17 s

Jakarta 34 25 pc 34 25 c

Johannesburg 28 14 s 30 11 s

Kansas City 31 21 s 30 19 s

Las Vegas 25 15 s 25 16 s

Lima 19 16 pc 19 16 pc

London 18 12 pc 19 11 pc

Los Angeles 24 15 s 25 15 s

Milan 24 12 c 24 14 pc

Montreal 25 14 s 27 17 s

Manila 32 26 t 31 26 t

Melbourne 23 16 c 26 13 pc

Mexico City 23 15 pc 23 15 pc

Miami 32 26 p 32 25 t

Milan 24 12 c 24 14 pc

Minneapolis 32 22 s 28 21 t

Monterey 33 22 pc 32 22 pc

Montreal 25 14 s 27 17 s

Moscow 13 4 s 15 5 c

Nashville 31 24 c 31 25 s

New Delhi 29 24 t 28 23 t

New Orleans 33 24 pc 32 23 t

New York City 26 19 pc 28 20 pc

Orlando 30 23 pc 30 23 t

Ottawa 26 14 s 29 16 s

Paris 19 7 pc 20 9 pc

Philadelphia 28 18 pc 30 19 pc

Phoenix 32 19 s 30 18 s

Pittsburgh 30 15 s 30 15 s

Port-au-Prince 33 24 t 34 24 pc

Portland, Ore. 19 9 pc 21 10 pc

Rio de Janeiro 30 21 pc 30 21 pc

Riyadh 41 22 s 39 23 s

Rome 23 13 s 24 13 pc

Salt Lake City 13 5 sh 14 6 sh

San Diego 23 17 pc 23 17 pc

San Francisco 22 13 s 24 14 s

San Juan 31 27 sh 32 27 sh

Santiago 23 9 s 24 10 pc

Santo Domingo 31 25 t 32 25 pc

Sao Paulo 30 19 pc 32 17 s

Seattle 19 9 pc 20 11 c

Seoul 27 16 pc 27 15 s

Shanghai 26 22 c 24 23 t

Singapore 31 26 t 31 25 c

Stockholm 14 11 sh 17 9 sh

Sydney 28 17 pc 33 22 s

Taipei 35 27 pc 36 27 pc

Tehran 31 20 s 31 19 s

Tokyo 26 21 c 25 20 c

Toronto 27 15 s 29 17 s

Vancouver 18 8 pc 17 9 c

Washington, D.C. 29 19 s 30 20 s

Zurich 21 8 pc 21 8 pc

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



### UNDERDOGS OF FILM | By Patrick Berry

The answer to this week's contest crossword is a film about a team of underdogs.

#### Across

1 Kaffiyeh wearer

5 Performed

8 Small torpedo launcher

14 You're supposed to build up to it

16 Gripping stuff?

17 In direct confrontation

18 El Greco, for one

19 1991 role for Geena

21 Mumbai master

22 Disney film featuring the song "I'll Make a Man Out of You"

25 Like some voyages

27 Epiphany outburst

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, September 22 - 24, 2017 | B1

Euro vs. Dollar 1.1939 ▲ 0.37%

FTSE 100 7263.90 ▼ 0.11%

Gold 1290.60 ▼ 1.63%

WTI crude 50.55 ▼ 0.28%

German Bund yield 0.456%

10-Year Treasury yield 2.278%

## SoftBank's Uber Deal Hits Snag

Investor Benchmark signals it won't sell its stake to support the group's proposal

BY GREG BENSINGER

As **Uber Technologies Inc.** works to nail down a multibillion-dollar investment from Japan's **SoftBank Group Corp.**, one of the ride-hailing giant's earliest and biggest shareholders has indicated it doesn't intend to sell.

The opposition by **Benchmark Capital** is complicating a proposal by SoftBank and its

\$93 billion tech-focused Vision Fund, along with partners, to buy 17% to 22% of Uber—mostly through purchasing shares from existing shareholders.

Benchmark has told fellow investors it is unlikely to sell any of its 13% holding to the SoftBank consortium, according to people familiar with the matter. Benchmark's representative on Uber's board, Matt Cohler, was the only one of Uber's eight directors to vote against a term sheet granting SoftBank exclusive rights to an investment deal, the people said.

The venture firm has been

pushing to ensure the deal results in more independent board seats and additional rights for all shareholders, including broader voting power, according to people familiar with the matter.

Benchmark, along with a few other early investors, holds outsize voting power relative to its stake.

The proposed investment by the SoftBank group, which could total as much as \$10 billion, hinges on getting enough existing investors to sell their shares at what amounts to a 30% discount to Uber's most recent valuation of nearly \$70 billion, people familiar with

the terms said.

That would risk devaluing whatever equity shareholders don't sell to SoftBank. To try to assuage those concerns, SoftBank also has proposed directly investing at least \$1 billion into Uber at roughly the \$70 billion valuation as part of the deal, the people said. In addition to the stake, SoftBank is seeking two board seats.

The Wall Street Journal reported last week that resistance from some investors was impeding the SoftBank deal talks.

But Benchmark's position on the matter couldn't be de-

termined then.

Benchmark's stance could put a chill on other stakeholders who might otherwise view the SoftBank deal as a rare opportunity to cash in. Uber has generally restricted investors from such so-called secondary share sales.

Travis Kalanick, the Uber co-founder who was pushed out as chief executive in June under pressure from Benchmark, also is unlikely to sell any of his approximately 10% stake, according to people familiar with the matter.

That means that roughly one-quarter of Uber shares

Please see UBER page B2

## Mexico Shows Risks of Disaster Bonds

BY ANUPREETA DAS

Investors recently bought a catastrophe bond designed to minimize the financial hit to the Mexican government from earthquakes. They could now be on the hook for as much as \$150 million after two major quakes struck the country in quick succession.

Already popular with insurance companies as a way to transfer some risk to the global capital markets, "cat bonds" and other financial products have also been adopted by countries to protect public coffers from large-scale natural disasters.

Big investors such as pension funds have lapped up cat bonds because they earn high rates of interest and returns are uncorrelated to, or independent from, market downturns. Cat-bond investors can lose some or all of their principal if a specified disaster occurs and an issuer has to pay claims.

Mexico, which is highly vulnerable to storms, earthquakes, floods and other disasters, is a pioneer among countries in the use of cat bonds. Since 2006, it has raised more than \$1 billion from investors to help finance rescue and rebuilding efforts, although not all of the bonds have paid out.

In August, the Mexican government tapped the capital markets via a World Bank-issued cat bond that buys up to \$360 million of cover against disasters, including as much as \$150 million from earthquakes.

Catastrophe bonds were developed by the insurance industry in the 1990s as a way to spread risk to financial markets. An investor, say an endowment, family office or pension fund, buys the bond, taking into account calculations by an independent risk-modeling firm of the odds of a specified disaster occurring. The principal and interest are held in escrow and typically invested in Treasuries.

These bonds are usually sold in tranches, each with a different trigger. Some triggers are based on metrics tied to a weather event, some are tied to a single event, while others reference damage accumulated over designated periods. For taking on the risk, investors are paid interest at rates comparable to high-yield bonds.

The insurance industry,  
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## INSIDE



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## STREETWISE

By James Mackintosh

### \$2 Trillion Later, We Are Left Wondering

After spending \$2 trillion on government bonds in an effort to stimulate the economy, the **Federal Reserve** can hardly admit that it doesn't know how, or even if, it worked.

Fed Chairwoman Janet Yellen on Wednesday came as close as she is ever likely to get to accepting that quantitative easing is still poorly understood, even by the experts. Explaining why the central bank prefers to set short-term rates rather than buy or sell stuff, she said it was because "we believe we understand pretty well what the effects [of rate changes] are on the economy," and so do investors. Left unsaid: No one's really sure how, or if, QE works.

This matters enormously to investors as the Fed sets out on quantitative tightening. It's starting small, allowing a maximum of \$10 billion of bonds a month to mature without the money being reinvested. But in a year, that will be up to \$50 billion a month, more than the Fed bought each month during the first phase of QE3 in 2013.

The basic investor belief about QE is simple: It makes bond yields go down, shares go up and the currency go down. All make intuitive sense. Buying more bonds pushes up their price (so, reducing yield). Those who sold bonds have to redeploy their money and so buy

Please see STREET page B2

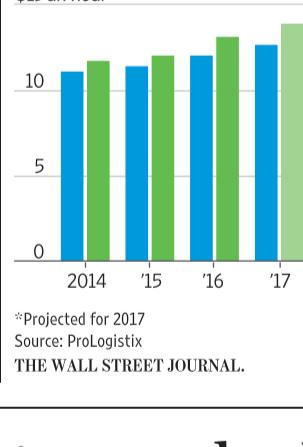


MATT STANLEY FOR THE WALL STREET JOURNAL

## Retailers Ring In Holiday Hiring

### Season's Greetings

Average hourly wages for entry-level warehouse workers



BY JENNIFER SMITH

Shoppers like to complain that holiday decorations appear earlier and earlier. This year, so are the job ads.

The holiday hiring binge is accelerating for retailers such as **Target Corp.** and **Macy's Inc.**, which add thousands of workers to process surging online orders. E-commerce sites double or even quadruple their warehouse staff. Online giant **Amazon.com Inc.** adds to the hiring frenzy, as do logistics companies and package-delivery services such as **United Parcel Service Inc.** and **FedEx Corp.** Some firms posted their first holiday job listings as early as July.

But with unemployment at

near-record lows, employers are going the extra mile to ensure they have enough workers come December. Companies are bumping up pay, loosening disciplinary policies and even operating bus routes.

"It's the tightest labor market we've ever seen," said Sean McCartney, executive vice president of operation services at Radial, which handles online orders for e-commerce companies and national chains such as Dick's Sporting Goods Inc. and Aéropostale Inc.

Some big retailers are doing the bulk of their hiring in warehouses that handle online orders, a sign they expect more shoppers to visit their websites instead of stores. Last year, online retail sales

jumped 13% in November and December, compared with a 7% decline at department stores, according to the National Retail Federation.

**Wal-Mart Stores Inc.** plans to bring on about 5,000 seasonal workers for its e-commerce operations. The discounter isn't hiring extra help at its stores, where it plans to give existing employees more hours.

Macy's plans to add 18,000 seasonal workers at distribution centers that replenish store merchandise and fulfill online orders—a 20% boost compared with last year. Overall seasonal hiring is down slightly at the retailer, which closed dozens of stores after disappointing sales in 2016.

Please see HIRE page B2

## L'Oréal Heiress, the World's Richest Woman, Dies

BY MATTHEW DALTON

PARIS—Liliane Bettencourt—who presided over the L'Oréal cosmetics fortune, becoming the world's richest woman—died on Thursday after spending decades under

LILIANE BETTENCOURT 1922-2017 the spotlight for her ties to powerful politicians and her

role in a bitter family feud. She

was 94 years old.

"My mother has left peacefully," said Françoise Bettencourt-Meyers, her daughter.

In announcing the death, Ms. Bettencourt-Meyers offered assurances that **L'Oréal SA**, the world's biggest cosmetics company, remained in steady hands with Chief Executive Jean-Paul Agon. Ms. Bettencourt-Meyers controls 33% of L'Oréal along with her sons as guardian of her mother's assets.

"In this painful moment for us, I would like to reiterate, on

behalf of our family, our entire commitment and loyalty to L'Oréal and to renew my confidence in its President Jean-Paul Agon and his teams world-wide."

Ms. Bettencourt amassed one of France's biggest fortunes while overseeing L'Oréal's rise from a family makeup company to a globe-spanning colossus. Forbes estimates her net worth at \$44 billion.

Born Liliane Schueller in Paris, she was the daughter of Eugène Schueller, one of the founders of L'Oréal.

Ms. Bettencourt kept out of the day-to-day operations of L'Oréal. However, she guided one of its more important transactions: the 1974 sale of a large stake in L'Oréal to the Swiss consumer-goods giant Nestlé SA. Ms. Bettencourt orchestrated the move to fend off a feared nationalization of L'Oréal by the French state. Nestlé now owns 23% of L'Oréal.

Toward the end of her life,

Ms. Bettencourt was best known internationally for the Bettencourt affair: A family dispute over her relationship with a male friend that broadened into a financial scandal touching the inner circle of former French President Nicolas Sarkozy. Late in life, Ms. Bettencourt began lavishing money and

gifts on François-Marie Banier, 63, a socialite photographer and friend, totaling more than €1 billion (\$1.19 billion), according to a lawsuit filed by Ms. Bettencourt against Mr. Banier. Her daughter accused Mr. Banier of exploiting her mother's mental weakness and asked the court to name her as Ms. Bettencourt's guardian. Mr. Banier denied any wrongdoing.

During the trial, 21 hours of secret tape recordings made by Ms. Bettencourt's butler came to light in which she and her financial adviser, Patrice de Maistre, alluded to offshore accounts. The two also discuss possible donations to Eric Woerth, who was Mr. Sarkozy's labor minister.

Ms. Bettencourt opposed her daughter's effort to place her under guardianship, with her legal team arguing that she was happy to be generous with Mr. Banier.

But the secret recordings give a different impression. In them, the daughter of the founder L'Oréal seems confused and frail. At various points in the recordings, Ms. Bettencourt doesn't recall having made Mr. Banier the sole beneficiary of her estate, excluding her stake in L'Oréal, which she already had given to her daughter. Neither does she recall giving him a private island in the Seychelles.

Horst Ossinger/AP/GTY IMAGES  
Ms. Bettencourt amassed one of France's biggest fortunes.

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## STREET

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shares, while the combination of lower yields and money creation weakens the currency. On top of this "portfolio balance" effect, there's a signaling effect, because QE suggests no rate increases for a long time.

One might then assume that reversing QE will mean the opposite: Bond yields rise, shares fall and the dollar strengthens. There are at least three reasons not to worry too much about this happening and one good reason to be concerned.

First, economists vary widely in their assessment of the size of the impact on bond yields, but it isn't nearly as big as one might expect. Studies suggest the effect of the \$600 billion of Treasurys bought in QE2 was a drop in the 10-year Treasury yield of between 0.16 percentage point and 0.45 percentage point, with big margins of error. To put that in context, yields have risen 0.23 point in the past two weeks alone.

Second, common sense makes the measures doubtful. One way economists come up with estimates is to look at price moves on days when news about QE was revealed, which is fair enough. But the same days that bond yields fell, stock prices often fell, too, the opposite of the usual story about QE. To make matters worse, look at the period as a whole, and during QE1, QE2 and QE3, bond yields went up, along with stock prices, while the dollar was mixed, plausibly a sign that QE had worked and boosted expectations of growth and inflation. If the

## BUSINESS & FINANCE

### The QE Effect

During the three main periods of Federal Reserve bond-buying, both Treasury yields and shares rose and the dollar was mixed.

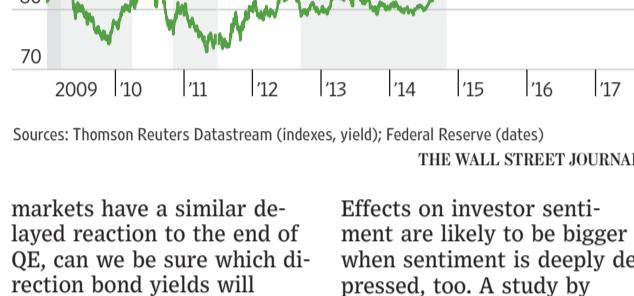
#### S&P 500



#### Yield on 10-year Treasury note



#### ICE Dollar Index



Sources: Thomson Reuters Datastream (indexes, yield); Federal Reserve (dates)

THE WALL STREET JOURNAL.

stocks and junk bonds. Reversing QE is thus likely to have less effect now than it would if markets were in turmoil.

The natural assessment, then, is that the Fed reducing Treasury holdings will push up yields, but not by much. For one to think that yields will fall would require a belief that the economy won't be able to cope with the tightening at a time when it seems to be doing fine, if not spectacularly well. Further, we can't be sure that QE had much, or any, effect on growth and inflation. Studies mostly find a noticeable impact, but teasing out how much of that was really down to QE requires too many assumptions to be reliable. As Claudio Borio and Anna Zabai of the **Bank for International Settlements** put it in a paper last year, "these results generally have to be taken with more than a pinch of salt."

Stock markets tend to tumble when bond yields fall because of economic concerns, and they tend to be less upset when yields go up, although usually the reason for a yield rise is faster growth, which shareholders like, not tighter monetary policy. So it's plausible that even if the reverse of QE does push up bond yields, shareholders won't be that bothered.

There's a good reason for investors to worry, however. At the moment, the one measure on which U.S. stocks don't look expensive is when they're compared with bond yields. If a rise in yields removes that advantage, it takes away the only valuation support for U.S. shares, making it even harder to justify buying at highs.

markets have a similar delayed reaction to the end of QE, can we be sure which direction bond yields will move?

Third, the effects of QE clearly depend on what's going on in markets at the time. Every study finds a bigger impact from crisis-era QE than from the later versions, as would be expected.

Central bank intervention helped fix dysfunctional markets, so it played a role beyond merely buying bonds.

Effects on investor sentiment are likely to be bigger when sentiment is deeply depressed, too. A study by Bank of England staff and Tomasz Wieladek of Barclays PLC last year found QE had double the effect on U.S. economic growth during the panic period than later QE rounds.

At the moment, markets are functioning perfectly well and sentiment if anything is too positive, judging by high valuations for U.S.

The suit divided Uber directors, many of whom were surprised when Benchmark filed it in early August.

Mr. Kalanick argued in court papers that the suit is a meritless, personal attack.

For SoftBank, a deal with Uber would give it a stake in all of the largest global ride-

hailing firms. And it already has directors on the boards of **ANI Technologies** Pvt.'s Ola and GrabTaxi Holdings Pte., which compete with Uber directly in India and Singapore and Southeast Asia, respectively.

—Mayumi Negishi contributed to this article.



SoftBank has proposed directly investing \$1 billion into Uber.

SETH WENIG/ASSOCIATED PRESS

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along with international organizations such as the World Bank, has increasingly promoted the use of capital-markets instruments for developing countries that financially struggle to cope with the fallout from calamities.

The World Bank works with developing countries to create financial products, including cat bonds and derivatives, meant to protect public bud-

**Catastrophe bonds have been adopted by countries to protect public coffers.**

gets from the costs of natural disasters. In the past decade, the institution has executed \$2.5 billion in transactions covering droughts in Malawi, typhoons in the Philippines and hurricanes in the Caribbean, among others. In the U.S., public entities such as the California Earthquake Authority and New York's Metropolitan Transportation Authority have also issued cat bonds.

Mexico turned to cat bonds in 2006 when it bought \$160 million in protection against losses from earthquakes through a three-year cat bond called CatMex. Two other

—Leslie Scism and Nicole Friedman contributed to this article.

## UBER

*Continued from the prior page*  
would be unavailable to SoftBank, which has teamed up with Dragoneer Investment Group and private-equity firm General Atlantic for the proposed investment.

Two directors, chairman and co-founder Garrett Camp and early employee Ryan Graves, are expected to sell at least some of their stake to SoftBank, according to the people familiar with the matter.

For most venture-capital firms, Benchmark's return on its Uber holdings is the stuff of dreams, even at a discount. Its investment of \$27 million six years ago is worth about \$8.4 billion on paper today, according to other investors. Selling some of that could shelter Benchmark from the risk of a drop in Uber's stock

following an initial public offering, as has happened after some tech firms went public recently. New Uber CEO Dara Khosrowshahi has said the company could go public in as little as 18 months.

But San Francisco-based Benchmark said in August it believed Uber's valuation could eventually top \$100 billion.

Other investors have privately cited that lofty expectation as a reason they may not sell to SoftBank in the tender offering.

Some people close to the deal talks cautioned it was possible they could fall apart entirely.

Benchmark has proved itself an unpredictable investor. It sued Mr. Kalanick weeks after helping oust him, saying he reneged on an agreement to return to board oversight three board seats he controls. The suit is being sent to private arbitration.

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For SoftBank, a deal with Uber would give it a stake in all of the largest global ride-

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## BUSINESS NEWS

# CVS Health to Limit Access to Opioids

Drug-benefit manager will restrict painkillers for certain patients to seven days or less

BY JEANNE WHALEN

One of the largest managers of pharmaceutical benefits in the U.S. says it will start limiting the duration and dose of some prescriptions for opioid painkillers, in an effort to combat widespread addiction.

**CVS Health** Corp., which administers drug benefits for employers, insurers and some state Medicaid programs, said

it would limit opioid prescriptions to seven days or less for certain patients with acute pain who haven't previously taken an opioid painkiller. That will be a big change, given that many CVS-covered patients with acute pain receive opioid prescriptions for 20 days or more, Troyen Brennan, CVS's chief medical officer, said in an interview.

CVS will also limit patients with chronic pain to a maximum daily dose of 90 morphine milligram equivalents, or MMEs, a standard unit of measure in pain medicine, Dr. Brennan said.

Starting in February, if

CVS-covered patients arrive at the pharmacy with a prescription above the new limits, the pharmacy will kick it back to the doctor for review, Dr. Brennan said.

There will be ways around the rules—doctors will be able to appeal the limits through the prior-authorization process, and employers and insurers will be able to opt out of the limits if they don't want them to apply to their patients.

The restrictions, which CVS said it based on Centers for Disease Control and Prevention recommendations published last year, could cause

some debate. One addiction expert said even stricter limits would better reflect CDC advice, while a physician and associate professor of medicine at University of Pittsburgh

said the restrictions for chronic pain in particular could cause cumbersome paperwork and delays. "The guidelines that CDC put out were for prescribers to try to avoid those doses. They were not meant for payers to say we're not going to fill something if it's above that limit," said Walid Gellad, the University of Pittsburgh physician.

CVS manages medications for nearly 90 million people,

or about 28% of the U.S. population, through its Caremark unit. It also runs 9,700 retail pharmacies nationwide.

The "overarching reason" for the limits "is to reduce the amount of human suffering that results from people being addicted to these medications," Dr. Brennan said. The new rules could also bring cost savings for employers and insurers if they prevent some patients from becoming addicted, he said.

Widespread opioid addiction has pushed U.S. overdose death rates to new highs. Many Americans became addicted by taking prescription

painkillers, and often progressed to heroin and other street drugs.

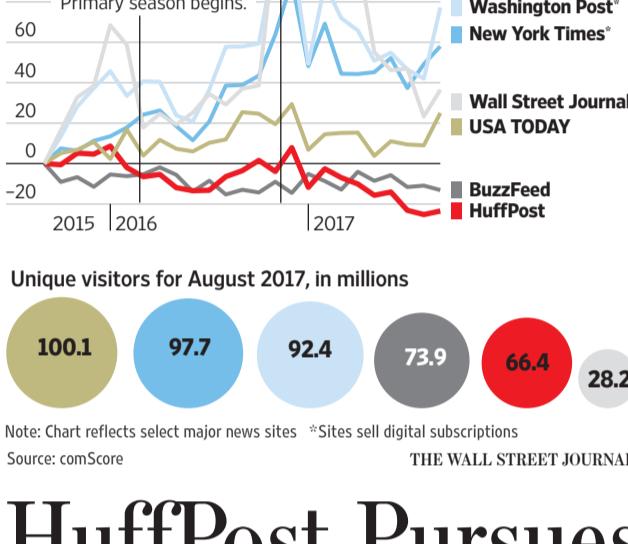
CVS and other health-care companies have faced accusations of helping fuel the crisis through their handling of opioid painkillers. Last year, CVS paid \$3.5 million to settle federal allegations that 50 of its pharmacies in Massachusetts and New Hampshire filled forged prescriptions for painkillers and other controlled substances.

The company said it has "implemented enhanced policies" to help its pharmacists determine whether prescriptions are legitimate.

## The Trump Effect

While some news sites enjoyed major audience gains during the past two years, others such as HuffPost didn't.

Percentage change in unique site visitors from August 2015



## Impax, Amneal In Merger Talks

BY DANA CIMILLUCA AND JONATHAN D. ROCKOFF

Impax Laboratories Inc. is in talks to combine with rival Amneal Pharmaceuticals LLC as the companies seek to build strength in a challenging market for generic-drug makers.

Impax and closely held Amneal are in talks that could yield a transaction next month, assuming they don't fall apart, according to people familiar with the matter. Terms couldn't be learned, but Impax had a market value of about \$1.6 billion Thursday morning before The Wall Street Journal reported on the possible deal, meaning a takeover could value it at roughly \$2 billion or more.

Impax and Amneal, which have offices in the same New Jersey suburb of Bridgewater, have been trying to carve out profitable niches selling generic drugs at a time when the industry is facing pricing pressure that is squeezing profits.

A deal between the two companies would be the latest example of industry executives figuring that a combination will produce economies of scale that can widen margins and lift profits, as well as push back against the increasingly powerful buyers of the copycat medicines. Yet the jury is still out on whether the sector's consolidation will pay off.

In April, German healthcare company Fresenius SE & Co. KGaA agreed to buy U.S. generic-drug manufacturer

The generic-drug industry faces pricing pressure that is squeezing profits.

# HuffPost Pursues Anti-Elitist Rebranding

BY LUKAS I. ALPERT

ST. LOUIS—With the famed Gateway Arch overhead, Lydia Polgreen bounded on stage last week to open a 25-city "Listen to America" tour to help promote a redefined mission for the 12-year-old website formerly known as the Huffington Post.

Since taking over in January as editor in chief, Ms. Polgreen has tried to push the progressive-leaning news outlet out of its comfort zone and zero in on stories that might resonate as much with factory workers as with hipster city folk. The goal of the tour is to find out what people across the country care about and to incorporate more of that into coverage at HuffPost, as the site is now rebranded.

"Too often you have the media say this is what's important, this is what matters, but we want to hear what you think. We want to give you the mic," she said, before inviting civic leaders onstage to dis-

cuss issues of concern in St. Louis, like policing and race relations.

The effort comes at a pivotal time for HuffPost, which is trying to reignite growth and forge an identity separate from that of its founder, Arianna Huffington, whose persona and interests largely permeated the site until her departure a year ago. It also comes amid the backdrop of a major corporate shuffle and cost-cutting effort by owner

**Verizon Communications** Inc., which has been working to merge HuffPost's parent company, AOL, with Yahoo. While the site historically has commanded large audiences, it hasn't been consistently profitable.

HuffPost rose to the top of the digital news heap after its 2005 launch, partly through its pioneering expertise in what is known as search-engine optimization—publishing tactics that ensure high placement in online search results. But the site's approach as a

click-bait-driven, liberal counterpoint to sites such as the Drudge Report has paid fewer dividends in recent years as readers increasingly find news through social media.

"No longer does gaming SEO win the day and building scale mean a sustainable business model," Ms. Polgreen said in an interview in July. "To succeed now requires deeply sustained engagement with your audience."

In 2014, HuffPost regularly recorded well over 100 million unique visitors a month in the U.S., but that figure slid into the high 70 million-to-low-80 million range by 2016, according to comScore Inc. Even during last year's election and its aftermath, when interest from liberal readers drove a "Trump bump" at other news sites, HuffPost's U.S. audience has remained mostly stagnant.

Last month, the site had 66.4 million unique U.S. visitors. HuffPost also operates several international editions and typically attracts around

100 million additional viewers from outside the U.S. each month.

Ms. Polgreen, a veteran foreign correspondent who came on board at the Huffington Post after nearly 15 years at the New York Times, oversaw the rebranding and has tried to reposition the site as a more populist tabloid that can forge an enduring connection with readers.

"In the past, the brand identity was very liberal progressive, but I see us as really reflecting an audience that feels left out," she said. "So many news organizations already go after elite audiences."

Ms. Polgreen came up with the idea for the six-week bus tour to determine what readers between the coasts are interested in.

But the trip has become an issue of discontent among some staffers who bristled at its reported \$1 million price tag when it was announced shortly after a sizable news-

room layoff. HuffPost's Washington, D.C., bureau bore a heavy brunt of the layoffs.

Other staffers have struggled to understand why the brand needed fine-tuning in the first place.

"We have always been for struggling middle-class voters. Populist issues have always been HuffPost issues," one recently departed staffer said. "This search for a new identity has been confusing for everyone."

Among Ms. Polgreen's first steps was to redesign the site and push for stories that take a critical look at people in power, regardless of party, like one that took former President Barack Obama to task for agreeing to deliver a \$400,000 speech on health care to Wall Street firm Cantor Fitzgerald.

She also has emphasized zippier headlines for the site—like "Sean with the Wind," marking White House press secretary Sean Spicer's exit in July—to channel the site's tabloid spirit.

# Whole Foods Moves Toward Grocery Mainstream

BY HEATHER HADDON AND ANNIE GASPARRO

**Whole Foods** will change the way companies can sell and market their products in its stores beginning next year, one of the biggest moves yet in its push to operate more like a traditional market.

Under the changes planned for April, Whole Foods' 470 locations will no longer allow brand representatives to promote their products or check to make sure they are stocked and displayed correctly.

Whole Foods also is centralizing much of its decision-making regarding the assortment of products across the chain. Instead of allowing brands to frequently pitch their products to individual stores or regions, Whole Foods executives in its Austin, Texas, headquarters will choose a higher percentage of the inventory.

The move was slowly getting under way before **Amazon.com** Inc.'s deal for the chain in August, and its acquisition has added incentive for Whole Foods to shift from its decentralized model and become more efficient.

"This is another step in the conventionalizing of Whole Foods as we know it," said Jim Cusson, of Theory House, a brand consultancy based in Charlotte, N.C.

Amazon is hoping to boost sales at the struggling grocer, in part, by standardizing operations and prices. Market re-

ports show traffic improvement since the deal closed last month, likely because the chain lowered prices on key items such as eggs and milk.

Whole Foods' share of the U.S. grocery market jumped by upward of 16% week-over-week in the first three days after the Aug. 28 price cuts, but is now trending up by more modest margins, according to *MarketWatch*.

The changes are among those expected to be discussed next week by top executives and managers at the chain's quarterly meeting in Seattle, a regional hub for Whole Foods and Amazon's home base.

Whole Foods representatives informed suppliers and third-party brand representatives about the plans during a series of closed-door meetings at an industry conference last week.

Whole Foods is unique among large retailers in the extent to which it has let representatives of lesser-known products into the stores to promote their offerings.

Some suppliers and natural-food consultants say sales of specialty products could suffer because items such as chia-soaked seeds and charcoal body butter require some explanation and more marketing. Some consultants also say they expect local brands to take their products elsewhere, rather than having to make a pitch to Whole Foods' headquarters.

"This is a major inflection point," said Jay Jacobowitz, an brokerage owner.



The Amazon-owned chain plans to centralize product selection and limit brand representatives' access to its stores.

president of Retail Insights, a Vermont-based natural-products industry consultancy that works with independent retailers. "The product mix at Whole Foods will shrink. The niche lines will trickle out to other grocers."

Brand representatives in health and beauty currently educate employees about how their products can help treat a customer's allergies or other health conditions, one brokerage owner said. Employees typ-

ically don't have time to learn about updated products, an issue particularly when health goods are involved, the person said.

"I'd expect the education and hence knowledge, of in-store associates will diminish over time," Mr. Cusson said.

Other suppliers said they welcome the change. They said they expect Whole Foods to begin offering brand advocacy themselves for a fee that is similar to what they pay the

third-party providers, and that this arrangement could produce better results. "Whole Foods' staff will know each other and the brands. You'd expect higher service because of this," said Greg Fleishman, a natural-foods consultant at Purely Righteous Brands.

A Whole Foods spokeswoman said having brand advocates in stores is distracting to employees and inefficient. Whole Foods has had them there for years, but sales declines in recent years have brought scrutiny to the grocer's long-held practices.

The new system, the Whole Foods spokeswoman said, is intended to save money and provide more consistent service and a national approach to its locations. She declined to detail what Whole Foods will do to make up for the work these third-party brand-support companies have provided in stores.

"We are still working on that plan. But independent [providers] are being eliminated," she said.

One company that promotes brands in Whole Foods' stores said it is laying off half of its employees in response to the grocer's decision.

Whole Foods recently came out with a noncompete agreement for its employees, barring them from selling into Whole Foods if they go to work at one of the brands it carries. The Whole Foods spokeswoman said the policy is common to big retailers and it lasts only a year.

Akorn Inc. for \$4.3 billion. In 2016, Teva Pharmaceutical Industries Ltd. bought Allergan PLC's generic-drug business for \$40 billion. But the debt accumulated from that and other deals has hobbled Teva.

Impax, based in Hayward, Calif., is led by Paul Bisaro, an Allergan board member and former chief executive at one of the companies Allergan was built from. Mr. Bisaro took the helm of Impax this year, resuming a long career running generic- and specialty-drug companies.

Formed in 1999 when a closely held predecessor merged with publicly traded Global Pharmaceutical Corp., Impax has about 1,400 employees and had revenue last year of \$824 million, according to its website. The company sells several branded drugs for conditions such as Parkinson's disease and migraines but generics make up the bulk of sales.

During last month's earnings call with analysts and investors, Mr. Bisaro bemoaned how consolidation among buyers of generic drugs has squeezed manufacturers and said he was looking to do deals.

Amneal, which is based in Bridgewater, was founded in 2002 and is led by brothers Chintu and Chirag Patel. It has more than 5,000 employees around the world, and Evercore ISI has estimated yearly sales of roughly \$1 billion.

## TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

# Innovators Now Viewed as Public Nuisance

As in Silicon Valley, Chinese tech companies like to think of themselves as agents of positive change. And just as in the U.S., the public doesn't always see them that way.

China's three main online meal-delivery services are in the crosshairs of public opinion over perceptions they aren't socially responsible. A nonprofit group is suing the companies—Ele.me, Baidu Waimai and Meituan Dianping—for generating huge amounts of waste that it alleges constitute environmental harm. A Beijing court agreed early this month to hear the case.

Public disapproval started to build after an article trashing the apps went viral on social media last month. The article, headlined "Meal Delivery Is Destroying Our Next Generation," accused them of pursuing growth to the detriment of the country's already degraded environment. Big state media followed up, and in weeks a tide of news articles and social-media commentary swelled.

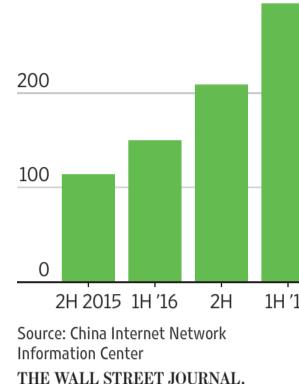
"Say 'no' to meal delivery!" became a popular cry on Weibo, China's Twitter-like service.

"Can't agree more," commented Mao Daqing, founder of space-sharing startup Ur-Work (Beijing) Venture Investment Co., on his WeChat account. "Many people around me, including my child, are eating garbage every day and producing garbage at the same time."

Ele.me, Baidu Waimai and

### Hungry Online

Meal-delivery apps have grown sharply in China.



Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

Meituan Dianping are among the most popular services of the mobile internet. Some

295 million Chinese, nearly 40% of the country's internet users, turned to one of their apps in the first half of 2017, up from 21% a year ago, according to government data. The services have received funding from the biggest tech forces in China—e-commerce giant **Alibaba Group Holding** Ltd., game and social-media titan **Tencent Holdings** Ltd. and **Baidu Inc.**, the dominant search engine.

These internet companies touch more aspects of people's lives than any other sector in the world's second-biggest economy. But they're ill-prepared for the expectations of social responsibility that come with their influence and power, say industry experts and social activists.

"Some internet companies grew to be very big very quickly, but the public perception of them also changed



ANDY WONG/ASSOCIATED PRESS

Workers for the Meituan food-delivery app in Beijing last year. Some tech firms have sparked criticism.

very quickly from innovators to nuisance," says Yin Juelin, a management professor at Xi'an Jiaotong-Liverpool University. "They impact so many people's lives. It's natural that the public wants to hold them accountable."

Meituan and Ele.me—which recently acquired Baidu Waimai though they operate separately—declined to comment on the lawsuit. They said in statements that they're committed to protecting the environment, and each noted various green initiatives under way.

Meituan and Ele.me have added the option of "no-chopstick packages" in recent weeks. Baidu Waimai will make the change next month. Ele.me started using a new

type of biodegradable plastic bag in April. Meituan said it appointed a chief environmental officer in early 2017.

Zhang Shouchun, the attorney representing environmental group Green Volunteer League of Chongqing, which brought the lawsuit, said his client previously contacted the companies about adding a "no-chopsticks" option but never got anywhere. The suit demands that the companies apologize for the environmental damage and set up funds to clean it up.

"The internet companies are making significant contributions to China's economic growth, but they're also causing huge problems," said Mr. Zhang. "They need to be more responsible."

Public lashings of internet companies over social accountability recur frequently so they ought to be better prepared. Tencent landed in hot water this summer when state media and the public criticized its top mobile game, "Honor of Kings," for being so addictive that it was harming China's youth. Tencent now limits daily play time for users under 18.

Baidu's share price got hammered last year after a public outcry over the death of a college student suffering from a rare cancer; he died following treatment found via the search engine.

Meal-delivery apps are so pervasive and cheap that many Chinese scarcely leave their office or home to eat.

Meituan says it handles more than 13 million orders a day. Ele.me says that it had served 260 million customers by June 2017 since its founding in 2008. Many of those customers come from a growing middle class that is anxious about dirty air, water and food.

Monica Shen, an executive at Shenzhen-based technology startup Seeed Studio, says she avoids ordering meal deliveries because of environmental concerns. She says she is willing to pay for more environmentally friendly packaging if there is an option.

Catering to these consumers will test the business model favored by the meal-delivery services and many other mobile-internet startups: spend to build scale and capture market share; worry about profits later.

Ele.me, backed by Alibaba, is valued at \$6 billion and has raised \$2.3 billion since 2008. Meituan Dianping, which has funding from Tencent, raised \$3.3 billion in January 2016 at a valuation of \$18 billion and is currently raising a further \$2 billion, according to a person familiar with the matter. None of them, however, is profitable, according to analysts and investors.

These companies need to tweak their business models to shoulder additional costs, says Ms. Yin, the management professor: "They have to respond to the demand of the growing middle class. This issue isn't going to go away."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

# Truck Makers, Users Strive for Fuel Economy

BY ERICA E. PHILLIPS

The average big rig can travel fewer than 7 miles on a gallon of diesel fuel, making it one of the least-efficient vehicles on the road. Truck manufacturers want to change that.

Spurred by new pollution regulations and sluggish demand, truck makers including **Navistar International Corp.**, **Daimler AG**, **Paccar Inc.** and **Volvo AB**, along with engine manufacturer **Cummins Inc.**, are rethinking everything from engine design to the shape of the trailer in order to bump up fuel efficiency.

Even small gains can have a big environmental impact. Each year in the U.S., roughly 1.7 million tractor-trailer trucks consume about 26 billion gallons of diesel. Getting an extra mile a gallon equals removing more than 200,000 trucks from the road. It also could save trucking companies billions of dollars.

Some truck makers want to ditch the combustion engine entirely. Cummins introduced the industry's first fully electric heavy-duty demonstration truck in August, and **Tesla Inc.** plans to announce its own prototype next month. But it may



Fuel-efficient technologies can add significantly to a long-haul rig's price, but they can also pay for themselves over time.

be years before they hit the road in big numbers. Meanwhile, the industry is betting on squeezing fuel savings from diesel trucks.

"The race is on," said Steve Gilligan, vice president of marketing for Navistar's North America business. "Every truck manufacturer is looking for a technology advantage versus their competition."

The average heavy-duty truck, including short-haul and work vehicles like dump trucks, gets only about 5.9 miles a gallon, a figure that has barely budged in 10 years, according to the North American Council for Freight Efficiency, an industry group. Federal regulators last October finalized rules requiring makers of heavy-duty trucks to boost fuel efficiency

14% by 2021, 20% by 2024 and 25% by 2027, from 2010 levels.

The Trump administration seeks to roll back some aspects of the rules. Still, many truck and engine makers say they plan to press ahead with their new designs, citing fleet owners' demands for fuel savings.

Truck manufacturers have seen that regulations that result in better fuel economy can aid their sales, even at higher prices. When truck and engine makers included a new exhaust-treatment system to comply with a tougher federal pollution standard in 2010, the side benefit of improved mileage propelled years of elevated demand. Truckers accelerated trade-ins of their older tractors to gain better fuel economy.

Such fuel-efficient technologies can add thousands of dollars to a rig's price, which can run \$120,000 to \$150,000 for the truck itself, or "tractor," and \$25,000 to \$30,000 more for the trailer.

"The new targets represent a real challenge for our industry," said John Mies, a Volvo spokesman. "Maximizing fuel economy has to be balanced with other factors."

Still, fuel efficiency could

pay for itself. Long-haul trucks typically drive about 110,000 miles a year. So with diesel fuel at \$2.50 a gallon, a 0.5 mile a gallon improvement in fuel efficiency could save some \$3,100 per truck each year.

Even with today's technology, fleet operators are finding ways to save on fuel. Several leading fleets are already averaging over 7 mpg. Many have added devices that improve aerodynamics, such as "skirts" around the base of the tractor and trailer, and winglike "tails" on the trailer back. Some have opted for smaller engines, automatic transmissions or technologies that switch to electric power for the lights, climate system and other functions when the engine is idling.

Trucking company U.S. Xpress Enterprises Inc. orders about 1,500 tractors a year, and requests aerodynamic design elements like tails and skirts as well as automatic transmissions on its trucks.

"Fuel is such a large cost for us that we have every incentive to try to get to the best miles per gallon we possibly can," said Chief Executive Eric Fuller.

—Bob Tita

contributed to this article.

# EU Preps New Taxes On Tech Firms

BY SAM SCHECHNER AND NATALIA DROZDIAK

The European Union's executive arm said Thursday that it is ready to propose new taxes on digital companies like **Facebook Inc.** and **Alphabet Inc.**'s Google by next spring if there isn't "adequate global progress" toward a rewrite of corporate tax rules at an international level.

The bloc's executive arm, the European Commission, floated several options that it said could be rolled out in the short term to raise tax revenue on digital companies, which it contends declare too little profit in the region.

While the commission said a global solution would be preferable, it added that it "stands ready" to propose legislation if major countries, including the U.S., can't make headway on new rules.

The threat of new tax legislation comes amid pressure from big EU countries including France and Germany, which have recently increased their push to change corporate tax rules at any level to capture what they say are billions of euros in lost revenue. Finance ministers for EU countries expressed support over the weekend for renewing efforts to change international rules to better reflect digital profits rules via the Organization for Economic Cooperation and Development, a forum of wealthy countries that includes the EU, U.S. and Japan.

European officials argue that companies are taking advantage of outdated tax rules that were designed on the basis of physical assets and where the companies operate, rather than virtual businesses like online advertising and data mining.

"It's a question of fairness: Digital companies use European networks and infrastructure, and often their content and data are created by Europeans. Like all taxpayers, they must pay their fair share of tax," said EU finance chief Pierre Moscovici, adding that the current system allows for "a big loss in tax revenues for the budgets of EU member states."

# Facebook Cedes on Russian-Backed Ads

Facebook Inc. said Thursday it has struck a deal to share with congressional investigators the Russian-backed ads purchased during the U.S. pres-

By Deepa Seetharaman, Byron Tau and Robert McMillan

idential campaign, capitulating to political pressure to be more forthcoming with information.

In recent weeks, investigators have begun scrutinizing what role Russian activity on social media might have played in the election—especially after Facebook disclosed that it found more than \$150,000 in Russian-linked ad spending on more than 5,200 ads on its platform.

"After an extensive legal and policy review, today we are announcing that we will also share these ads with congressional investigators," the company said. "We believe it is vitally important that government authorities have the information they need to deliver to the public a full as-

sessment of what happened in the 2016 election."

The House and Senate Intelligence Committees are conducting separate probes of Russian activity during the 2016 election with the aim of publicly documenting what happened during last year's divisive campaign. Facebook had shared limited information with the committees in recent weeks, and made more complete disclosures to Special Counsel Robert Mueller, who is leading a separate criminal and counterintelligence investigation into the same topic.

Facebook's decision came as lawmakers have begun a push to crack down on exemptions that allow social-media companies to operate beyond the norms of political campaigns.

Congressional leaders and other groups are starting to discuss legislation that would require social-media companies to create a public-disclosure portal of political ads shown on their platforms, similar to the requirements of television and radio stations.

Separately, Democrats are

### Company to Keep Eye on Ad Targeting

Facebook Inc. is adding more human reviewers to oversee its advertising system after a report showed people could target ads at users interested in anti-Semitic and other hateful topics.

The problem stems from how Facebook's ad system automatically mines information from user profiles to create specific topics that advertisers can pay to target.

In a report last week, news outlet ProPublica showed that the system could enable someone to show ads to Facebook users whose profiles included terms like "Jew hater" or "How to burn Jews." The number of users for each anti-Semitic term

pushing the Federal Election Commission to create rules that would curb the ability of foreigners to spend money on political advertising.

On Wednesday, 20 congress-

was tiny, and it isn't clear if any advertiser actually used the hateful terms. Still, the episode has again spotlighted Facebook's failure to anticipate how its platform can be manipulated.

"We never intended or anticipated this functionality being used this way—and that is on us," Chief Operating Officer Sheryl Sandberg said in a post Wednesday. "And we did not find it ourselves—and that is also on us."

Ms. Sandberg said Facebook would conduct more manual reviews of new ad-targeting options that automatically appear in its system. It restored about 5,000 of the most common targeting terms used by advertisers, such as "nurse," "teacher" or "dentistry," after conducting a manual review of those topics.

—Deepa Seetharaman

ional Democrats encouraged the FEC to "take immediate steps to understand the threats posed to our democratic process by foreign influenced internet and social media adver-

tising."

"We're open to reviewing any specific congressional proposals," a Facebook spokesman said prior to the company's announcement on Thursday. "We are looking into more ways to address ad transparency on our platform."

A **Twitter Inc.** spokeswoman said company officials would meet Senate staffers next week to discuss the 2016 election. "Twitter engages with governments around the world on public policy issues of importance and of interest to policy makers," she said.

Tech firms such as Facebook and Twitter are subject to looser disclosure requirements than traditional media, such as television and radio stations, which must publicly disclose campaign ads they broadcast.

Video advertisements that appear on social media also aren't bound by the "Stand By Your Ad" provision requiring candidates in their own voice to take responsibility for the ads their campaigns run—usually in the form of a candidate "approving this message."

## FINANCE & MARKETS

# AIA Buys Bank's Life-Policy Unit

Commonwealth Bank of Australia sheds life-insurance businesses for \$3.05 billion

BY ROBB M. STEWART

MELBOURNE, Australia—Commonwealth Bank of Australia is considering spinning off its global asset-management unit after announcing a US\$3.05 billion sale of its life-insurance businesses to **AIA Group** Ltd.

A sale of Colonial First State Global Asset Management would further bolster the capital position of Australia's largest bank at a time when regulators are pushing lenders to increase buffers against risk, and tightens the bank's focus as it defends itself against accusations its compliance failings allowed its accounts to be used for money laundering.

In a statement Thursday, Commonwealth Bank said it was selling all of its life-insurance businesses in Australia and New Zealand to AIA for 3.8 billion Australian dollars (US\$3.05 billion). The sale agreement also includes having the pan-Asian insurer provide life-insurance products to the bank's customers for 20 years.

It adds to a number of recent moves by Australian banks to unload capital-intensive life-insurance operations



The lender's asset-management operations also are under review.

to dedicated insurers better able to compete in a sector that has struggled in recent years with rising claims and policy terminations. Earlier this week, **Australia & New Zealand Banking** Ltd. said it was in talks with a number of potential suitors for its Australian wealth operations, which includes its local insurance, pension, investments and advice businesses.

AIA, one of the world's largest life insurers, said it would become the market leader in both Australia and New Zealand after combining Commonwealth Bank's businesses with its own operations.

AIA said Australia offers

the largest life-protection market in Asia outside Japan, and that data suggested there was an estimated US\$1.1 trillion gap in the provision of life insurance and mortality protection cover. The Hong Kong-listed insurer said Commonwealth Bank's businesses offer access to 13 million bank customers across Australia and New Zealand, and should offer a lift in AIA's earnings and future cost savings of at least US\$60 million a year.

For Commonwealth Bank, Australia's biggest bank by market capitalization and largest mortgage lender, the sale is expected to release about A\$3 billion in capital and lift its common equity Tier 1 capi-

tal ratio by 0.7 percentage point to take it slightly above the 10.5% minimum threshold that Australia's banking regulator this year ordered the country's major banks to reach by 2020.

However, the sale will dilute Commonwealth Bank's earnings modestly and it said it expected about a A\$300 million loss on the deal, largely due to the carrying value of goodwill. The businesses being picked up by AIA had earnings of about A\$224 million in the latest fiscal year, a fraction of the A\$9.7 billion before items reported by Commonwealth Bank.

The price the bank will fetch for the businesses was slightly below expectations but it is outweighed by the longer-term benefits, particularly the increase in capital, said David Ellis, an analyst at investment-research firm Morningstar.

"It's a good outcome," Mr. Ellis said, adding it allowed Commonwealth Bank to clean up its businesses after a string of scandals.

In addition to the AIA sale deal, which remains subject to regulatory approval, Commonwealth Bank said it was reviewing its Colonial First State business and would consider a number of options, including an initial public offering. Known as First State Investments outside Australia, the unit has more than A\$219 billion in assets under manage-

ment.

Commonwealth Bank is under intense scrutiny after the Australian government's financial-intelligence agency launched a civil suit, alleging more than 53,700 breaches of the anti-money-laundering and counterterrorism funding laws. The accusations largely involve failing to provide transaction reports on deposits through its automated machines, which the bank has blamed on a coding error in a software upgrade. The agency alleged it allowed millions of dollars to be laundered by drug dealers and other criminals. The case has triggered independent reviews by the securities and prudential regulators into culture, pay and governance at the bank.

Under the partnership with AIA, Commonwealth Bank said it would continue to earn income on the distribution of life- and health-insurance products. It also will retain its general insurance business and CommInsure brand.

With the sale, which the companies expect to wrap up in 2018, Commonwealth Bank's executive for wealth management, Annabel Spring, will leave the bank in December. Ms. Spring, who joined Commonwealth Bank in 2009 as head of strategy, will continue to lead the wealth-management business, the sale process and strategic review until the end of the year, the bank said.

## ECB Set To Create Alternative To Rate Yardsticks

BY TODD BUELL

The European Central Bank said it would introduce a new unsecured overnight interest rate, the latest step by a central bank to develop an alternative to scandal-plagued benchmarks that are key to the financial system.

The new rate, set to be published daily by 2020, will be based on data available to the ECB and other central banks that use the euro.

Central banks and other official bodies are taking control of overnight interest rates following scandals in the private sector, most notably with the London interbank offered rate, or Libor.

*The rate will be based on data available to central banks that use the euro.*

In July, a top U.K. regulator said it would phase out Libor, a benchmark used to set the price of trillions of dollars in loans and derivatives worldwide.

The integrity of the benchmark was called into question following a rate-rigging scandal in which traders at numerous banks manipulated data used to set the rate. Libor is calculated by asking banks how much it theoretically would cost them to borrow money from other banks.

More than a dozen banks paid roughly \$10 billion in penalties related to their fraudulent Libor activities.

Last month, the Federal Reserve opened for public comment three proposed reference rates for firms using Treasurys as collateral for short-term loans.

The ECB said Thursday that the new rate would serve in addition to benchmarks produced by the private sector.

"Interest-rate benchmarks are currently undergoing in-depth reforms. The ECB decided to take action as benchmark rates have an important anchoring role for contracts in financial markets," the ECB said. The ECB said "high-level features" of the new rate would be communicated to market participants over the course of next year, with market participants then able to provide feedback.

## Chinese Lender Seeks Cash Abroad

BY MANJU DALAL

State-owned Postal Savings Bank of China Co. is raising up to \$7.6 billion in one of the largest-ever sales of offshore securities by a Chinese lender.

The bank, China's sixth largest by assets, on Thursday launched a sale of U.S. dollar-denominated securities that are known as contingent convertibles, or "cocos." Investment bankers in recent days have been marketing the offering to investors in Hong Kong, Singapore, Paris and London.

The deal will be a test of global investors' appetite for risk in China's financial sector. The securities were initially being offered with a yield of about 4.85%, according to a person familiar with the matter, but strong investor demand led bankers later to lower guidance for the yield to 4.55%.

Chinese banks are looking offshore for their fundraising needs as borrowing costs on the mainland have risen over the past year. Regulators also have been trying to rein in loose lending and imposed



Postal Savings Bank of China aims to raise up to \$7.6 billion.

stricter capital rules on banks.

The new Postal Savings Bank securities are classified as "additional Tier 1" securities and will help the bank meet core capital requirements under Basel III rules.

Officially called offshore preference shares, the securities pay annual dividends and are designed to absorb losses if the bank runs into trouble. The securities can be called after five years but would be converted into the bank's

Hong Kong-listed common shares upon a trigger event. That could happen if the bank's core Tier 1 capital adequacy ratio falls to or below 5.125%, or if Chinese regulators require the bank to boost its capital levels, according to Moody's Investors Service, which has a speculative-grade, or junk, rating on the securities.

The bank's latest securities sale comes roughly a year after the lender sold \$7.4 billion

of shares in a Hong Kong initial public offering. That deal was one of the biggest stock sales by a Chinese company following the 2014 IPO of Alibaba Group Holding Ltd. The Beijing-based bank's shares are trading slightly below their listing price.

Postal Savings Bank gets its name from China's post office, which it was once part of. It has close to 40,000 branches across the country and serves more than one-third of China's population, according to an investor presentation. Its assets totaled \$1.26 trillion at the end of June.

Analysts said potential buyers of Postal Savings Bank's new securities may draw comfort from the lender's majority state ownership, which implies the Chinese government would step in to bail out the bank if it ever runs into trouble.

Aside from foreign investors, Chinese investors—including life insurers, corporations and other asset managers—are likely to be large buyers of the offshore deal and that may tighten the pricing on the securities.

## Intruders Prowled for Months in Equifax Hack

BY ANNAMARIA ANDRIOTIS AND ROBERT McMILLAN

Hackers roamed undetected in Equifax Inc.'s computer network for more than four months before its security team uncovered the huge data breach, the security firm **FireEye** Inc. said this week in a confidential note Equifax sent to some of its customers.

FireEye's Mandiant group, which has been hired by Equifax to investigate the breach, said the first evidence of hackers' "interaction" with the company occurred on March 10, according to the Mandiant report, which was reviewed by The Wall Street Journal.

Equifax had previously disclosed that data belonging to approximately 143 million Americans was potentially accessed in May. It isn't known when Equifax learned from Mandiant that the hacking activity began in March, not May. Equifax wasn't available to comment.

Equifax has said it didn't discover the breach until July 29. Days later it called in Mandiant. Equifax didn't disclose the breach until Sept. 7.

The attack, which is being probed by the Federal Bureau of Investigation, is one of the most significant data breaches given the scope of the information disclosed: people's names, addresses, dates of birth and Social Security numbers. In its wake, consumers, customers, regulators and legislators have

been asking how the attack occurred and whether Equifax took sufficient measures to protect such information.

Equifax sent the Mandiant report to some customers, many of which are financial firms, with a cover letter dated Tuesday, Sept. 19, that was signed by the company's new chief information officer, Mark Rohrwitter, and new chief security officer, Russ Ayres. Equifax on Sept. 15 announced the departure of the two executives who previously held those positions.

In a progress report that accompanied that announcement, Equifax said hackers accessed consumers' data from May 13 through July 30. It didn't mention in that report that the attack had begun at an earlier date.

Mandiant's report this week noted the hackers accessed one of Equifax's servers by taking advantage of a flaw in software called Apache Struts, used by many companies to build interactive websites.

Two days before the access occurred, on March 8, security researchers at Cisco Systems Inc. warned of the flaw in Struts and a patch was issued by the Apache Software Foundation. Equifax in its report last week said its security staff "took efforts" to fix the system, saying it understood the intense focus outside the company on patching efforts and that its review was ongoing.

Equifax Inc. Chief Executive

Richard Smith will testify in front of U.S. senators next month about the company's handling of the breach.

After interacting with Equifax's server in early March, the hackers then entered the computer command "Whoami,"

Mandiant wrote. This command would have given the attackers the username of the computer account to which they had just gained access, an early step in a hacking attempt.

Investigators haven't determined for certain whether the March incident was issued by the data thieves or a different set of hackers, but it was likely the beginning of a months-long

reconnaissance mission, according to a person familiar with the investigation. It is common for attackers to lurk for months after their initial break-in as they probe corporate systems—the digital equivalent of trying as many doorknobs as possible to see which doors open.

The March activity was likely a result of the hackers "spamming the internet for vulnerable systems," said Johannes Ullrich, dean of research with the SANS Technology Institute, a cybersecurity training school.

It isn't surprising that the hackers took weeks before accessing the sensitive data, Mr. Ullrich said. "Typically, you first build out a beachhead so that it's difficult to get kicked out," he added.

On average, it takes companies close to 100 days to discover that they have been hacked, FireEye said in a report released this year. In Equifax's case, it took 141 days.

Eventually, between May 13 and late July, the attackers ac-

cessed files that contained Equifax credentials, such as username and password, and "performed database queries that provided access to documents and sensitive information stored in databases in an Equifax legacy environment," the Mandiant report said.

Overall, the attackers accessed "numerous database tables in several databases," the Mandiant report said.

The report added that the attackers "compromised two systems" that support Equifax's online dispute web application. This is the place where consumers go to dispute information on their credit reports.

The identity of the hackers is still unknown. Mandiant said in its letter that it hadn't been able to attribute the breach to any "threat group actor" it currently tracks. Nor did the "tools, tactics and procedures" used overlap with those seen in previous investigations by the firm.

—Imani Moise contributed to this article.

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Financial regulators have applied them in the past, including in the aftermath of China's stock-market melt-down in mid-2015. In this instance, the bitcoin industry players haven't been accused of wrongdoing.

Regulators recently decided upon a comprehensive ban on channels for the buying and selling of the virtual currency in China.

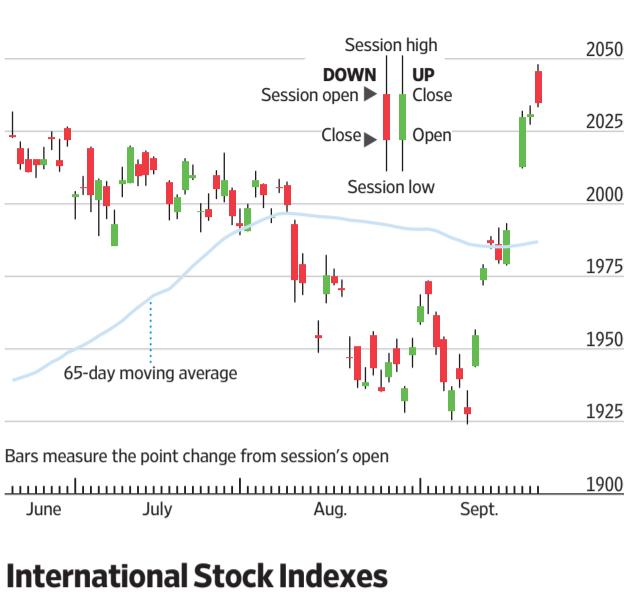
—Steven Russell contributed to this article.

## MARKETS DIGEST

### Nikkei 225 Index

**20347.48** ▲ 37.02, or 0.18%

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



Bars measure the point change from session's open

### STOXX 600 Index

**382.88** ▲ 0.90, or 0.24%

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



### S&P 500 Index

**2500.60** ▼ 7.64, or 0.30%

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



Data as of 4 p.m. New York time

Last Year ago

Trailing P/E ratio 24.11 24.47

P/E estimate <sup>a</sup> 19.10 18.25

Dividend yield 1.99 2.14

All-time high: 2508.24, 09/20/17

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

### International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	Close	YTD % chg
<b>World</b>	<b>The Global Dow</b>	<b>2905.65</b>	-8.69	<b>-0.30</b>	2386.93	2909.28	14.9
	<b>MSCI EAFE</b>	<b>1970.72</b>	-10.77	<b>-0.54</b>	1471.88	1973.76	14.8
	<b>MSCI EM USD</b>	<b>1107.93</b>	-4.14	<b>-0.37</b>	691.21	1111.59	39.5
<b>Americas</b>	<b>DJ Americas</b>	<b>604.09</b>	-1.86	<b>-0.31</b>	503.44	606.05	11.8
Brazil	<b>Sao Paulo Bovespa</b>	<b>75503.63</b>	-500.52	<b>-0.66</b>	56828.56	76419.58	25.4
Canada	<b>S&amp;P/TSX Comp</b>	<b>15458.69</b>	69.09	<b>0.45</b>	14468.03	15943.09	1.1
Mexico	<b>IPC All-Share</b>	<b>50563.36</b>	199.41	<b>0.40</b>	43998.98	51772.37	10.8
Chile	<b>Santiago IPSA</b>	<b>4015.31</b>	35.32	<b>0.89</b>	3120.87	4020.83	24.6
<b>U.S.</b>	<b>DJIA</b>	<b>22359.23</b>	-53.36	<b>-0.24</b>	17883.56	22419.51	13.1
	<b>Nasdaq Composite</b>	<b>6422.69</b>	-33.35	<b>-0.52</b>	5034.41	6477.77	19.3
	<b>S&amp;P 500</b>	<b>2500.60</b>	-7.64	<b>-0.30</b>	2083.79	2508.85	11.7
	<b>CBOE Volatility</b>	<b>9.80</b>	0.02	<b>0.20</b>	8.84	23.01	-30.2
<b>EMEA</b>	<b>Stoxx Europe 600</b>	<b>382.88</b>	0.90	<b>0.24</b>	328.80	396.45	5.9
	<b>Stoxx Europe 50</b>	<b>3122.55</b>	11.14	<b>0.36</b>	2720.66	3279.71	3.7
Austria	<b>ATX</b>	<b>3296.86</b>	7.72	<b>0.23</b>	2357.57	3304.29	25.9
Belgium	<b>Bel-20</b>	<b>3968.67</b>	3.18	<b>0.08</b>	3384.68	4055.96	10.0
France	<b>CAC 40</b>	<b>5267.29</b>	25.63	<b>0.49</b>	4342.64	5442.10	8.3
Germany	<b>DAX</b>	<b>12600.03</b>	30.86	<b>0.25</b>	10174.92	12951.54	9.7
Greece	<b>ATG</b>	<b>765.99</b>	8.01	<b>1.06</b>	559.92	859.78	19.0
Hungary	<b>BUX</b>	<b>38109.21</b>	1.17	<b>0.003</b>	27466.59	38554.44	19.1
Israel	<b>Tel Aviv</b>	<b>1419.90</b>	...	<b>Closed</b>	1346.71	1490.23	-3.5
Italy	<b>FTSE MIB</b>	<b>22491.73</b>	136.15	<b>0.61</b>	15923.11	22529.86	16.9
Netherlands	<b>AEX</b>	<b>528.47</b>	-0.19	<b>-0.04</b>	436.28	537.84	9.4
Poland	<b>WIG</b>	<b>64209.19</b>	-540.31	<b>-0.83</b>	46674.28	65611.21	24.1
Russia	<b>RTS Index</b>	<b>1120.13</b>	-2.30	<b>-0.20</b>	956.36	1196.99	-2.8
Spain	<b>IBEX 35</b>	<b>10297.00</b>	4.90	<b>0.05</b>	8512.40	11184.40	10.1
Sweden	<b>SX All Share</b>	<b>572.20</b>	3.04	<b>0.53</b>	489.12	598.42	7.0
Switzerland	<b>Swiss Market</b>	<b>9134.13</b>	38.48	<b>0.42</b>	7585.56	9198.45	11.1
South Africa	<b>Johannesburg All Share</b>	<b>55867.34</b>	-0.12	<b>-0.0002</b>	48935.90	56869.89	10.3
Turkey	<b>BIST 100</b>	<b>104001.20</b>	-1322.47	<b>-1.26</b>	71792.96	110530.75	33.1
U.K.	<b>FTSE 100</b>	<b>7263.90</b>	-8.05	<b>-0.11</b>	6676.56	7598.99	1.7
<b>Asia-Pacific</b>	<b>S&amp;P/ASX 200</b>	<b>5655.40</b>	-53.70	<b>-0.94</b>	5156.60	5956.50	-0.2
China	<b>Shanghai Composite</b>	<b>3357.81</b>	-8.18	<b>-0.24</b>	2980.43	3385.39	8.2
Hong Kong	<b>Hang Seng</b>	<b>28110.33</b>	-17.47	<b>-0.06</b>	21574.76	28159.77	27.8
India	<b>S&amp;P BSE Sensex</b>	<b>32370.04</b>	-30.47	<b>-0.09</b>	25765.14	32575.17	21.6
Japan	<b>Nikkei Stock Avg</b>	<b>20347.48</b>	37.02	<b>0.18</b>	16251.54	20347.48	6.5
Singapore	<b>Straits Times</b>	<b>3213.82</b>	-4.25	<b>-0.13</b>	2787.27	3354.71	11.6
South Korea	<b>Kospi</b>	<b>2406.50</b>	-5.70	<b>-0.24</b>	1958.38	2451.53	18.8
Taiwan	<b>Weighted</b>	<b>10578.44</b>	59.27	<b>0.56</b>	8931.03	10631.57	14.3

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

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



### Key Rates

Latest 52 wks ago

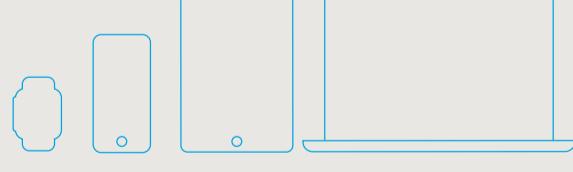
Cur Stock	Sym	Last	% Chg	YTD% Chg
<b>Asia Titans</b>				
HKS AlipayGroup	1299	60.20	0.25	37.60
AU\$ AustNZbk	ANZ	29.76	-0.90	-2.17
AUS BHP	BHP	25.99	-0.76	3.71
HKS BankofChina	3988	4.01	0.50	16.57
HKS CK Hutchison	0001	100.20	-0.40	-0.2157
AUS CSL	CSL	132.81	-0.70	-2.27
Y Canon	7751	3789.00	-0.53	14.99
Y CentralJapanRwy	9022	19535	0.05	1.59
HKS ChinaConstructBk	0939	6.67	-0.15	11.73
HKS ChinaFinserv	2628	23.85	...	10.07
HKS ChinaMobile	0941	80.15	-0.68	-1.55
HKS ChinaPetroChem	0386	5.90	0.17	7.27
HKS KDDI	9433	2970.50	0.05	0.37
HKS Mitsubishi	8058	2592.00	-0.78	-6.49
HKS MitsubishiElectric	6503	1760.00	-1.07	-8.01
HKS MitsubishiUFJFin	8306	1719.40	1.7	



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# MARKETS

## For Sale Abroad: U.S. Oil

Hurricane hits price of West Texas crude, boosting its appeal to refiners overseas

By ALISON SIDER  
AND LYNN COOK

U.S. oil is trading at the biggest discount to the global price in two years, helping extend a boom in exports of crude from American shale fields to refiners in Europe and Asia.

After Hurricane Harvey hammered the Gulf Coast last month, the price of West Texas Intermediate crude, the U.S. reference price, sank to as much as \$6.30 a barrel below its European counterpart, Brent—the widest gap since August 2015.

Harvey has passed, but analysts say the storm will reshape global crude flows for months. The difference between U.S. oil and Brent, the international benchmark, at \$5.88 as of Thursday, is key in determining when it is profitable to ship oil from U.S. ports to places overseas.

A difference of at least \$4 makes it attractive for a refiner in countries such as China or South Korea to buy oil from shale producers in Texas and North Dakota, said R.T. Dukes, an oil expert with consulting firm Wood Mackenzie.

"Get to a \$4 spread, and you can take it anywhere in the world," he said.

Take Occidental Petroleum Corp., a major U.S. exporter and large producer in the Permian Basin of West Texas. Occidental is shipping more crude than ever as lower U.S. prices boost demand for oil from the Permian. The company recently struck new deals with customers in South Korea, India, China and countries in Southeast Asia, said Cynthia Walker, an Occidental senior vice president.

While the recent discount on WTI crude is poised to in-

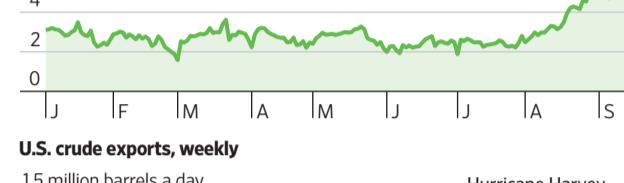
### Mind the Gap

U.S. oil is trading below global crude by the most in two years. That is helping boost American oil exports.

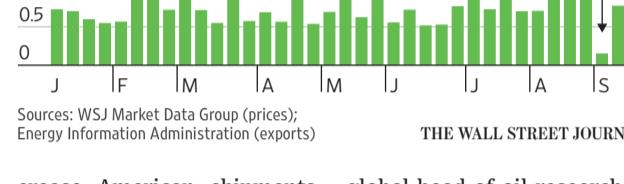
#### Crude-oil price



#### U.S. crude discount



#### U.S. crude exports, weekly



Sources: WSJ Market Data Group (prices); Energy Information Administration (exports)

global head of oil research at Société Générale.

Leasing oil tankers can cost anywhere from under \$1 a barrel to a few dollars, depending on the length of the trip. For instance, taking oil from Texas to Asia is more expensive since it is a longer voyage than to Argentina or the Netherlands. After tanker owners expanded their fleets in recent years, shipping rates have fallen sharply. They are down 20% to 30% in the past year, according to shipping consultancy McQuilling Services LLC.

For now, the WTI-Brent spread is wide enough to offset the expense of loading supertankers that are too heavy for relatively shallow Texas ports, consultancy JBC Energy said.

Exports have become a relief valve for U.S. drillers, who have continued to pump despite relatively low prices.

Because many big Gulf Coast refineries are largely geared to process heavy crude, such as the output from Canada and South America, they have continued to import barrels, while some of the output from shale formations has started to flow abroad to refiners set up to process the light, sweet variety.

"The export window is wide open," said Michael Wittner,

who has continued to pump despite relatively low prices.

While the recent discount on WTI crude is poised to in-

crease American shipments, the U.S. had already become a disruptive force in global energy markets, sending oil overseas after a ban on most exports was lifted at the end of 2015. In recent years, the rise of the U.S. shale industry has pushed oil prices down worldwide. Exports have become a relief valve for U.S. drillers, who have continued to pump despite relatively low prices.

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Shares of Commerzbank rose 3.5%, adding to Wednesday's gains.

## Bank Shares Gain In Europe and Asia

BY MICHAEL WURSTHORN  
AND RIVA GOLD

Bank shares climbed Thursday as investors ramped up bets that the Federal Reserve would tighten monetary policy.

**THURSDAY'S MARKETS** The Stoxx Europe 600

rose 0.2% to 382.88, led

by a 1.4% advance in lenders.

Gains in banks and insurance companies also helped boost Japan's Nikkei Stock Average by 0.2%, while U.S. stocks slipped on declines in technology and consumer-staple stocks.

The Dow Jones Industrial Average lost 53.36 points, or 0.2%, to 22359.23, snapping a nine-day winning streak.

The S&P 500 fell 0.3%, while the tech-heavy Nasdaq Composite fell 0.5%.

Fed officials kept the door open for a December interest-rate rise at the conclusion of their September meeting, and higher rates tend to boost lending profitability. Fed-fund futures tracked by CME Group, which are used by investors to bet on central bank policy, showed investors now see a 73.4% chance of higher U.S. interest rates by the end of 2017,

compared with 57.7% a day earlier.

Officials also said they would begin shrinking the U.S. central bank's portfolio of bonds in October.

The yield on the benchmark 10-year U.S. Treasury note edged up to 2.278% from 2.276% on Wednesday, after slipping in earlier trading. Yields move inversely to prices.

Gold fell 1.6% to \$1,290.60 a troy ounce, while London-listed copper futures fell 1.7%. U.S. crude prices fell 0.3% to \$50.55 a barrel.

Shares of consumer-staple companies were among the S&P 500's biggest decliners, falling 1% in late trading.

Beauty-products maker Coty fell 3.8%, while Procter & Gamble fell 2%. Technology stocks also came under pressure, losing 0.6%.

Shares of Commerzbank rallied 3.5%, extending gains Wednesday following a Reuters report that Italy's UniCredit is interested in merging with the state-backed lender. But the German government favors Commerzbank tying up with France's BNP Paribas, Reuters reported Thursday. BNP shares rose 1%, while UniCredit gained 2%.

**HEARD ON THE STREET**

FINANCIAL ANALYSIS & COMMENTARY

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Email: heard@wsj.com

## Fed Paves Way for ECB to Follow

### A New Plateau?

Euro effective exchange-rate index, weighted against 38 trading partners\*



\*Data through Wednesday Source: European Central Bank THE WALL STREET JOURNAL

be less of a one-way bet against the euro than it has been in recent months.

That eases the way for ECB policy makers to wind down their bond-buying program: The rise in the euro had started to complicate that task by making the ECB's inflation target harder to hit.

Had the Fed backed down, the euro might have risen further.

But the euro's trade-

weighted exchange rate appears to have found some stability, helped by a rebound in the U.K. pound thanks to the Bank of England's own signals that rates may rise.

The outlook for policy remains finely balanced.

A sharp rise in inflation would be a big problem, though for now that remains an outlier.

There is also uncertainty about Fed policy, given Janet

Yellen's term as chairwoman expires early in 2018. And as the pace of balance-sheet reduction builds, it may become a bigger challenge for markets than it appears at present

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Spanish cider



W4

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W3

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Friday - Sunday, September 22 - 24, 2017 | W1



TAKE MONDAY OFF

## A Birmingham Grand Slam

Packed with winning diversions, a whirlwind long weekend in Alabama's biggest city reveals an American revival



ANNA MAZUREK FOR THE WALL STREET JOURNAL

**DAYBREAK IN ALABAMA** Clockwise from top left: Railroad Park, which opened in 2010 in downtown Birmingham, Ala.; the Negro Southern League Museum, which holds the largest collection of artifacts from the Negro League; Hot and Hot Fish Club's tomato, fried okra and smoked bacon salad; the 'LightsRail' installation under the 18th Street viaduct.

BY MARLI GUZZETTA

**I**N THE JUTTING chin of the Appalachians, near Alabama's mineral-rich Red Mountain, men made the pig iron that girded America's industrial revolution. The city that appeared around them, almost out of nowhere, exploded from about 3,000 people in 1880 to 26,000 just a decade later. By the early 1900s, city stakeholders had christened Birmingham, Ala., "the Magic City"—and the moniker stuck. Even now, the name of seemingly every business in town, from Magic City Pet Care to Magic City Law, recalls those boomtown roots. These days, the old iron town is forging another radical transformation. The local-maker renaissance sweeping the South is redefining downtown Birmingham as a 21st-century creative hub, refiring its peanut roasters, installing laudable restaurants in once-crumbly storefronts and seeding green space in the rusted footprint of old rail industry. Don't expect the gentility of Charleston or Savannah. This is a city that holds weddings and music festivals inside an abandoned iron furnace. But unapologetic grit and a fair share of alchemy have long been Birmingham's biggest draws.

### DAY ONE // FRIDAY

**5 p.m.** Fly into to Birmingham-Shuttlesworth Airport, where a line at the rental-car counter is as unlikely as the possibility you'll hit traffic along the easy 15-minute drive to downtown's historic Redmont Hotel. Two red-coated bellmen will welcome you to the intimate lobby, where a white-jacketed bartender pours day's-end cocktails under a 10-foot-long chandelier that was refurbished in the 2015 renovation. Beyond the reception area's gunmetal velvet

sofas and wall of mirrored subway tile, the elevator's original art-deco doors are the same ones that opened to carry Hank Williams up to his last sleep on earth in 1952 (*from about \$210 a night, redmontbirmingham.com*).

**6 p.m.** Order a pre-dinner drink at the Redmont's gothic-glam rooftop bar and watch the sun set behind the hotel's classic sign.

**7:30 p.m.** Drive or take a car service 2 miles to the Five Points neighborhood for dinner at Highlands

Bar & Grill. Chef/owner Frank Stitt, a Bham native who trained with Alice Waters and Richard Olney, returned home in 1980 and opened the restaurant a couple of years later. His classic French and modern Californian techniques elevated Southern flavors, giving a city recently gutted by lost industry a success to rally around. Soon enough he began racking up national food awards.

Pastry chef Dolester Miles, known for her lemon meringue tart, is also contending for best in her class (*2011*

*11th Ave. S., highlandsbarandgrill.com*).

**9:30 p.m.** Take 18th Street through the art installation "Light-Rails"—a rainbow-lit tunnel illuminated by artist Bill FitzGibbons—on your way to the Collins bar. Under a ceiling hung with paper planes, sip tailor-made concoctions for a rather affordable \$8-\$12 (*2125 2nd Ave. N, thecollins-bar.com*).

**10:30 p.m.** Up for one more drink? Around the corner, find your way to the uniquely entertain-

*Please turn to page W2*

## OFF DUTY

# THREE DAYS IN URBAN APPALACHIA

Continued from page W1

ing Atomic Bar & Lounge. In the '60s pop-art lounge, your fellow patrons may be wearing costumes they borrowed from behind the bar. If you're not ready for that much fun, the Sex Panther cocktail comes with a more discreet adornment, a "lick em and stick em" tattoo (2113 1st Ave. N, [theatomiclounge.com](http://theatomiclounge.com)).

### DAY TWO // SATURDAY

**9 a.m.** Start your morning at Feast and Forest, a sunny loft cafe. Diners sit elbow-to-elbow noshing on breakfast sandwiches with apple butter and tomato jam or stone ground grits with poached eggs and cremini mushrooms (212 24th St. N, [feastandforest.com](http://feastandforest.com)).

**10 a.m.** Drive a mile to the old Dr Pepper Syrup Plant and Bottling Company, where the Market at Pepper Place showcases local growers, bakers, chefs and such. The Birmingham Candy Company, for one, makes everything from scratch (2829 2nd Ave. S, [pepperplacemarket.com](http://pepperplacemarket.com)). Across the parking lot, is Southern Living-alum Charlie Thigpen's Garden Gallery, with an artful assortment of planters and sculptures (2805 2nd Ave. S, [charliethigpensgardengallery.com](http://charliethigpensgardengallery.com)).

**10:30 a.m.** Take First Ave N into the city's industrial borderlands and see the ancient red bones of Sloss Furnace. After the Civil War, pig iron (easily transportable iron) created Birmingham, and Sloss Furnace created the pig iron. After demand dried up in the 1970s, Sloss began its second act as a romantic, if slightly spooky industrial ruin and National Historic Landmark. Today, the Sloss Music & Arts Fest holds concerts at the foot of a blast furnace every summer ([slossfest.com](http://slossfest.com)). Historian Richard Neely leads excellent tours on the second weekend of each month (20 32nd St. N, [slossfurnaces.com](http://slossfurnaces.com)).

**11:30 a.m.** Three miles east, musician Duquette Johnston and his family draw from their travels to stock their shop, Club Duquette, a hipster general store, with everything from biodynamic Californian chocolate to French pocket knives (17 55th Pl. S., [clubduquette.co](http://clubduquette.co)). Across the street, Armand Marjekia's Open Shop Woodlawn sells men's designer clothing, displayed so fastidiously it looks like a minimalist art gallery (5529 1st Ave. S., [openshopwoodlawn.com](http://openshopwoodlawn.com)).

**12:30 p.m.** If you're up for a fresh pressing of "Jethro Tull: The String Quartets" and maybe a trim, some 10,000 new and used vinyl albums at Seasick Records (5508 Crestwood Blvd., [seasickbham.com](http://seasickbham.com)) share a space with the barber chairs of Newman's Classic Cuts ([newmansclassiccuts.com](http://newmansclassiccuts.com)).

**1:30 p.m.** A mile and a half west, you'll find the neighborhood of Avondale, which old-timers remember as the long-ago home of Miss Fancy, an elephant who resided at Avondale Park's now-closed zoo. Since the park's renovation in 2011, the neighborhood has attracted a clutch of good restaurants and watering holes. Among the most cherished is Saw's Soul Kitchen, a tiny smokehouse. Alabama barbecue is known for its white sauce—a dance of mayo and vinegar—and the wings here will show you why locals insist it's far superior to barbecue in other states (215 41st St. S., [sawsbbq.com](http://sawsbbq.com)).

**2:15 p.m.** After lunch, walk a block



**WING NUTS**  
From top: An order of wings, slathered in Alabama's signature white barbecue sauce, at Saw's Soul Kitchen; Carrigan's Public House gastropub on Birmingham's historic Morris Avenue.



**ALABAMA GLAMOUR** Winslet and Rhys, a modern mercantile shop in Birmingham's Avondale neighborhood, specializes in small-batch handmade goods.



to grab a scoop of ice cream made with seasonal ingredients at Big Spoon Creamery (4000 3rd Ave. S, [bigspooncreamery.com](http://bigspooncreamery.com)). Next door, Winslet and Rhys is a modern mercantile store that also sells works by artists from the co-working space behind the shop ([winsletandrhys.com](http://winsletandrhys.com)).

**3:30 p.m.** Drive 10 minutes west and park near Regions Field. On its east side, the Negro Southern League Museum displays uniforms and other artifacts from the likes of Willie Mays and Satchel Paige (both players for the Birmingham Black Barons), who changed a segregated America through baseball (120 16th St. S, [birminghamnlm.org](http://birminghamnlm.org)).

**5 p.m.** Two blocks north, folks will be squeezing R&R from the last drops of sunlight at the thriving Railroad Park (1600 1st Ave S, [railroadpark.org](http://railroadpark.org)). Follow the streams to the corner of First Ave S and 14th Street S. You'll see the Minor League Regions Field with its impossible-to-miss "Birmingham" sign on the steel facade and overlooking the Good People Brewing Company across the street. Head there for a frosty pull of their Coffee Oatmeal Stout (114 14th St. S, [goodpeoplebrewing.com](http://goodpeoplebrewing.com)).

**8 p.m.** After freshening up back at the Redmont hotel, drive 10 minutes to Hot and Hot Fish Club, helmed by James Beard winner Chris Hastings for an inspired menu of fresh Gulf seafood (2180 11th Ct. S, [hotandhotfishclub.com](http://hotandhotfishclub.com)).

**9 p.m.** It's back to Avondale. At indie music venue Saturn, lights dim for acts like Neko Case, Vince Staples or Kishi Bashi (200 41st St. S, [saturnbirmingham.com](http://saturnbirmingham.com)). On the corner, above Fancy's on 5th, Hot Diggity Dogs conceals the entrance to a '20s-style speakeasy named



Marble Ring. Walk through the phone booth and you'll find patrons taking their highballs in high-backed chairs under chandeliers (430 41st St S, [hotdiggitydogs.com](http://hotdiggitydogs.com)). Next door, funky Parkside is a beloved neighborhood bar with an Airstream trailer on its back patio that serves dressed-up bar food (4036 5th Ave. S, [hotboxbhm.com](http://hotboxbhm.com)). If you'd prefer more privacy, head to the rails for a drink at Carrigan's Public House, a cozy, repurposed warehouse where you can watch the trains pass (2430 Morris Ave., [carriganspub.com](http://carriganspub.com)).

### DAY THREE // SUNDAY

**9 a.m.** Wear something you can move in (or fill up in) and return to Avondale. Saturn's coffee bar, Satellite, serves pillow brioche Hero doughnuts on Sunday mornings until they're all gone.

**10 a.m.** About 10 miles southwest, the mining site that fueled Birmingham's industrial growth spurt, now abandoned, has been reborn as Red Mountain Park, with 15 miles of trail shaded by longleaf pine, hickory and oak (2011 Frankfurt Dr., [redmountainpark.org](http://redmountainpark.org)).

**12 p.m.** On the way back into town, stop to take in Joe Minter's "African Village in America" from the curb. Mr. Minter has spent decades filling the land around his home with found-art sculptures enshrining national tragedies and acts of violence against people of color. If Mr. Minter sees you, he might come out to chat, spirit stick clanking at his side (931 Nassau Ave. SW.).



**2 p.m.** It's a quick drive back toward Five Points. At Galley and Garden, starched-white tablecloths greet you for Sunday brunch in the stately, historic Merritt House. The french toast is stuffed with whipped local goat cheese, and the bowl of Gulf shrimp and stone-ground grits can hold its own anywhere in the South (2220 Highland Ave. S, [galleyandgarden.com](http://galleyandgarden.com)).

**3 p.m.** Downtown, at the Civil Rights Institute, you'll find the cell bars behind which Martin Luther King Jr. wrote his "Letter from Birmingham Jail," five months before a KKK bombing took the lives of four black children at the 16th Street Baptist Church across the street from the institute (520 16th St N, [bcrl.org](http://bcrl.org)).

**4 p.m.** In the Birmingham Museum of Art, take in one of the most comprehensive collections in the Southeast, including the largest Wedgwood exhibit outside of England (2000 Reverend Abraham Woods Jr. Blvd., [artsbma.org](http://artsbma.org)).

**5:30 p.m.** Drive to Vulcan Park, named for the god of the forge, and make a tourists' pilgrimage to see the 56-foot cast-iron statue of Vulcan. An elevator beside the statue's towering pedestal will ferry you 11 stories up to an observation platform with a panoramic view over Birmingham (1701 Valley View Dr., [visitvulcan.com](http://visitvulcan.com)).

**7 p.m.** Many city bars and restaurants close on Sunday, which means Birminghamians (and often their dogs) end the weekend at the breweries. After the sun sets, drive 15 minutes back to Avondale and find a seat in the string-lit, backyard block party at Avondale Brewing Co., where Miss Fancy's Tripelis is always cold (201 41st St. S, [avondalebrewing.com](http://avondalebrewing.com)).

**8:30 p.m.** Next is a 30-minute

### PEDAL TO THE METAL

Clockwise from top left: The Barber Vintage Motorsports Museum; Sloss Furnaces, a National Historic Landmark and now a popular concert venue; the 1925 Redmont hotel in downtown Birmingham.

drive (or cab) to the tiny, nearly empty downtown of Bessemer, Ala., unexpected seat of a James Beard winner for "American Classics." At 110 years old, the Bright Star is Alabama's oldest continuously operating restaurant. The Greek-meets-Southern eatery doubles as a sort of museum for Alabama college football, whose coaches and players often visit. Sit in the Bear Bryant booth and order the time-tested fried snapper throats served with a lemon wedge on a lone kale leaf garnish (304 19th St. N, [thebrightstar.com](http://thebrightstar.com)).

### DAY FOUR // MONDAY

**9:30 a.m.** After you check out, wake up with a cinnamon and Alabama honey latte at cult Southern roaster Revelator Coffee, a few blocks from your hotel (1826 3rd Ave. N, [revelatorcoffee.com](http://revelatorcoffee.com)).

**10 a.m.** Make a quick stop at the Peanut Place, where the antique roasters have been firing since the early 1900s. Grab a warm bag of spicy Cajun peanuts for the flight home (2049 Morris Ave.).

**12 p.m.** A half mile east at Yo Mama's, the crunchy, salty-sweet fried chicken and waffles might ruin you for life (2328 2nd Ave. N, [yomamasrestaurant.com](http://yomamasrestaurant.com)).

**1 p.m.** Before heading to the airport, take the highway 20 miles east of town to Leeds. You'll find the gleaming spoils of over 1,400 painstakingly restored bikes and cars set behind thick walls of pine. Founded by Bham businessman George Barber, the Barber Vintage Motorsports Museum displays some of the world's rarest motorbikes, including the mad-genius Britten V1000 (6030 Barber Motorsports Pkwy., [barbermuseum.org](http://barbermuseum.org)).

## OFF DUTY

THE WATCH MAN HOROLOGICAL EXPERT MICHAEL CLERIZO ANSWERS YOUR TIMELY QUESTIONS



# Watch Geek 101: A Beginner's Guide

**Q** I just got my first serious watch, a NOMOS Glashütte Club Campus, and now everyone is calling me a watch geek. What would it take to actually qualify as one?

**A** New-watch lovers like yourself often start out with a mission: to learn everything possible about mechanical watches. Let's begin with a reality check. True watch expertise involves mastering several disciplines, from engineering and metallurgy to esoteric gemology and oddly named tribology (the study of friction), to mention only a few.

I'm assuming you're looking for a more manageable crash course. Begin your journey to geekdom at Geneva-based Fondation Haute Horlogerie ([hautehorlogerie.org](http://hautehorlogerie.org)). This industry website offers a wide range of information, from watch wisdom to news in bite-sized bits. Click on "Encyclopaedia" on the menu bar to access descriptions of all types of watches: mechanical, quartz, complication or precious

Pause your studies for an eye-candy break: drool-worthy watch photos.

jewelry pieces. Then take a break from your studies for eye-candy: The site's "Legendary Watches" grid showcases 15 iconic designs, such as Cartier's Tank, Rolex's Oyster and Piaget's Polo, with chirpy callouts and drool-worthy photos.

Once you've digested this digital feast, move on to printed matter. Time's a wasting. A couple books to up your watch IQ: "The Theory of Horology" by Charles-André Reymondin, et al, is a textbook that's required reading at watchmaking schools, but you may find it too technical. For a less-intimidating tome, try "The Wristwatch Handbook: A Comprehensive Guide to Mechanical Wristwatches" by Ryan Schmidt, published last year. It's an exhaustively researched reference work in a glossy coffee-table-book guise for both newbie and veteran enthusiasts. I give it points for the museum-quality photos and Mr. Schmidt's clearheaded essays.

The New York-based author holds a certificate from Fondation Haute Horlogerie, but Mr. Schmidt's approach is far from haughty. He prides himself on being "brand-agnostic," democratically covering both large and small makers, vintage and modern timepieces and the widest price range "from entry level to the astronomically expensive," as his website notes.

Taking an era-by-era approach is a slim volume by Louis Nardin, also published last year, titled "The Magic Of Watches: A Smart Introduction To Fine Watchmaking." More thorough than its Cliffs Notes brevity might suggest, this nicely penned guide includes a timepieces timeline that identifies key periods (the groovy "Fantastic Plastic - 1980s," for example). It's a fun way to dip into watch history.

By now you will know a flying tourbillon from a fly-back chronograph, and you can tackle more eso-



teric study material. Push forward to sites such as A Blog to Watch ([ablogtowatch.com](http://ablogtowatch.com)) for erudite articles by David Bredan, a young watch enthusiast based in Budapest. Or monitor the quips of British contrarian Angus Davies, whose entertaining reviews on Escapement Magazine ([escapementmagazine.com](http://escapementmagazine.com)) will help you develop your vocabulary about mechanics and watch design.

Also instructive: Monochrome ([monochrome-watches.com](http://monochrome-watches.com)). Its

whip-smart editor Frank Geelen (who is based in the Netherlands), pens razor-sharp watch commentary with surgical precision.

Bucking the digital-only publishing trend, the New York-based site Hodinkee ([hodinkee.com](http://hodinkee.com)) known for its stories on vintage watches, just did a print edition. The company also hired Joe Thompson, the dean of American watch writers, who for 17 years was editor at "WatchTime," a bimonthly magazine that's still worth the subscription.

By now, you are likely ready to turn your attention to something that doesn't tick, such as an Irish Setter or a Whisky Sour. But if your quest for geekdom knows no bounds, get ready to travel. Watch devotees make pilgrimages to the world's big watch fairs, Geneva's Salon Internationale de la Haute Horlogerie and Baselworld, also in Switzerland, but two smaller notable fairs might suffice for fledgling fans: New York's Wind-Up and London's SalonQP. Have a nice trip.

## FÊTE ACCOMPLI A GOOD-LOOKS GUIDE TO RECENT EVENTS

### THE SUPERMODEL BLUES

**AT THE HEIGHT** of the New York Fashion Week bustle, a strategically denim-clad group congregated at Indochine, ready to frolic. The New York City restaurant, with its iconic banana-leaf-patterned walls, continues to hold sway among fashion designers and their chums. The occasion? A launch of a collection by Sean Barron and Jamie Mazur, co-founders of jeans label Re/Done, and model Cindy Crawford.

Though the event was billed as an intimate dinner, the place was jammed. "I've seen her, but I haven't actually seen her," said entrepreneur Deena Aljuhani Abdalaziz of Ms. Crawford, quickly scanning the room, as servers circulated morsels of spicy chicken and fluke carpaccio.

The supermodel had just started to circulate, glittering in a bejeweled black turtle-

neck and a pair of her mid-rise Re/Done/Levi's Crawford jeans. "A high waist looks so good on my daughter, but I put them on and I'm like 'nah,'" said Ms. Crawford, 51. It was her daughter, model Kaia Gerber, 16, who introduced her to the Re/Done brand.

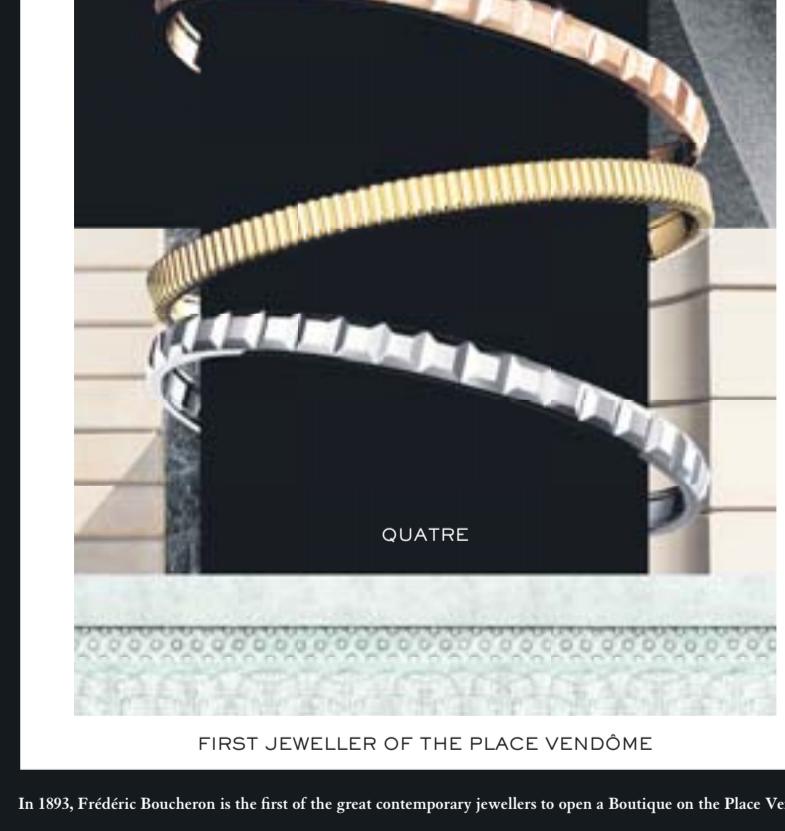
Clearly, good jeans—and genes—run in the family: Both Kaia and her older brother, Presley, 18, hit it big on the Spring 2018 runways with gigs at Alexander Wang, Coach and Marc Jacobs (Kaia) and Ralph Lauren (Presley). Despite the hectic pace, the Gerber pack, along with patriarch Rande Gerber, all showed up at Indochine. "We stay together," said Ms. Crawford. That is, until she and Kaia head off to Europe together (in denim, no doubt) for the next round of shows and events.

—Lauren Ingram



BILLY FARRELL AGENCY

## BOUCHERON PARIS



FIRST JEWELLER OF THE PLACE VENDÔME

In 1893, Frédéric Boucheron is the first of the great contemporary jewellers to open a Boutique on the Place Vendôme



## OFF DUTY

# The Insiders' Cider

Invigorating, earthy, dry and highly drinkable, Spanish ciders express a wild side we forgot the apple had

BY WILLIAM BOSTWICK

**A**PPLES ABOUND at this time of year, as fall's signature fruit spills from grocery bins around the country. But a crop so common still holds mysteries. Spanish cider, or *sidra*, reveals surprising facets of the apple (and occasionally the pear, too).

An ancient style that's landed stateside relatively recently, *sidra* is even winning over drinkers who had all but given up on cider. Until recently, Max Toste, owner of Deep Ellum bar in Allston, Mass., found all the ciders he tasted too sweet, too one-note. "Just apple juice," in his words. And for the most part, he was right: The majority of modern American cider is made not with old-fashioned cider apples—tannic, complex, powerfully sour fruit full of the acids that give good cider its sweet-sharp balance—but with the lunchbox-friendly sugar bombs most domestic orchard acreage is given over to these days.

Then, 10 years ago, Mr. Toste had a fateful sip. A friend had a find he wanted Mr. Toste—always a fan of odd, old beverages—to try. The corked, green-glass bottle with an indecipherable label held no clues. The liquid inside, poured into a delicate, thimble-size cup, was cloudy and nearly flat. And yet that cool dram gave off fireworks of flavor: tangy, earthy, spicy, bone-dry. "I couldn't believe how complex it was," Mr. Toste recalled.

He had found *sidra*, and he went on to make an enthusiastic study of this category. Spain grows hundreds of apple varieties—some 200 in Asturias, a region not quite the size of Connecticut on the Bay of Biscay from which most Spanish cider hails. These are "craggly apples you can't eat raw," Mr. Toste said. Varieties range from pucker-Raxao to sharply bitter Rengona, and frequently a single *sidra* will feature several.

In winter you might want something heavier, like a red wine, but in fall cider is light and refreshing.'

And whereas American and British cider makers favor clean and crisp-fermenting lab-grown yeasts, *sidra* ferments au natural, slowly and with relatively little resulting carbonation, thanks to wild yeasts and souring bacteria in the or-



### PICK OF THE BUNCH // OUTSTANDING SPANISH CIDERS TO SIP THIS FALL

#### 1 Trabanco Cosecha Pro-pia (6% ABV)

A great entry-level cider, sour and simple like Granny Smiths and grapefruits. Soft enough to drink alone but with a cutting edge that complements mellow, lighter autumn fare like *fabada*, an Asturian bean stew.

#### 2 Guzmán Riestra Sidra Brut Nature (8% ABV)

Titled using France's traditional méthode Champenoise, this bright and bubbling geyser of sharp funk is a perfect pairing with oysters.

#### 3 Isastegi Sagardo Natu-rala (6% ABV)

Funky and fresh, a Basque Country splash of salty ocean spray, racing and prickly. The fruit comes through woody and musty—fallen apples in

#### 4 Sidra Natural Riestra (6% ABV)

Made from equal quantities tannic Normandy apples and sour Spanish ones, this cider is still, dry and cloudy with a smoothly lactic, buttermilk bite. Great with fried seafood.

#### 5 Viuda de Angelón 1947 Sidra de Nueva Expresión (6% ABV)

Sidra de Pera (5.2% ABV)

A sparkling pear cider made from tannic cider-specific cultivars. Low in sugar but blossoming with fruity, floral notes—an orchard in late-season bloom.

Delicious with cheese or fruit desserts.

#### 6 Viuda de Angelón 1947 Sidra de Nueva Expresión (6% ABV)

Slightly sparkling, spicy and warm as fresh-

baked pie. Less sharp than most, this one's nice served at room temperature, to let its fuller-bodied sweetness shine.

#### 7 Bordatto Basa Jaun (7% ABV)

A variety show of 19 different apples, blended and bottle-aged. Slightly sweet with a rough, mineral finish: green apple rock candy, emphasis on the rock.

chards where the apples grow. "It's not about intervening or interfering, but curating what nature does," said James Asbel, founder of U.S. importer Ciders of Spain.

Though made simply, cider is served with flourish in Spain, poured from a wall-mounted barrel or bottle held high, sending a long arc of liquid into a small glass called a *culin*. The real point of this trick, called *escanciar*, or throwing, is aeration. The atmosphere at Spanish cider houses is raucous—sawdust-covered floors sodden with cast-off dregs, rafters echoing folk songs—and above the din, the ceremonial, thunderous *txotx*, or tapping of the cider barrels.

In autumn, cider is served with

harvest feasts of hearty farm-country fare. "The north of Spain is similar to the northeast U.S. in its weather and its food," said Jonah Miller, chef at Huertas, a restaurant in Manhattan heavily focused on the cooking (and accompanying drinks) of northern Spain. "In Asturias, rich stews and braises. In the Basque Country, big T-bone steaks." For all of which cider makes an ideal match. "In winter you might want something heavier, like a red wine, but in fall cider is light and refreshing but tart enough to cut the fat," Mr. Miller added.

Fitting, then, that the best places to find these ciders in America are a new generation of restaurants like Huertas that aim to reveal a more

nuanced picture of Spanish food, beyond the tired tapas and paellas that have often stood in for Iberian cuisine in this country. A combination of new Spanish cooking and customers willing to explore the more adventurous flavors of funk and sour have set the stage for *sidra* to gain ground here.

Still, *sidra* can, as yet, be hard to find outside of restaurants already hip to its charms. And when you do come upon a few *sidras* at your local bottle shop, how to choose the best? Mr. Toste has his own rule of thumb: The less English on the label, the better. "Look for all those crazy Basque words, lots of Ts and Xs."

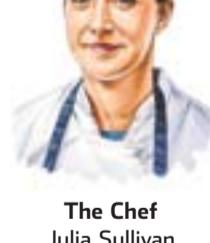
Forget helpful listings of apple

varieties or stamps indicating protected designation of origin. But you can generalize: "Basque ciders have a reputation of being more vinegary, more acetic, more tannic," said Mr. Toste. "They're made in a coastal area with more salt in the air, and closer to France, so they use French apples, which are more tannic." Asturian cider skews earthier and funkier.

But each cider producer is as unique as its trees and the microbes flourishing among them. Blame—or thank—that untamed fermentation. Nature commands the process of making *sidra*. They're all exciting, but the only way to truly know what's in each bottle is to taste for yourself.

### SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

## Steamed Clams With Basil-Cilantro Pesto



**The Chef**  
Julia Sullivan

**Her Restaurant**  
Henrietta Red in Nashville, Tenn.

**What She's Known For**  
Cooking that's at once modern and cozy. A way with shellfish, from raw to roasted. Fresh, bright dishes suffused with the flavor of wood fire.

**CLAMS GIVE** so much and ask so little. Just don't overcook them. That's about all you need to know to enjoy these bivalves at their plump and briny best.

At Henrietta Red in Nashville, chef Julia Sullivan has made shellfish a specialty. "Our clams are shipped in twice a week from a great producer out in Washington State," she said. She does right by them with a fast steam over high heat, preserving the clams' tenderness and catching their flavorful brine in a simple pan sauce.

In this version, her third Slow Food Fast recipe, Ms. Sullivan combines quick-

cooked clams with diced tomatoes, fennel and white wine. "It's summery and light," she said—just the thing for this in-between season when the days are still warm but the nights are longer and a bit chillier. For a little added heat, toss in a couple of minced Fresno chiles.

A swirl of basil-cilantro pesto stirred in before serving makes a delicious sauce of the clams' fragrant cooking broth, with a herbal edge and a bit of heft. Be sure to serve some crusty bread on the side to sop up every drop.

—Kitty Greenwald

**TOTAL TIME:** 15 minutes **SERVES:** 4

- |  |   |   |
|--|---|---|
| 3 cloves garlic, minced                  | 1 medium yellow onion, minced                 | 48 Manila clams or littleneck clams, cleaned and purged of grit |
| 3 cups basil leaves                      | 1 large fennel bulb, finely minced            | 1 large tomato, diced   |
| 1½ cups cilantro leaves                  | 2 Fresno chiles, seeded and minced (optional) | 4 slices toasted country bread                                  |
| ½ cup olive oil                          | ¼ cup white wine                              |   |
| Sea salt and freshly ground black pepper |   |   |
| ½ lemon                                  |   |   |
1. In a blender or food processor, pulse half the garlic with basil and cilantro. With motor running, drizzle in half the oil and season with salt and lemon juice to taste. Set pesto aside.  
2. Set a lidded heavy pot over medium heat. Swirl in remaining olive oil. Once oil is hot, add onions and fennel, and sweat until soft but not yet taking on color, about 5 minutes. Add remaining garlic and chiles, if using. Cook until aromatic, about 2 minutes.  
3. Add wine, increase heat to high and bring to a boil. Stir in clams, cover and cook until

shells begin to open, about 3 minutes. Add tomatoes and continue cooking, covered, until clams open completely and meat is plump, about 4 minutes more. Remove pan from heat and discard any clams that haven't opened.  
4. With a slotted spoon or tongs, divide clams among four bowls, leaving broth in pan. Stir half the pesto into broth, taste and adjust seasoning with salt and lemon juice.  
5. Ladle broth and vegetables over clams and drizzle remaining pesto over top. Serve with bread and an empty bowl for shells.



**HOT TAKE** Steamed over high heat just until they open, the clams in this recipe remain plump as they release their flavorful brine into the cooking broth.

## OFF DUTY

# Winking at a Vanished World

The artistic eccentrics of 19th-century Paris wouldn't recognize most of their old haunts, but a few colorful spots carouse on

BY TARA ISABELLA BURTON

**M**USÉE DE LA Vie Romantique, designed to honor the scandalous bohemians of early-19th-century Paris, sits, fittingly enough, just outside Montmartre, home to the no-less scandalous bohemians of that century's close. Walking along Boulevard de Clichy toward *la Butte*—the hill of Montmartre—I passed neon signs, sex shops and peep shows advertised in flashing lights, and the faded schoolhouse red of the Moulin Rouge. But in the hushed palatial entrance hall of the museum, everything was still. Inside, reverential portraits of the female novelist George Sand—in famous for dressing as a man, smoking cigars and seducing the composer Chopin—hung on the walls. The ground floor was full of splendidly upholstered furniture, designed to evoke the 1830s building's origins as home and salon for the Dutch-born painter Ary Scheffer. The era of the Vie Romantique was a time of romantic firebrands, idealistic scribblers and the muses they so often, if so briefly, loved. It was a time I had once dreamed of visiting.

I first fell in love with the Paris of the 19th century as a young teenager, naively in thrall to the mythos of the Moulin Rouge, its courtesans and poets and absinthe-induced visions. Though I lived in the far more staid *sixième* across the Seine, I bicycled alone to Montmartre in search of any remnants of that grand, melancholy excess. I'd go on pilgrimages to the grave of Oscar Wilde (buried at Pére Lachaise cemetery in the Belleville neighborhood), with armfuls of lilies, the flowers Wilde associated most with his cult of beauty. I'd stand outside Montmartre cabarets like Au Lapin Agile and dream of being sophisticated, or at least old, enough to en-



ALAMY

**STREET CRED** In Montmartre, the bohemian quarter of fin-de-siècle Paris, a few traces of its raucous past remain.

ter. A decade later, when I was finishing a doctorate in fin de siècle French literature, I decided to return to see if the various artistic waves of the 19th century still exerted the same power over me.

At first, I was disappointed. The streets at the top of Montmartre, where the absinthe flowed freely, and where Henri de Toulouse-Lautrec painted cancan girls and blowy barmaids, are today immaculate and chipper. Souvenir hawkers and two-penny portraitists fill the too-colorful Place du Tertre. A Starbucks nestles in the shadow of the restaurant La Crémillère 1900, where the Art Nouveau walls are as shiny as the Alphonse Mucha posters on sale at the stalls along the Seine. At 13, I was easily impressed. Now, *la Butte* felt less like a decadent carnival than like a manicured amusement park.

But down the hill from Place du Tertre, on the back streets of Montmartre and the increasingly gentrified nightlife district of Pigalle, I

saw glimpses of scenes out of Baudelaire and Toulouse-Lautrec. Among the sloping brick houses along Rue Lepic, for example, I found an anarchic café scene. Twenty-something women on café terraces wore mismatched fur coats and stoles, cloche hats. Outside La Caille, an oyster bar on Rue des Abbesses, a couple was doing the Lindy-hop on the pavement; an elderly, goateed man with pirate-style bandanna was bowing to his companions. In lieu of French chansons, the street-singer crooned David Bowie's "Space Oddity."

Over a café crème at La Villa des Abbesses, I took notes. A bit like Baudelaire, who turned *flânerie*—wandering and people-watching—into an art form, I found myself lost in the "immense joy [of setting] up house in the heart of the multitude, amid the ebb and flow of movement." The years had passed; the energy of the streets remained the same.

Late one night, I dropped by the Musée de l'Erotisme (open until 2 a.m.); a cheeky, seven-story celebration of Paris's long legacy of *amourees*. An exhibition of postcards (from the suggestive to the explicit) and newspaper articles traces the history of the area's *maisons closes*, the brothels that artists like Toulouse-Lautrec and poets like Baudelaire used as sources for personal and artistic gratification. (Lautrec painted the walls of a few as payment.) Equal parts comic and shocking, the musée's collections felt like winks at a vanished time.

For a more refined take on decadence, I headed into the 1st arrondissement: to Maxim's, the near-perfectly preserved Art Nouveau café beloved of courtesans and their well-heeled admirers since the late 19th century. The curator of the cafe's expansive fin-de-siècle art collections, Pierre-André Hélène, introduced himself with wry formality. "They say fortune comes while sleeping,"

he told me as we wandered the halls of the museum, citing an old French proverb about the sudden quality of fate. "But as the courtesan La Belle Otero said, it does not come by sleeping alone." Women like La Belle Otero, in other words, slept their way to the top. He led me upstairs to the private collection, accessible only via a twice-daily tour. On tendriled, ornate pewter and porcelain vases, he highlighted the female silhouettes and forms so common to Art Nouveau. "Women, women everywhere," said Mr. Hélène. "It becomes obsessive." There were dresses, wardrobes, a hand-carved bed. "You see the asymmetry?" he said, pointing out an imperfection in one intricately carved cabinet. "We call it *déjanté*. It means a little something off. Everything chic is always a little bit *déjanté*." He turned to the window. "It was another world," he murmured.

But sometimes that world came alive. One night, I met up with Massimiliano Moccia di Coggiola and his wife, Sorrel, both artists and proprietors of Dr. Sketchy's "anti-art" school, a monthly sketching lesson and cabaret. I joined them at Madame Arthur, a Belle Époque-style cabaret hidden on Rue des Martyrs in Pigalle. The building itself, with its deep turquoise walls and wood-carved balustrades, has been a nightclub for over a century. That night, the performers were drag queens, burlesque performers and androgynous artists in pancake makeup and false lashes. The crowd was varied: Massimiliano and Sorrel dressed in an approximation of 1890s attire, girls in mohawks sat at one table, a group of chic, expensively dressed Parisiennes in their 50s huddled around another.

But when a pianist in eyeliner, top hat and feather boa struck up the chanson "Madame Arthur," about a woman whose source of funds and furs was chalked up to her *je ne sais quoi*, everybody chimed in. It was bizarre, raucous, a little *déjanté*. It was exactly the city I had dreamed of.

### Special Advertising Feature

## CHECK IN FOR A LITTLE URBAN BLISS

**B**ardia Torabi, General Manager of Roomers Munich Autograph Collection, a newly opened five-star property, is pondering the meaning of luxury. It's an important question for a hotel aiming to redefine the guest experience in a culturally rich and elegant city where travellers can already choose from an impressive list of upscale hotels.

"For me, luxury today has nothing to do with champagne, caviar and gold columns," he says. "We're trying to interpret luxury at a different level, and that is something that differs from guest to guest."

Roomers is located in Munich's Westend Quarter, a reinvigorated neighbourhood with a diversity of restaurants, bars, cafés and shops old and new, within easy walking distance of Munich's main rail station. The famous Olympiapark—a sports venue built for the 1972 summer games and now an urban park used for many of the Bavarian capital's big social events—is nearby too.

Inside the hotel, 281 spacious guest rooms range in size from 25 square metres to 155 square metres, and each of the suites has a private sauna and a Jacuzzi on its terrace. When it comes to interior aesthetics, Mr. Torabi says, "We've worked with one of the best designers in the world—and that's Nature. You'll see a lot of wood, marble and leather here." These natural materials are enhanced by original artworks throughout the hotel, and a rich colour palette.

Roomers' stylish approach also extends to its dining experience: Izakaya is a Japanese-inspired restaurant concept from Amsterdam, says Mr. Torabi, citing the chicken katsu as his favourite dish on the menu, but adding, "I'm a fan of the burger with truffle mayonnaise too."

*'We're trying to interpret luxury at a different level.'*

After dinner, guests can retire to Roomers Bar where craft cocktails and a selection of shochu (a Japanese distilled liquor) are served. However, entry to its Hidden Room is by invitation only. Those lucky enough to be summoned walk through a tunnel to a second door, which opens to reveal a chic red den where a sultry chanteuse sings torch songs, or Munich's hottest DJ plays live. It stays open till 4 a.m.

Naturally, this property has a spa. "During my previous experience of opening hotels, the spa was always nice but nothing special, so this time we wanted to do something



The hotel's spacious guest rooms and suites range in size from 25 square metres to 155 square metres.



Roomers Spa continues the property's opulent theme.



Natural materials are enhanced by a rich colour palette.

totally different," Mr. Torabi explains. The Roomers Spa by Shan Rahimkhan continues the hotel's opulent theme, which will appeal to weekenders in town to enjoy Munich's rich art, opera and theatre scene, or early autumn's Oktoberfest, as well as to business travellers seeking a stylish setting in which to unwind after a busy day of meetings.

Beyond the treatment rooms, the spa has a large pool in which guests can float while watching movies on a full-size cinema screen in front of it. Just add a martini from the bar for total bliss.

"This is the first big five-star luxury design hotel to enter the Munich market," Mr. Torabi concludes. "Our motto is 'we love life' and we have the passion to share it. When you enter Roomers, we want you to be on a cloud."

**AUTOGRAPH COLLECTION<sup>®</sup>**

HOTELS

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## OFF DUTY

PILGRIMAGE

# How I Warmed To Concrete

A graduate of Phillips Exeter Academy returns to its celebrated but imposing library—and gets it

BY SARA BLISS

**T**HE FIRST TIME I saw the library at Phillips Exeter Academy, I didn't understand the fuss. For five hours in the car, my interior-designer mother raved about this triumph by mid-20th-century architect Louis I. Kahn. Arriving at the school's admissions office for my interview, however, I distinctly remember my 14-year-old self glancing at the library and thinking that nothing about the 1971 building said "masterpiece."

The brick nine-story cube—its corners chamfered and its windows and doorways forming a grid—stood bulky and boxy alongside the New Hampshire prep school's neo-Georgian dorms. Later, we passed through one of its unassuming glass and aluminum doors and entered a narrow vestibule dominated by a travertine double staircase. The steps' solid balustrades blocked our view until we reached the top—and then the heavens opened and the architecture angels sang. "Isn't it incredible?" my mother asked. It was impossible not to be awe-struck.

**'Kahn's library asks something of you in terms of engagement.'**

The atrium soars 67 feet, capped by massive concrete X beams filtering light from windows just above. Its concrete walls boast huge circular cutouts, across which run four open stories housing the book stacks, their in-facing walls clad in teak. "When you arrive at that central void you are delivered into an architecture that has a lot more presence and grandeur than the Georgian buildings outside," explained William Hall, author of "Concrete" (Phaidon), a book on contemporary buildings constructed of the material.

Still, during my first two years at Exeter, I almost never used the library. It was echoey and often cold. The built-in oak carrels and their spindle chairs, positioned near windows, were assigned to day students so they had a home base on campus. Boarders' versions were set away from the windows. I studied in the snugness of my room.

Senior year, I realized my lagging grades required me to sequester myself from the pull of friends across the hall and MTV dance parties in the common room. The utter quiet of the library served.

Kahn dispensed with the classic library layout: a central reading room with rows of desks and sallow



Spindle chairs add a touch of history.

lamp light. His square atrium remains nearly empty, and the outer rings of each floor offer sun-drenched sanctuaries that I found after some exploring.

Four cozy red armchairs on the main floor, each framed by an oversize rectangular window, and an empty carrel with views of the tree-tops became my go-to spots. All flood with light during the day.

William Whittaker, University of Pennsylvania Curator of the Architectural Archives, is not surprised the library revealed its charms to me slowly. "It's not just a building, it is a work of art, and works of art take time," he said. "Kahn's library asks something of you in terms of engagement and connection."

I recently returned to the library, after two decades. The moment at the top of the stairs still took my breath away. This time, however, I kicked myself for not spending every minute I could studying there.

Almost 50 years old, the building remains contemporary; its massive cutouts and materials cutting-edge. "Concrete paired with teak provides instant tension and excitement in the space," said Mr. Hall.

Today, the formerly industrial material still conveys modernity. Retailers like West Elm and CB2 hawk concrete tables, stools, planters. "It has a clean contemporary look that brings a lot of dimension to a space," explained Olivia Rassow of AllModern, a retail site devoted to contemporary furniture.

Architect and designer Craig Bassam, inspired by a 2011 trip to Exeter library, created his own take on the spindle chair for BassamFellows. "Kahn didn't choose chairs that would have identified the building as a 1970s structure," he said. "He chose an archetype that is super minimal and structurally sound. Kind of a radical choice."

Kahn's obsession with natural light stayed with me after my revisit. At home, I usually huddle at my desk in a corner of the apartment. Today, I moved to the dining table, which sun hits all day. Everything seems clearer, crisper, even happier bathed in light.

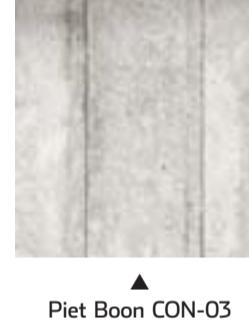


IWAN BAAN (INTERIORS)

**KAHN ARTISTRY // THE STYLE OF THE MODERNIST'S MASTERPIECE BROUGHT HOME**



Concrete Tape Dispenser  
Small, \$25, [areaware.com](http://areaware.com)



Piet Boon CON-03  
Concrete Wallpaper,  
\$299 per roll, [nlxl.com](http://nlxl.com)



Matter  
Lamp, \$319,  
[schoolhouse.com](http://schoolhouse.com)



BassamFellows  
Spindle Chair,  
from \$1,630,  
[dwr.com](http://dwr.com)



Mid-Century Wall Desk,  
\$1,600, [westelm.com](http://westelm.com)



Cubic Geometry  
SIX-11, \$400,  
[davidumemoto.com](http://davidumemoto.com)



Lipscomb Coffee Table, \$725,  
[allmodern.com](http://allmodern.com)

## FRESH PICK



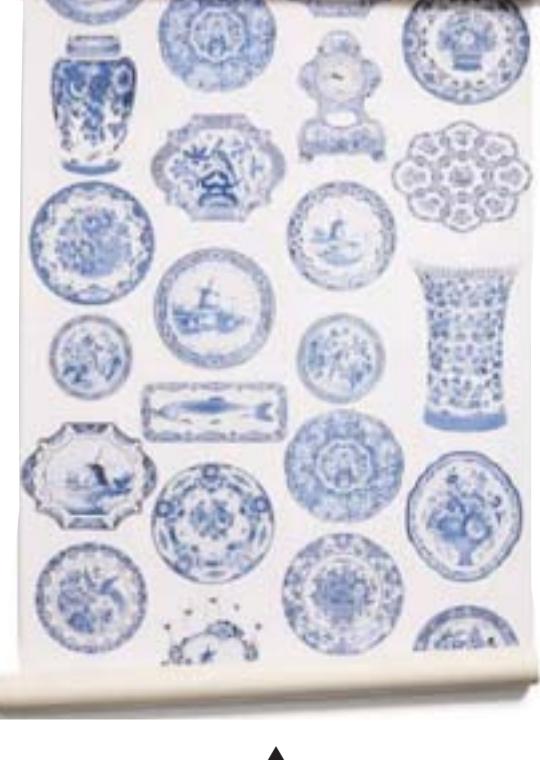
Clockwise from top: Royal Delft Blue Fabric in Eternity, Inspiration and Icons Patterns, \$284 per yard, [starkcarpet.com](http://starkcarpet.com)

## A TWIST OF PLATE

The famed Delft pottery pattern is reimaged as dishy fabrics and wall-coverings

**WE ALL KNOW** the iconic Delft pattern: the blue-and-white windmills, peacocks, florals that hail from Holland and are as deeply Dutch as Vermeer. But until recently, it lived chiefly on pottery. For the first time in the 400-year history of Royal Delft, the last remaining factory of 33 in the earthenware's namesake city, the pattern is migrating deftly to furniture and walls. This fall, Scalamandre introduces the Nicolette Mayer-Royal Delft Collection of 17 wallpaper designs and 10 textiles.

Ms. Mayer, a Palm Springs, Fla.-based textile designer, collaborated with the legendary delftware factory, combining motifs from pottery introduced in the late-1700s with more modern touches. She also brought a welcome breath of modernity to the wallpaper by using grass cloth and nonwoven papers that might have disoriented Vermeer. Interior designer Mark Sikes suggests using the same pattern of wallpaper and fabric to envelop, drape, even upholster a single room: "It creates a single point of view and it's also so easy." The delicate floral prints lend themselves to a bedroom while the tableware-heavy motifs better suit a kitchen or dining room, creating the illusion that different plates—and rather precious ones at that—hang on the wall. —Eleanore Park



Royal Delft Collections Blue Wallpaper,  
\$184 per yard, [starkcarpet.com](http://starkcarpet.com)

## OFF DUTY

### THE MEDIATOR

# In Search of Finer Dining

**The Challenge** To bridge the stylistic conflict in a couple's dining room between a hulking iron sideboard and a refined, Midcentury Modern-inflected table set. Designers suggest pieces that will help the two get along



From left: Charlotte Chairs, from \$1,700, and Cassidy Table, from \$9,400, both Noé Duchaufour-Lawrence by Bernhardt, [bernhardtdesign.com](http://bernhardtdesign.com). Industrial Tool Chest Small Sideboard, \$1,095, [rh.com](http://rh.com)



**Solution 1**

**Introduce metal and wood shelves, then fill them with a unifying color.** New York architect and interior designer Charles Nafie recommends Altai shelving, from Skram Furniture. Ebonized ash wood shelves and metal supports combine the materials of the elegant walnut dining set and right-angled iron sideboard. And the unit's grid, so light and airy, combines geometry and grace. "Then you bring some life and color with accessories in the unit," he said, "possibly tying in with the color of the upholstery you've chosen for the seats." Altai Shelving, \$8,375, [skramfurniture.com](http://skramfurniture.com)



**Solution 2**

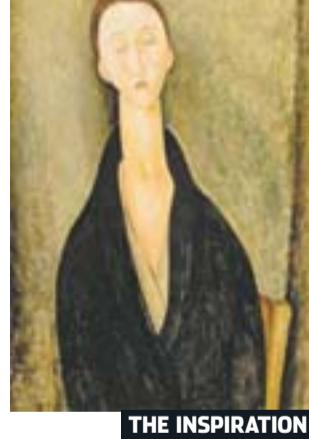
**Add a lamp that's both organic and geometric.** "I love how the rounded body speaks to the table and chairs and the square shade relates to the panels in the chest," said Los Angeles designer Amy Sklar of the French midcentury light fixture she suggested. The ceramic's random, naturalistic pattern and texture balances the industrial character of the sideboard, which is modeled on a turn-of-the-20th-century French toolbox. And, of course, the lamp's color "brings in the yellow of the dining chairs' upholstery." Monumental Vintage Yellow Ceramic Lamp, \$975, [chairish.com](http://chairish.com)



**Solution 3**

**Borrow scale from the chest and color from the seats' upholstery.** New York designer Caleb Anderson recommends this nearly 3-foot-square giclée print. Sizable, dramatic and squared-off, it echoes the buffet's weighty presence but also nods to the table and chairs in its palette and 1950s-style abstraction. Mr. Anderson said many home-goods retailers now include art in their offerings, including affordable high-quality prints that give a sense of brush strokes. "It gives people the opportunity to have artwork of size in their home," he said. Sun Kissed Abstracts, from \$850, [wshome.com](http://wshome.com)

## FLOWER SCHOOL



**THE INSPIRATION**

Willow and fading Limelight hydrangea capture the sadness of painter Amedeo Modigliani's portrait, 'Lunia Czechowska' (1919)

Vessel: Nancy Bauch of White Forest Pottery, designer's own



**THE ARRANGEMENT**

## A FALL BOUQUET À LA MODIGLIANI

Floral designer Lindsey Taylor riffs on a melancholy portrait by the Italian artist

**THE MOURNFUL MOOD** of artist Amedeo Modigliani's work seemed apt for a season marked by decay and the baring of trees. So, for my September arrangement, I was understandably drawn to "Modigliani Unmasked," an exhibit running until Feb. 4 at the Jewish Museum of New York, particularly this affecting 1919 oil portrait, "Lunia

Czechowska."

I started with an almost black vase I've long owned, as attenuated and somber as Lunia herself. Sometimes when the vessel looks so much like the art work, it's tricky to avoid making the floral portion look redundant. So I kept the flowers, all from my yard, simple.

Leafy salix purpurea 'Nana'

willow had the right sage color and busyness of the brushy background. Fading Hydrangea paniculata 'Limelight'—white, cream and pink—echoed the subject's face, and the buttery green of a zinnia stood in for the highlights in her skin. An annual, Ammi 'Dara,' added a cascade of plums and pinks, its droop aping Lunia's forlornness.

## FAST FIVE

### THROWAWAY REMARKABLE

We searched for wastepaper baskets that aren't covered with twee florals or decoupage spaniels. Below, the results

Swing Bin, about \$70, [store.moheim.com](http://store.moheim.com)

Quartz Modern Recycling Bin, \$48, [rebinus.com](http://rebinus.com)



Sophia Black Wire Wastecan, \$50, [cb2.com](http://cb2.com)

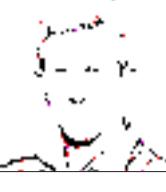
Hollywood Wastebasket, \$98, [jonathanadler.com](http://jonathanadler.com)

Painted Lady Waste Bin, \$275, [nickeykehoe.com](http://nickeykehoe.com)

Market Edit by Cara Gibbs

## OFF DUTY

RUMBLE SEAT DAN NEIL



# Frankfurt 2017: China, EVs, and Dieselgate

TWO WEEKS ago (Sept. 11), the night before the IAA Frankfurt International Motor Show opened to the press, I strolled through the doors of Daimler Mercedes-Benz' vast, lighter-than-air pavilion thinking I knew the story. I even had a headline: Daimler AG's Stuck Throttle.

The oldest and biggest of the German automaking giants, Daimler's recent financials have rocked. Group revenue was up 3% (153.3 billion Euro) in 2016, with record profits (8.8 billion). Mercedes-Benz Cars in particular has come roaring back to retake the title of world's number-one premium luxury brand. Sales were up 9% in Q2 2017 alone. Product design is killing it.

Even the Formula One team is winning. Lounging on stage, an Amazonian creature in a windswept carbon-fiber negligee: the Mercedes-AMG Project ONE, a street-legal hypercar built around the +1,000-hp hybrid powertrain of a Formula One car. Each of 275 copies costs \$2.7 million Euros. The engine revs to over 11 grand. That should be lively.

But Daimler's solemn commitment to eternally high returns, what it calls a "sustainable" 10% net profit to shareholders, means it can't let off the throttle, ever. And it's heading for a wall. A Great Wall. In China.

See? I even had catchy phrases at the ready.

Two days before Daimler's pep rally, on Sept. 9, industry ministers in China confirmed that, like France, the U.K., Norway and the Netherlands, the world's largest vehicle market (24.4 million in 2016) would phase out fossil-fuel vehicle sales in favor of widespread, state-sponsored vehicle electrification.

Because of climate change? Sort of, sure. But with its cities shrouded with deadly tailpipe smog, China's air-quality concerns are more regional than global. The nation of 1.37 billion souls is also trying to kick the imported-oil habit. China has already outlined tough electrification mandates for automakers,



with costly penalties behind them, that have left the German automakers crying for mercy. With German Chancellor Angela Merkel's help, they got the start date pushed back to 2019.

Though not unexpected, China's announcement brings two things to the EV battery industry it sorely needs: certainty of demand (albeit compulsory) and scale. Global battery production is expected to double in the next five years. As down-payment on its plan to lead the world in energy storage devices, China will add 120 gigawatt-hours of annual battery production capacity by 2021. That's three times the output of Tesla's Gigafactory. VW Group board member for research and development Ulrich Eichhorn told Automotive News the company will need 200 gigawatt-hours worth of batteries by 2025 to meet its

goals.

Now sooner than later, China's mandates will push the market price of batteries below the \$100/kWh threshold at which—thereabouts, all things equal—an EV design attains cost-parity with an internal-combustion vehicle. After that, Katy bar the door.

The other skunk at Daimler's picnic was Dieselgate. Two years after clean-air investigators discovered emissions-cheating software in VW Group products, affecting more than 11 million vehicles world-wide, the scandal and public ire has become general. In remarks from the stage, Daimler AG chairman Dr. Dieter Zetsche pushed back on growing sentiment in Europe to restrict diesel vehicles if not ban them altogether. "It's a fact that it's worthwhile to improve modern diesel engines rather than to ban them,"

Mr. Zetsche said. "That is why Daimler has invested 3 billion Euros in the further development of our diesel engines."

With respect, that is a bit post-hoc: It's the 3 billion Euros already spent that makes it worthwhile, not the other way around. Even the Project ONE raised an eyebrow.

In any event, Mr. Zetsche will have to take it up with the people and parliaments of Europe. In the two years, diesel's market share has fallen by 8%. Even in the home court of Germany, sales fell 14% in August from 2016. Madrid, Paris, and Athens have announced diesel bans to combat urban concentrations of NOx and particulates, coming fully into force by 2015. Even Daimler's hometown of Stuttgart wants to brush the city's famous soot from its shoulders.

It's worse that it looks. In West-

ern Europe the carmakers depend on the profits from large luxury vehicles, many with diesel engines, which produce less carbon per kilometer than gasoline equivalents.

Without diesel's carbon offset, automakers have no hope of meeting the European Union's fleet-average standards (95 grams per kilometer by 2021) or avoiding hefty pollution fines, Brussels' bill for noncompliance.

China's EV mandates represent a whole new industrial super-gravity.

The theme of Mercedes-Benz media gala was #settingthemood; but everywhere I looked I saw #sunk-costfallacy, the human tendency to double-down on bad bets, for fear of losing what economists call sunk costs. But sunk costs are not recoverable in any case, thus the fallacy.

It's hard knowing when to walk away. But walk away. Diesel is politically doomed in Europe. China's electrification mandates represent a whole new industrial super-gravity. Given these events, and rising public sanction, Mr. Zetsche, how long can the German car industry afford to hang on to diesel? Long enough to recover sunk costs? Oh dear.

Anyway, even that wasn't the big story, the real story. Did you see those heels F1 driver Lewis Hamilton was wearing? G'wan, mate.

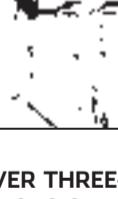


BMW Concept X7 iPerformance is a near-production-ready full-size, three-row SUV. Without diesel, German automakers' big-car profits in Europe are at risk.



The electric, autonomous Audi Aicon (A.I.) concept offers a preview of driverless luxury cars. There are no pedals or steering wheel in the cabin.

THE FIXER MICHAEL HSU



## Tiny Tech Hacks for When You're In a Pinch

OVER THREE-AND-A-HALF years, I've had the privilege of trying to solve your tech and gadget problems. I'll be moving on to other adventures soon. For my last column, I wanted to share a few tips that readers of The Fixer—a very inventive group—have shared with me.

### Turning Your iPhone Into A Magnifier

After I ran a column about gadgets for reading small type, Larry Wiggins emailed me about a trick he uses to turn his iPhone or iPad into a digital magnifier: Open the Camera app, aim your device at the offending tiny text, then zoom in on it using the pinch-out gesture. "You can vary the zoom level easily," Mr. Wiggins writes. The iPhone and iPad's official Magnifier function, enabled by going to "Settings" followed by "General" and "Accessibility," achieves the same effect.

### E-Books on the Cheap

In response to a column about ways to score free e-books, Jim Vander Spek and others emailed to let me know about BookBub ([bookbub.com](http://bookbub.com)), a site that alerts you to

discounted titles for your Kindle and other e-readers. After you register with the site, it emails you updates so you can track specific authors or genres as relevant books go on sale. Among the current titles the site is highlighting: Martha Stewart's "Martha's American Food," and Jon Meacham's Pulitzer Prize-winning biography of Andrew Jackson, "American Lion"; both are selling for \$3.

More than a few readers expressed surprise that I hadn't mentioned Project Gutenberg, a volunteer-run site that offers over 54,000 free e-books. You can import Project Gutenberg books to a Kindle by opening the Kindle's web browser and visiting [m.gutenberg.org](http://m.gutenberg.org). Alternatively, import titles to your smartphone's Kindle app. Just visit the same URL from your smartphone's web browser, choose a title, then tap the Kindle format. You'll be prompted to "Open in Kindle." Agree, and—whoosh—the book is yours.

### A Duct Tape Alternative

As you might expect, I can't live without duct tape, but I'm not crazy about the gummy residue it sometimes leaves. Gaffer tape pos-



sesses similar fix-it-all powers but comes off more cleanly and tears more neatly. Allen Green emailed me about a product his company offers called MicroGaffer ([microgaffer.com](http://microgaffer.com)). It's the same gaffer tape that photo, video and audio pros use to wrap cables, but while theirs arrives in a huge heavy roll (usually weighing over a pound), 1-inch-wide MicroGaffer is sold in a more manageable size that weighs just 2 ounces. MicroGaffer costs \$21.50 for a four-roll pack.

KIERSTEN ESSENPREIS

IT'S BEEN AN honor writing this column. Thank you for reading and for sharing your frustrations and insights with me. In his final personal-advice column for Salon, Garrison Keillor wrote, "It was exhilarating to get the chance to be useful, which is always an issue for a writer." I feel the same way. My sincere thanks for the opportunity to solve a small, specific problem or two.

# MANSION

'If you don't find it in the index,  
look very carefully through the  
entire catalogue.'

—Sears, Roebuck and Co. 1897 catalog

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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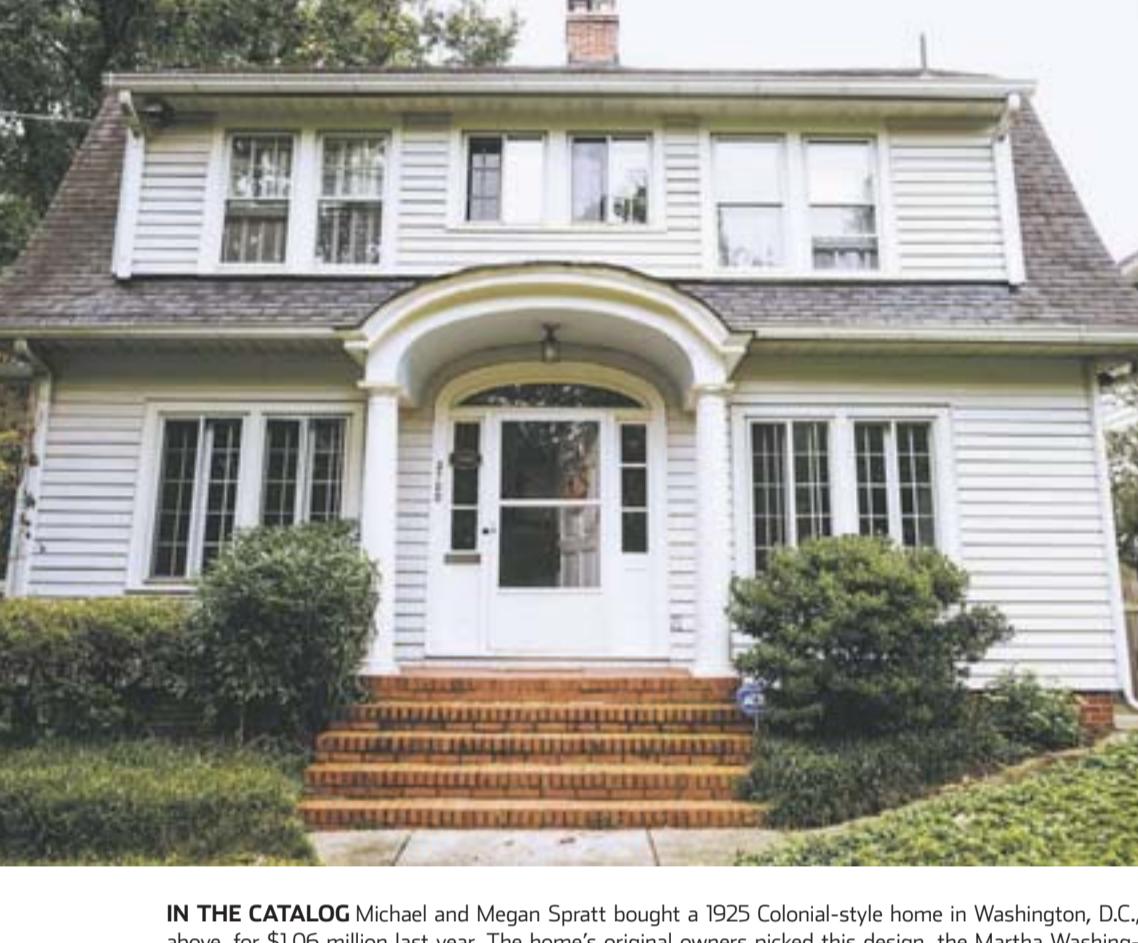
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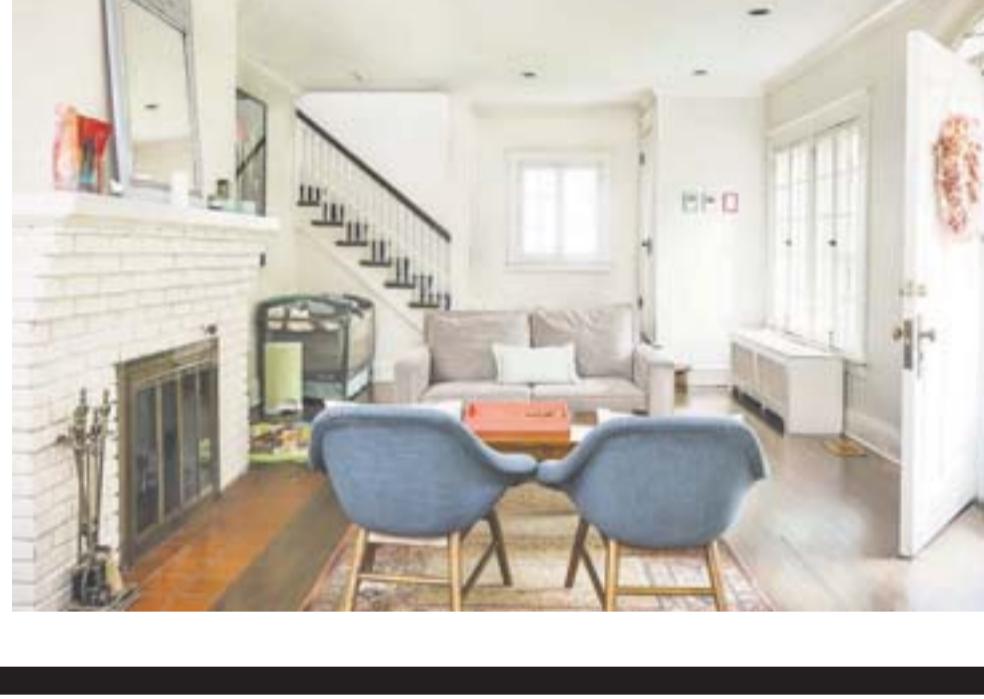
## Kit Homes: An Appreciation

Sold from the pages of a catalog, these houses had high-quality materials and were shipped to faraway places. Those that remain today can sell for over \$1 million.

ELMER KAPLAN FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)



**IN THE CATALOG** Michael and Megan Spratt bought a 1925 Colonial-style home in Washington, D.C., above, for \$1.06 million last year. The home's original owners picked this design, the Martha Washington, from the pages of a Sears, Roebuck and Co. catalog, right. Top right, the Spratts with their children, Trevor and Genevieve; below, the living room.



BY NANCY KEATES

**A 1925 COLONIAL-STYLE HOME** in Washington, D.C., that sold last year for \$1.06 million had humble beginnings. It was a Sears, Roebuck and Co. kit home, the Martha Washington, advertised in the company's ubiquitous catalog for \$3,727 in the 1920s.

"It was something that made it unique," says Michael Spratt, an attorney who bought the house with his wife, Megan. "It was really solidly built."

From 1908 to the 1940s, Sears, Roebuck sold an estimated 70,000 kit homes in about 370 different styles, from Colonials to bungalows. In the 1920s, prices

Please turn to page W14

## IN LONDON, BUYERS LIKE IKE

The World War II headquarters of Dwight D. Eisenhower on Grosvenor Square are being transformed into luxury residences, with some priced above \$65 million; more than half have already been sold.

BY RUTH BLOOMFIELD

**DURING WORLD WAR II,** Gen. Dwight D. Eisenhower masterminded the victory of the Allied forces from an office on London's Grosvenor Square.

The view of the tree-lined square that the future president looked out upon has changed little since the 1940s—but London's property market certainly has.

Eisenhower's former military headquarters are now being transformed into luxury residences, with some priced above £50 million, or about \$67.7 million.

By next summer when the redevelopment of 20 Grosvenor Square is complete, the large private office used by Eisenhower as his U.K. base in 1942 during the Allied invasion of French North Africa, and in the immediate run up to the D-Day landings of 1944, will have been repurposed into two first-floor bedroom suites.

"When we first bought the building we found a giant map of the world, with the U.S. right in the middle, in what was Eisenhower's of-



**LONDON LUXE** A rendering of the redeveloped 20 Grosvenor Square, set to be completed next summer.

fice," said Alex Michelin, co-founder of Finchatton, the project's developer.

The map proved too fragile to salvage, but the floor plaque commemorating the

building's role as the former headquarters of the U.S. Naval Forces Europe will be re-

purposed as a table top for one of the building's commu-

Please turn to page W10

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## MANSION

# IN LONDON, BUYERS LIKE IKE



FINCHATTON (2); DWIGHT D. EISENHOWER PRESIDENTIAL LIBRARY & MUSEUM (HISTORICAL)

Continued from page W9

nal areas.

Other than the building's red-brick facade, this plaque will be the only original feature in a redevelopment that has involved entirely rebuilding the inside of the building.

Grosvenor Square was laid out in the 1720s as a Georgian garden square surrounded by townhouses. An early resident was John Adams, first American minister to Great Britain, and the second president of the U.S., who lived on the square between 1785 and 1788. The square is at the heart of the Mayfair neighborhood, which was, at the time, almost exclusively residential. But over the centuries that followed most of the original houses were demolished and rebuilt (often several times) and gradually replaced with offices, apartments, as well as the U.S. Embassy and the Canadian High Commission.

During World War II, the U.S. Navy took over a 1930s apartment building on the square. Eisenhower's arrival prompted its nickname, "Eisenhowerplatz," in honor of the Supreme Commander of the Allied Expeditionary Forces.

The Navy continued to use the building until 2009. In 2013 it was sold to Finchatton and the Abu Dhabi Investment Council for £250 million.

Permits for the 250,000-square-foot building's conversion into 37 residences was granted in 2014, and the first owners will move in next summer.

The developers added two extra stories to the building, bringing it to eight stories. They also sunk a three-level basement beneath the building, which will provide space for a host of amenities: a pool surrounded by four-poster day beds, a wine cellar, a games room, function

**GENERAL IDEA** Above and below, interiors of the residences at 20 Grosvenor Square, shown in renderings; right, Dwight D. Eisenhower meets with military aides at 20 Grosvenor Square in 1944.



and meeting rooms, and a movie theater with leather armchairs and cocktail lounge style tables.

The interiors are a symphony of slightly bland good taste: kitchens designed by Finchatton and built by Bulthaup, bathrooms in a mixture of black-and-white, book-matched marble, a color scheme heavily dominated by tones of gray and taupe, silk carpets and linen wallpapers.

The residences officially go on sale this month, but buyers have been quietly picking up homes at 20 Grosvenor Square ever since news of Finchatton's purchase of the building broke. More than half of the residences already have been sold.

Charles Leigh, sales director at Finchatton, said buyers range in age from their early 30s to late 70s, and come from all over the world, with countries including India, Belgium, Chile and Russia represented; there are also buyers from North America and the Mid-

dle East. Three sets of buyers have purchased two apartments each; they plan to live in one and use the other to house ageing relatives or student offspring.

These buyers do have one thing in common: extreme wealth.

Apartments sold so far range in price from about \$23 million to "north of" \$67 million, with homes overlooking the square commanding about \$10,000 per square foot. On average, the development has sold at around \$4,700 per square foot

Currently available are three- to four-bedroom apartments, starting at about \$23 million, and five-bedroom apartments that are "just shy" of about \$54 million.

Finchatton has now owned 20 Grosvenor Square for four years, negotiating its purchase as prime central London's market was starting to recover from the recession.

While workmen were digging out its basement and removing its innards, prices in prime London were soaring as international buyers piled into its luxury market.

Over the past two years, however, prices have peaked, plateaued and fallen. According to Knight Frank, prices

dropped an average of 6.7% across prime central London in the year to January, with Mayfair enduring a fall of 4.4%.

Mr. Michelin, along with most observers, blames the stumbling

market on a series of increases in Stamp Duty rates imposed by the British Government. Anyone spending £50 million, or about \$67.7 million, on a second home in London will now incur a levy of £7413.750, or a little over \$10 million.

"The biggest difference ... [in the market] ... is a lack of urgency," he said. "People still have money, and a desire to buy in London, but these people are usually discretionary and there is no feeling that if I don't buy this I am going to lose it."

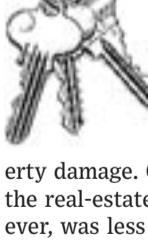
Nonetheless, apartments at 20 Grosvenor Square have continued to sell, slowly but steadily.

A selling point is the involvement of Four Seasons Hotels and Resorts, which will run the building's services. Residents will pay an annual service charge of around \$16 to \$19 per square foot, covering maintenance and access to the leisure facilities, and will pay on top of that for "extras," which range from grocery delivery and dog walking to massage treatments.

SPREAD SHEET | ALINA DIZIK

## HARVEY'S EFFECT ON HIGH-END HOMES

In Houston, closings on luxury homes fell sharply after the hurricane, but listing and sales prices dipped only slightly after the storm



Hurricane Harvey wreaked havoc on Houston and caused billions of dollars in property damage. One segment of the real-estate market, however, was less impacted: luxury homes.

While the number of sales that closed fell markedly after the hurricane, both listing prices and sales prices fell only slightly, according to Multiple Listing Service data from the Houston Association of Realtors.

The median list price was down 3.1% and the median sales price was down 2.2%.

For its analysis, the association looked at luxury-home listings, defined as \$1 million and up, between Jan. 1 and Aug. 24, and compared data to listings between Aug. 25 and Sept. 11. In its analysis of home sales, the association compared sales between Aug. 7 and Aug. 24 to



those between Aug. 25 and Sept. 11.

Only a slight price decrease for luxury homes is predicted in the coming months, says James Gaines, chief economist at the Real

Estate Center at Texas A&M University. "We're expecting it to bounce right back up," he says. "For the most part, these [homeowners] were able to absorb it."

Real-estate agent Tim

Surratt says he is fielding dozens of calls from homeowners who are considering listing their flood-damaged homes. He is also hearing from potential buyers looking to buy a fixer upper.

### Ebb and Flow

The change in inventory and sales prices of homes listed for over \$1 million in Houston two weeks before and two weeks after Hurricane Harvey struck.

	Before Harvey	After Harvey	% Change
Median list price	\$1,574,000	\$1,525,000	-3.11%
No. of listings	1,420	1,528	7.61%
Median sale price	\$1,385,000	\$1,354,000	-2.24%
No. of sales closed	103	50	-51.46%

Source: Houston Association of Realtors, MLS

"It's a juggling act," says Mr. Surratt, who is with Greenwood King Properties. Those looking to make a purchase are now more concerned about previous flooding, he adds.

Celebrity photographer Evin Thayer is keeping his \$1.2 million contemporary home—not damaged in the flooding—on the market. He is betting that some buyers are eager to invest in a never-flooded home in Houston Heights, which sits on high ground. Despite regular

showings, Mr. Thayer, who is working with Mr. Surratt, hasn't received any offers. "It's been quiet," he says.

More buyers are thinking vertically these days, says Robert Bland of Pelican Builders, developer of the Wilshire, a luxury condo building under construction in the River Oaks District. Ten days after the storm, Mr. Bland signed four contracts for units ranging from \$800,000 to \$3 million. "In a twisted kind of way, it's been a plus," he says.

## MANSION

HOUSE CALL | MICHAEL MCDONALD

# No Record Player, but a Honky-Tonk Piano

The former Doobie Brothers lead singer recalls the battered upright in his family's Missouri basement

**My life changed the day my father brought home a piano. It was a huge, ornate upright grand, and a lot of the ivories on the keys were missing. As my father and his friend struggled to get it down to the basement, he had to swat me away. I kept trying to play it.**



Louis streetcar driver. When the city pulled up the tracks and replaced them with buses, it broke his heart. He drove a bus but soon worked his way up to the bus company's insurance division.

My mother, Mary Jane, ran an S&H Green Stamps redemption store. She worked tirelessly and didn't have much time left to raise my sisters, Kathy and Maureen, and me the way she probably would have liked.

My parents loved popular music. My dad knew who wrote all the songs, and he had great respect for songwriters. His passion rubbed off on me.

When I was 7, I was walking through the lobby of my aunt's apartment building in St. Louis. As I shuffled my feet on the marble surface, I made up a melody. I thought, "Yeah, I can do that, I can write songs."

My first collaboration was with my father when I was 10. He gave me a sheet of lyrics he had written at work. The title was "My Heart Just Won't Let You Go." I wrote the music in about 10 minutes.

After my parents divorced when I was 11, my mom sold the house and we moved to an apartment complex off West Florissant Avenue. The piano didn't make the trip. Their split was hard on me. My dad and I were close and I only got to see him on Saturdays. He soon started another family.

I know it's strange, but I never owned a record player and never

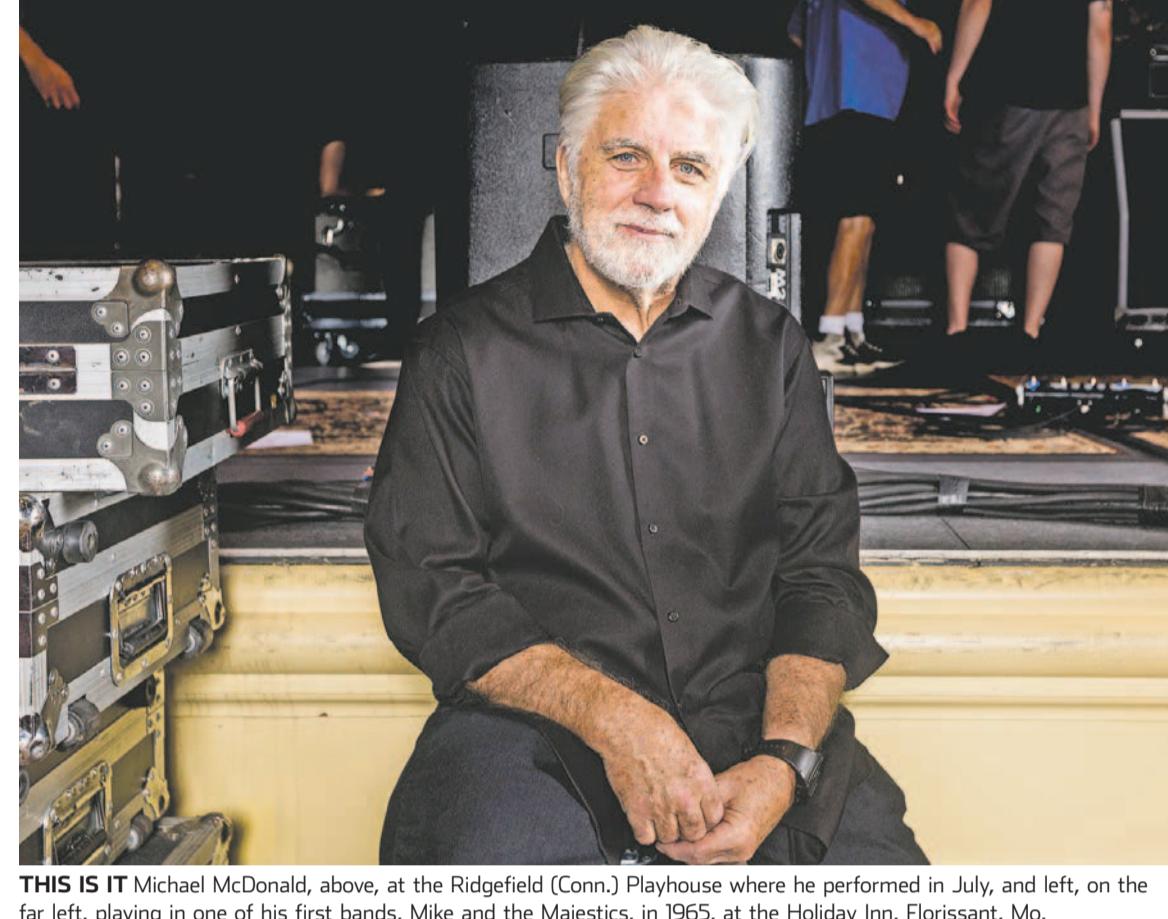
I was 9, and the piano went downstairs because my parents didn't want me banging on it upstairs in the main house. The piano was pretty beat up, so I eventually put metal thumbtacks in all the hammers that struck the strings. They gave the piano a tinny, honky-tonk sound.

I was born in St. Louis but grew up in the suburbs of Ferguson, Mo. Our three-bedroom house on Highmont Drive was in a postwar development with one bathroom, a kitchen and a dining room.

My attention span was awful. My parents had been trying to get me interested in something—anything. Before long, the piano was all that mattered. I wound up taking only six months of lessons and I never had a voice lesson. I had a pretty good ear.

I was always down there playing, often in my underwear. The basement was one of the few cool spots in the house. When my older sister, Kathy, came down with her friends, they'd see me and laugh. I'd play them their favorite songs.

My father, Robert, was a St.



**THIS IS IT** Michael McDonald, above, at the Ridgefield (Conn.) Playhouse where he performed in July, and left, on the far left, playing in one of his first bands, Mike and the Majestics, in 1965, at the Holiday Inn, Florissant, Mo.

had much of a record collection. After we moved, I had a Wurlitzer keyboard that I played all the time in bands.

Through much of high school, I was in a 12-piece soul dance band called Jay and the Sheratons. We were the house band at a club in Ferguson and backed everyone who came to town, including Chuck Berry.

In August 1970, after my junior year of high school, I dropped out and went on the road with Blue, my four-piece band. We played a lot of small college towns. At a club in Champaign-Urbana, Ill., I

ran into Rick Jarrard, a record producer from Los Angeles.

Rick hired me for his production company and sent me a plane ticket and some cash, and off I went. He gave me my start.

My wife, Amy, and I divide our time between Santa Barbara, Calif., and Nashville. I record a great deal in Nashville, so when we're there, we stay in our one-story brick ranch on 3 acres with my studio off the back.

Amy loves our Santa Barbara home. It's a one-story, three-bedroom clapboard ranch house, and an ocean breeze comes up the can-

yon. We just moved our master bedroom to the back. Now we have a view of the meadow preserve that runs to the ocean.

For years I'd run into my father's lyric sheet for "My Heart Just Won't Let You Go." When we renovated, I foolishly put the sheet in a book for safekeeping. Now I can't remember which one.

—As told to Marc Myers

**Michael McDonald, 65, is a Grammy-winning singer-songwriter who was lead singer of the Doobie Brothers. His latest album is "Wide Open" (BMG Soundstage).**

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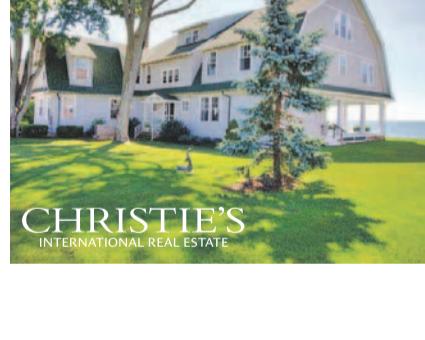
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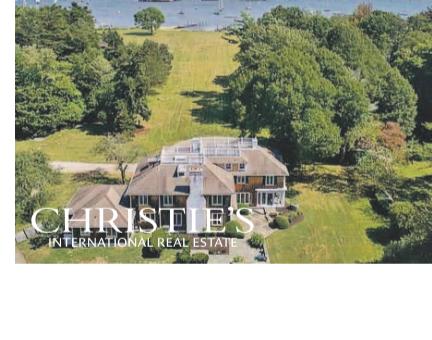


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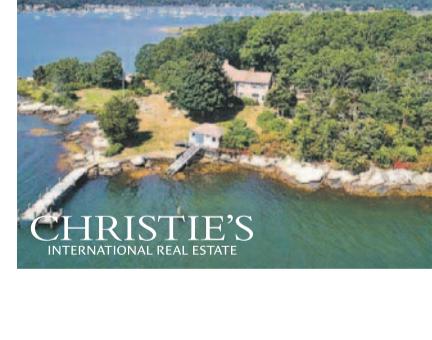
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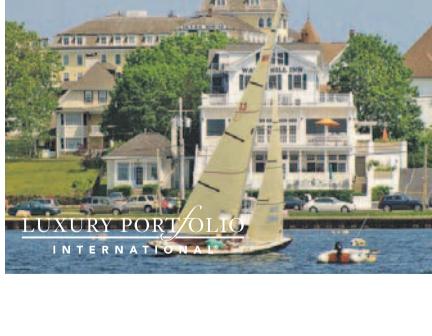
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## MANSION



BENT RENÉ SYNEVÅG FOR THE WALL STREET JOURNAL (4); AGNETE MOHN/BENT RENÉ SYNEVÅG FOR WSJ (2; HISTORICAL)

ON THE MARKET Helge Riisøen and Janicke Hetland have added luxury details to the historic Mohr estate since buying it in 1990. The property, shown below left in 1966, is listed for about \$2.1 million.



### LIVING HISTORY

## A Norwegian Estate Is Made Grand

Once a stop for dignitaries, a property hits the market after an extensive renovation

BY J.S. MARCUS

**FOR CENTURIES**, the city of Bergen on Norway's western coast fostered a distinctive merchant class profiting from trade in commodities such as Norwegian cod and Russian grain. One of the last and most distinguished of these merchant-princes was Conrad Mohr (1849-1926). A key remnant of his one-time enormous holdings—a manor house completed in 1912—has come on the market.

The four-level 6,500-square-foot clapboard home has nine bedrooms and five bathrooms, and sits on a secluded 2½-acre lot in the Paradis neighborhood south of Bergen's historic core. The residence was built by his son, politician and farmer Wilhelm Mohr (1886-1978), on land given to him as a wedding present in 1908.

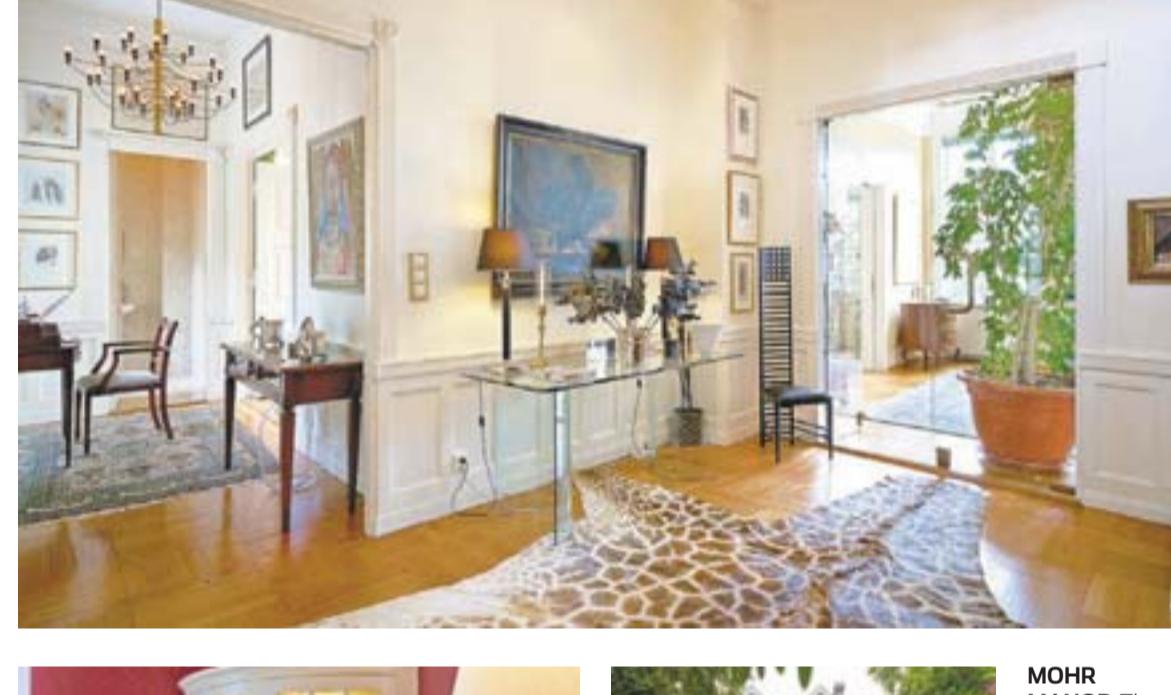
The home stayed in the family until after the death of the younger Mohr's wife, Emily, in 1988. It was sold again in 1990 to Helge Riisøen, a Norwegian neurologist and crime-novel author, and his wife, Janicke Hetland, a nurse.

The couple paid about \$204,000 for the property and spent about \$383,000 on renovations. They are selling the estate for 16.5 million Norwegian kroner, or about \$2.1 million.

Ms. Hetland remembers the estate from her childhood, when it was common for Bergen families to take day trips to the sprawling working farm and marvel at its hundreds of animals.

The Mohrs' commercial presence in Bergen dates back to the early 19th century. Conrad Mohr was a major importer of grain to Norway, says Bergen historian Atle Thowsen, director emeritus of the city's Maritime Museum. The first oil tanker built for a Norwegian shipping company, commissioned before World War I to import Standard Oil petroleum from America, was named the Conrad Mohr.

By the late 19th century, Mohr began piecing together a vast estate, in what was then outside city



**MOHR MANOR** The home, left, was built for Emily and Wilhelm Mohr, below left, who married in 1908. The current owners spent about \$383,000 on renovations and luxury details, above and far left.

limits. Agnete Mohn, Conrad Mohr's great-granddaughter, says it reached a peak of nearly 173 acres. The property, which included Conrad Mohr's mansion before it was torn down in the 1960s, once welcomed foreign dignitaries such as Germany's Kaiser Wilhelm II. Later, the Shah of Iran was a visitor to the manor house now for sale.

The Mohr family, which had German and Danish origins, main-

tained strong ties to Germany. Conrad Mohr was the German consul in the city, and a friend of the kaiser.

That friendship proved decisive for the history of Norway, says Mr. Thowsen. Following Denmark's defeat in the Napoleonic wars in the early 19th century, Norway passed into a subordinate union with Sweden, becoming independent in 1905 after a threat of war between the countries. Mr.

Thowsen says Conrad Mohr's relationship with the kaiser led to German interference on Norway's behalf.

Wilhelm Mohr was allowed to keep the house during the Nazi occupation of Norway during World War II, in part because of his family, Ms. Mohn says. Many other large Bergen houses, explains Mr. Thowsen, were confiscated and used by the Germans.

That war proved a testing

ground for another resident of the house—aviator Wilhelm Mohr Jr., who served in the British Royal Air Force and later became head of the Royal Norwegian Air Force.

Ms. Mohn calls her uncle, a decorated soldier, "a real war hero." He died in 2016 at age 99. "I'm the last Mohr descendant left in Bergen," she adds.

Two Norwegian sovereigns—King Haakon VII (1872-1957), and his son King Olaf V (1903-1991)—knew the manor house, says Ms. Mohn, a 72-year-old retired teacher. She now has the home's original oak dining table, custom-made in eastern Norway, in her Paradis home nearby.

She recalls that her grandparents made do with chamber pots in the upstairs bedrooms until the 1970s. By the late 1980s, Emily Mohr was living in a nursing home nearby, and the house's only occupant was an elderly maid.

When Dr. Riisøen and his wife bought the house in 1990, they embarked on a decadeslong upgrade. They retained some original pieces, including a rough-hewn, rock-crystal chandelier and a fireplace from the U.K. They also added some luxurious elements: Oriental carpets, a marble fireplace and ornate chandeliers.

"The house is grander now than it ever was before," says Ms. Mohn, a frequent visitor there in her grandparents' time.

Dr. Riisøen, now 66, and his wife, 60, raised three children in the house. Now that the children are grown and the doctor has retired, the couple are planning to move to a newly constructed Paradis duplex, about one-third the size of their current home. Hugo Førde of DNB Eiendom is handling the sale of the estate.

Ms. Hetland herself comes from a distinguished Bergen family. Her father was Audun Hetland, an artist and one of Norway's leading caricaturists.

Amid the decorations of the now-elegant ground-floor rooms where heads of state once relaxed are some of her father's comic depictions of Norwegian celebrities.

### PRIVATE PROPERTIES

## New York Penthouse Hits the Market for \$110 Million



An enormous penthouse at the iconic Woolworth Building in Manhattan is going on the market for an equally enormous asking price: \$110 million.

If the property were to sell for that price, it would blow away the current record for an apartment downtown, which is currently held by the \$50.9 million sale of a unit at Chelsea's Walker Tower, according to public records.

When it was completed in 1913, the 792-foot neo-Gothic skyscraper, seen in a rendering here, was the world's tallest building. The apartment, which has been dubbed the Pinnacle, starts at 700 feet up and is contained within the building's

pointed, green, copper-clad peak. There is an open observatory with 360-degree views.

Inside, the 9,710-square-foot apartment has ceilings up to 24 feet and a private elevator. The interior is still raw, so prospective buyers could customize the number of bedrooms and bathrooms to their preference, said Ken Horn, the founder and president of Alchemy Properties, the company converting the top floors of the building to residential use.

The unit is the highest priced of the building's 33 residences, which sit on top of the 58-story tower named for discount-store pioneer F.W. Woolworth. Sales first launched at

the building in 2014, but the penthouse was held back from the market until construction progressed and prospective buyers could safely tour the space, Mr. Horn said. The lower levels are still leased for commercial use.

Local agents said sales have been slow at the building amid a turndown in the ultraluxury Manhattan property market, though Mr. Horn said activity picked up starting in the spring. He declined to comment on exactly how many units were spoken for.

Stan Ponte and Joshua Judge of Sotheby's International Realty are handling sales at the building.

—Katherine Clarke

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## MANSION

# CATALOG KIT HOMES: AN APPRECIATION

Continued from page W9

ranged from about \$600 to \$6,000, which is roughly \$8,400 to \$84,000 in today's dollars. Once purchased, all of the parts—lumber, windows, cabinets, nails, paint and more—were shipped across the country for assembly on the customer's lot.

In the first half of the 1900s, seven national companies sold kit homes from catalogs, but Sears, Roebuck and Montgomery Ward were the best known. Today, nobody knows exactly how many of the homes remain. But real-estate agents say they're seeing more listings emphasizing a kit-home provenance.

When real-estate agent Anna Mackler listed a kit-home in Washington, D.C., the marketing materials crowed, "Own a piece of history!" In May, the home sold for about \$636,000—which was \$200,000 over the asking price. The kit-home angle "made it more appealing by adding to its character," Ms. Mackler says.

Catarina Bannier, an agent with Evers & Co. Real Estate in Washington, says she has been getting more emails from real-estate agents, owners and buyers who want to know if a house is from a catalog and if it increases a home's value. That depends on its location, she says. In April, she sold a stately 1920s, five-bedroom brick kit home made by a company called Lewis Manufacturing for \$2.75 million.

The buyers, Richard and Jill Lane, say that after purchasing the house they became more interested in the history, discovering it was one of only four authenticated Standish models still standing. The exterior, says Mr. Lane, a 54-year-old principal in a commercial real-estate firm, has classic style and curb appeal.

Some homeowners have completely overhauled their kit homes. In the capital's Chevy Chase neighborhood, Michael and Caity Callison have a Liberty kit home also made by Lewis Manufacturing that they purchased about 30 years ago. Mr. Callison, a 63-year-old architect, did a \$300,000 renovation in 2005, adding about 900 square feet. He created a master bedroom on the lower level so it wouldn't affect the home's original roofline. "I didn't want to change the character of the house," he says.

Kit homes appealed to buyers at the time because they were affordable, included quality materials and could be shipped to faraway places.

In Indianapolis, Russ Lawrence, a real-estate agent with F.C. Tucker Co., listed a renovated, 6,000-square-foot, 1930s Sears, Roebuck house in April that is located in a neighborhood where most of the older homes have been torn down and replaced with big new houses. Its history has been a selling point, Mr. Lawrence says. "Every single person who sees it mentions the Sears history. There's a curiosity factor," he says.

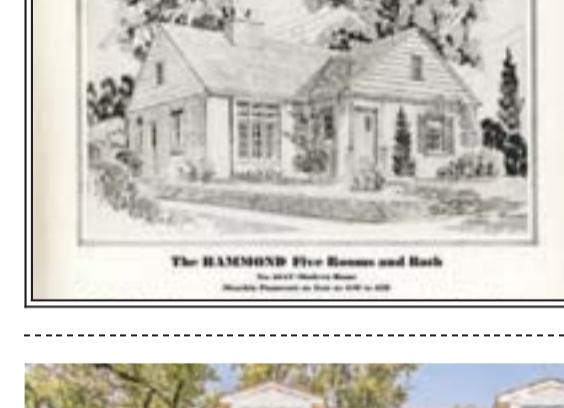
The current owners, Scott Wise, 44, who founded a chain of brew-house restaurants, and his wife, Amy, 43, say the previous owner kept the character of the kit house but added on a new master bedroom and addition in the back of the house. "This is a perfect amalgamation," says Mr. Wise. Their four children don't grasp the significance of the home, but they're sad to leave it: The family has listed the home for \$725,000 to move to a house with more space.

Most people knew about kit houses in their heyday because everyone had a Sears catalog in their house, says Andrew Mutch, an information-technology administrator who lives in a Sears kit house in Novi, Mich. About five years ago Mr. Mutch, 45, started driving around looking for kit homes using a field guide called "Houses By Mail," posting his findings on his Kit House Hunters blog.

Mr. Mutch is part of a small network of kit-house enthusiasts across the country who are intent on documenting the remaining kit houses.

"It's kind of like bird watching," says Judith Chabot, a French teacher in St. Louis who moderates the Sears Modern Homes Facebook page and writes the Sears House Seeker blog about the kit houses she finds around the country. She says there are over 8,200 documented Sears kit homes and around 1,000 from the other kit companies.

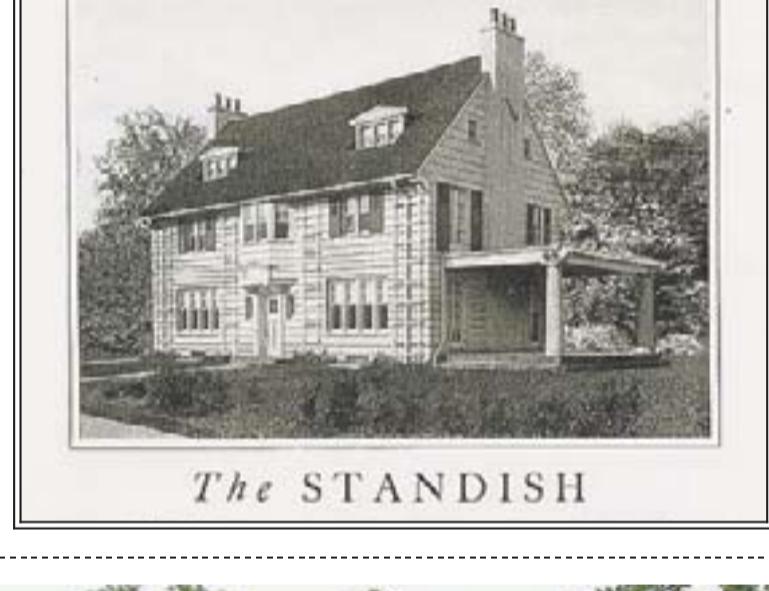
When Eric Romain, a 32, an auto-industry engineer, and his wife, Jenna, 28, an accountant, bought their 1,400-square-foot



**TIME CAPSULE** In Indianapolis, Scott and Amy Wise listed their home for \$725,000. Left, their home, the Hammond, as depicted in a Sears, Roebuck catalog. Above, a plaque on the home; right, the couple with their kids, Lincoln, Slater, Vaughn and Ivy.



**PICTURE PERFECT** Richard and Jill Lane paid \$2.75 million earlier this year for a 1920s kit home in Washington, D.C., made by Lewis Manufacturing. At right, a rendering of their home, the Standish, in an advertisement.



**The STANDISH**



**TIMELESS DESIGN** In Washington, D.C., Caity and Michael Callison, top left, own a kit home, above, from the Liberty line advertised by Lewis Manufacturing, left. A \$300,000 renovation added space but kept the home's original roofline.

house in Royal Oak, Mich., for \$269,500 in 2015, they knew it was a kit house from the real-estate listing ads, but they didn't know what that meant. The learning process that ensued has changed Mr. Romain's life.

He started by researching the model of his home, a Sears, Roebuck 1925 Vallonia, digging up the blueprints and photos as far back as the 1930s, and examining how the house had changed over the years. Now he is working to undo the changes, including restoring the porch railings, and he has plans to take off the aluminum siding.

While awareness of kit homes has increased, there is no organized effort to try to save them. Gloria Henn recently put the 1,584-square-foot, four-bedroom kit house her husband's grandfather built in the 1950s in Mashpee,

Mass., on the market for \$1.295 million. She knows it'll likely be torn down since the location, right on Cape Cod's Waquoit Bay, is more enticing than the house, which has no heat and sits on a cinder block foundation. "My neighbors are upset with me. They say I should donate it," she says.

That's not to say kit homes will disappear—there are still companies that make them today. As housing prices have gone up and subcontractors are in greater demand, more people are opting for kit homes—and these are typically bigger than their predecessors.

"It's a shift," says Dave Kimball, whose Warner, N.H.-based company Shelter-Kit has shipped components for homes as large as 8,000 square feet—a product that cost \$300,000. Like most modern kit homes, Shelter-Kit includes everything needed to create the

shell, but not the interior materials, windows, doors, plumbing or electrical.

Lindal Cedar Homes, based in Washington state, has sold about 50,000 kit homes since 1945. The models start at about \$100,000 and range in size from 700 square feet to 25,000 square feet.

What has changed, says vice president of marketing Signe Benson, is that the younger clients now want modern instead of traditional designs. And most of her company's customers hire contractors to build the homes.

Bob Andreasen built a 7,000-square-foot Lindal kit home as a vacation house for his daughters and grandchildren in Sheffield, Mass. He says the quality of the materials was better than he could source himself and the cost, at \$220 a square foot for the finished product, was lower than a new

custom home. The house took about seven months to build. Mr. Andreasen, a 70-year-old former spec-home developer who lives in Greenwich, Conn., doesn't anticipate kit homes will catch on widely because people don't want to do the work themselves anymore.

For do-it-yourselfers, the savings can be dramatic. Jeff Yoder, 34, an information-technology support specialist, built a three-bedroom, two-bathroom, 2,760-square-foot Shelter-kit house in Ypsilanti, Mich., in nine months. The home, finished in March, cost \$125,000 and included everything except the land. His wife, Grace, 33, hung most of the drywall. Having never built a house himself, he had a tough time convincing the bank to give him a construction loan. "Everyone is always amazed," he says.

CHRIS SMITH FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)

STEPHEN VOSS FOR THE WALL STREET JOURNAL (2); LEWIS MANUFACTURING (HISTORICAL)

STEPHEN VOSS FOR THE WALL STREET JOURNAL (2); LEWIS MANUFACTURING (HISTORICAL)