

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

WEDNESDAY, SEPTEMBER 6, 2017 ~ VOL. CCLXX NO. 56

WSJ.com

★★★★ \$4.00

DJIA 21753.31 ▼ 234.25 1.1% NASDAQ 6375.57 ▼ 0.9% STOXX 600 373.71 ▼ 0.1% 10-YR. TREAS. ▲ 25/32, yield 2.072% OIL \$48.66 ▲ \$1.37 GOLD \$1,339.20 ▲ \$14.70 EURO \$1.1915 YEN 108.81

## What's News

### Business & Finance

The Dow slid 234.25 to 21753.31 as banking and insurance shares tumbled amid concerns about low inflation, North Korea and Hurricane Irma. Treasuries and gold rallied. A1, B15, B16

♦ Lego reported its first sales drop in 13 years and said it would lay off 8% of its workers, as toy makers battle digital competition. A1

♦ Gasoline prices at the pump hit a fresh two-year high, but the futures market signaled that the supply crunch will soon ease. B1

♦ "Black swan" strategies that offer investors protection should markets plunge have fallen out of favor. B1

♦ Boeing raised concerns about United Technologies' proposed takeover of Rockwell Collins, threatening to cancel some contracts. B1

♦ The ECB is expected to signal soon that it will start winding down its \$2.7 trillion stimulus program. A7

♦ Rovio plans an IPO in Helsinki that could value the "Angry Birds" maker at about \$2.38 billion. B15

♦ France's Schneider has agreed to take control of British engineering software provider Aveva. B2

♦ Merck KGaA is considering options for its consumer-health operations, including a full or partial sale. B3

♦ Takeda said another major acquisition is unlikely soon, allaying fears over the drugmaker's debt load. B5

♦ Arnstein & Lehr and Saul Ewing are merging, adding to a trend among law firms. B3

### World-Wide

♦ Trump said he would end the Dreamers program for undocumented immigrants and called on Congress to pass broad immigration legislation by March. A1

♦ The president pressed harder on potential military options in North Korea, offering billions in U.S. military equipment to Asian allies. A6

♦ Hurricane Irma strengthened into a Category 5 storm, threatening the Caribbean and prompting evacuations in Florida. A3

♦ Houston and the EPA are investigating a potentially hazardous benzene plume in one neighborhood. A3

♦ Senate GOP leaders signaled they will tie an increase in the debt ceiling to aid for Harvey victims. A3

♦ U.N. envoy Haley laid out a path for the White House to declare Iran isn't complying with the nuclear deal. A6

♦ A survey of social trends found deep divisions among Americans on the economy, politics and culture. A4

♦ Brazil's top prosecutor accused da Silva, Rousseff and some of their allies of embezzling around \$500 million. A7

♦ Nafta negotiators notched relatively minor progress in a second round of talks on revising the agreement. A4

♦ The Syrian military broke a three-year Islamic State siege in the eastern city of Deir Ezzour. A6

♦ Oxford and Cambridge took the top two spots in global university ratings, a setback to U.S. dominance. A2

CONTENTS Opinion A13-15  
Business News B3-B5 Property Report B6-7  
Crossword A12 Sports A12  
Head on Street B16 Technology B4  
Life & Arts A9-11 U.S. News A2-4  
Management B8 Weather A12  
Markets B15-B16 World News A6-7

36333>  
0 78908 63141 1

© Copyright 2017 Dow Jones & Company. All Rights Reserved

WEDNESDAY, SEPTEMBER 6, 2017 ~ VOL. CCLXX NO. 56

WSJ.com

★★★★ \$4.00

## Tensions Rise on Korean Peninsula as U.S. Presses for Sanctions



CHOPPY SEAS: South Korean naval ships conducted drills on Tuesday in a display of Seoul's military capabilities. North Korea, meanwhile, issued a defiant response to U.S. attempts to impose new sanctions, hinting at an unspecified 'counteroffensive.' A6

## 'Dreamers' Program Ended

President calls for broader immigration legislation as he kills Obama-era policy

By LAURA MECKLER

WASHINGTON—President Donald Trump urged lawmakers on Tuesday to pass broad immigration legislation by March as he said he would end a program that shields undocumented immigrants who entered the U.S. as children.

The move ignited an emotional battle in Congress and, in particular, among Republicans, who are divided over the five-

year-old program. Congressional leaders in both parties promised to protect these young people from deportation, but the path to achieve that goal was unclear. Under the GOP president's order, some of these immigrants will begin losing protections in March.

The White House suggested it wanted legislation addressing not just the young people affected by Tuesday's move but other immigration issues, such as enforcement, border security and limiting future legal immigration. Each piece is controversial on its own, and putting them together has proved elusive over many years of efforts on Capitol Hill.

**On the Table**  
♦ Republicans face sprint on tax changes..... A2  
♦ Senate GOP to tether storm aid to debt vote... A3  
♦ Minor progress made in Nafta deal..... A4

The president, who has argued that his Democratic predecessor overstepped his authority when he created the program, said Congress must work on a legislative fix.

"Congress now has 6 months to legalize DACA," he said in a tweet Tuesday evening. He added: "If they can't, I will revisit this issue!" but it wasn't

clear what he had in mind.

The Deferred Action for Childhood Arrivals program covers nearly 800,000 people who were brought to the U.S. as children and meet other qualifications—such as schooling or military service—and are temporarily granted work permits and given safe harbor from deportation.

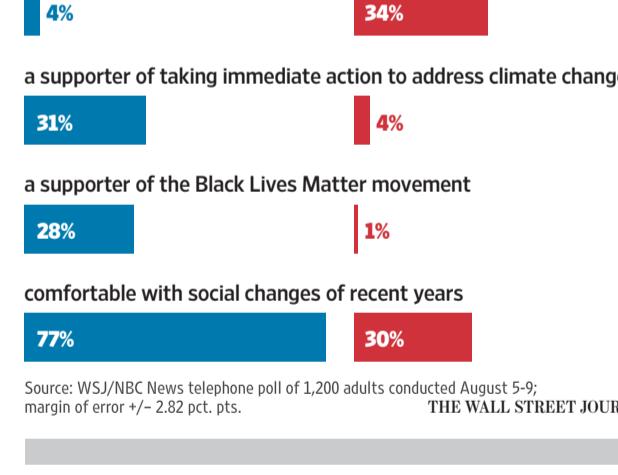
Any effort to pass immigration legislation must compete with other priority items on a packed congressional calendar. Among them: raising the federal-debt ceiling, funding the government and paying for Hurricane Harvey relief, plus efforts to rewrite the tax code

Please see DACA page A4

## A Nation Divided

In the U.S., a wide gulf is visible in an array of issues and attitudes, helping explain why political divisions are now especially hard to bridge, a Wall Street Journal/NBC News survey has found. A4

Proportion of people polled who describe themselves as...



Source: WSJ/NBC News telephone poll of 1,200 adults conducted August 5-9; margin of error +/- 2.82 pct. pts.

## AUTOMATION'S SURPRISE BENEFIT: MORE JOBS

E-commerce more than compensates for layoffs by traditional retailers

By GREG IP

For retailers, the robot apocalypse isn't a science-fiction movie. As digital giants swallow a growing share of shoppers' spending, thousands of stores have closed and tens of thousands of workers have lost their jobs.

Belinda Duperre, who sold jewelry at Sam's Club in Fall River, Mass., was one. In early 2016, the struggling store closed.

But Ms. Duperre, a lifelong resident of the once-thriving factory town an hour south of Boston, went from victim of the digital revolution to beneficiary. Amazon.com Inc. announced plans to hire 500 full-time workers for a new 1.2-million square foot fulfillment center on the outskirts of town. "I was just dying, waiting for Amazon to open," she recalls. She was among the center's first hires last fall; full-time employment has since soared to about 2,000.

Ms. Duperre earns \$2 more per hour at Amazon than at Sam's, in part because she's a lot more productive. At Sam's, she served perhaps one to 20 customers a day. At Amazon, she packs 75 to 120 boxes an hour that are then whisked via high-speed automated conveyor belts to fleets of trucks that fan out across the region. The work is more physically demanding, but Ms. Duperre, 54, sees a bright side. "I lost 25 pounds working here," she says. "This is a free gym membership."

The brick-and-mortar retail swoon has been accompanied by a less headline-grabbing e-commerce boom that has created more jobs in the U.S. than traditional stores have cut. Those jobs, in turn, pay better, because its workers are so much more productive.

This demonstrates something routinely

Please see JOBS page A8

Save the Bats!  
Drink This  
Tequila Shot

Mexico's 'Batman'  
has distillers biting  
on his pollen pleas

By SANTIAGO PÉREZ

ARANDAS, Mexico—Tequila might benefit from a closer relationship with the lesser long-nosed bat, and the bat could sure use a little more tequila.

So let's reunite them, even if thousands of agave plants need to die.

You can help down at the tavern.

That's the message from Mexican biologist Rodrigo Medellín, who wants bars to start stocking tequila made from agave grown by farms that let some of the plants flower so bats can imbibe their nectar at night.

For more than a century,

Please see BATS page A8

## Lego Hits Brick Wall As Digital Play Grows

By SAABIRA CHAUDHURI

The maker of Legos, long immune to the struggles weighing on other toy companies, reported its first sales drop in 13 years on Tuesday, betraying cracks in its strategy to compete against a rising array of digital distractions for children.

Lego AS, the Danish company built on a foundation of tiny plastic blocks, said it would lay off 8% of its workers and thin the ranks of decision makers to speed up product rollouts.

"The car has gone off the road and landed in a ditch and now we have to pull it out and get it back up to speed again," said Jørgen Vig Knudstorp, chairman of Lego Brand Group, in an interview.

In some ways, the sales drop is a result of Lego's own success.

Its current structure was created to cope with double-digit sales growth, but the company says it now has too many layers and overlapping

business functions, making it tougher to implement marketing strategies, slower to react to trends and disconnected from retailers.

"We have built an increasingly complex organization, an organization that is complex to a degree that makes it difficult for us to realize the growth potential we have," said Mr. Knudstorp, who served as Lego's CEO until the end of last year.

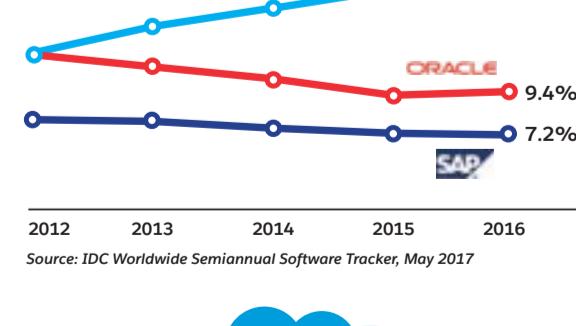
To turn sales around, Lego last month named Niels B. Christiansen, the 51-year-old former boss of Danish industrial group Danfoss AS, as its new CEO, succeeding Bali Padda, who had been its chief operating officer before the CEO job.

Like Mattel Inc. and other toy makers, Lego is being buffeted by a host of new rivals for children's attention, including playing videogames and watching YouTube videos. In response, the industry has tried to modernize toys for the digital age: Lego has rolled out

Please see LEGO page A2

## Salesforce. #1 CRM.

Salesforce ranked #1 for CRM based on IDC 2016 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, May 2017

salesforce.com

© 2017 salesforce.com, inc. All rights reserved. Salesforce.com is a registered trademark of salesforce.com, inc., as are other names and marks.

# U.S. NEWS

## GOP Faces Sprint on Tax Changes

BY RICHARD RUBIN

WASHINGTON—The U.S. policy makers on taxes known collectively as the “Big Six” gathered Tuesday with President Donald Trump at the White House—and they have some big decisions to make.

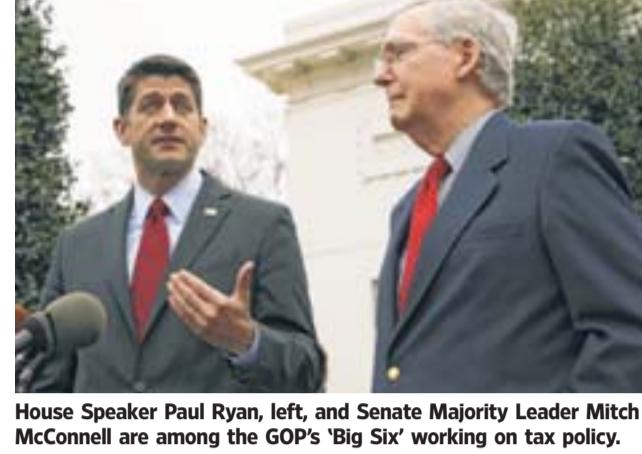
Republicans are trying to rewrite significant portions of the tax system by year’s end, giving them little time to agree on policy changes and then muscle them through Congress.

The six are Reps. Paul Ryan (R., Wis.) and Kevin Brady (R., Texas), Sens. Mitch McConnell (R., Ky.) and Orrin Hatch (R., Utah), Treasury Secretary Steven Mnuchin and White House economic policy chief Gary Cohn.

“We are all on the same page for delivering tax reform this year,” Mr. Brady said after the meeting.

Many Republicans are optimistic about getting a tax bill done and are moving “as expeditiously as possible,” White House Press Secretary Sarah Huckabee Sanders said after Tuesday’s meeting.

With control of the House, Senate and White House, the



House Speaker Paul Ryan, left, and Senate Majority Leader Mitch McConnell are among the GOP's 'Big Six' working on tax policy.

GOP is eager for the chance to overhaul tax policy and lower rates. Failure to do so would mark a political setback. But they must contend with inherent trade-offs, competing priorities and a tight time frame.

“I can’t imagine they can get to the end of the year without passing something, but I can’t figure out what the something would be or how they would get it done,” said Leonard Burman, a fellow at the Urban Institute in Washington and a former Treasury official in the

Clinton administration.

Mr. Trump is scheduled to head to an Andeavor Corp. facility in North Dakota on Wednesday for his second speech on taxes in two weeks. Both are in states he won in 2016 that also have Democratic senators up for re-election in 2018.

Sen. Heidi Heitkamp (D., N.D.) will travel with the president on Air Force One, according to her office.

Mr. Trump will say, as he did in Missouri, that voters should

defeat Democrats who don’t work with him on taxes, senior White House officials said. He will be making similar trips to pitch tax policy almost every week, they said.

Ms. Heitkamp was one of three Senate Democrats who didn’t sign a letter outlining the party’s position against deficit-financed tax cuts and lower taxes for high-income households.

Asked Tuesday about changes to the tax system, Ms. Heitkamp said, “The bottom line is, is it going to be good for North Dakota? Is it going to be good for North Dakota farmers who are struggling, who now have huge operating loans, and so the interest deduction is important?” She added, “But you know, I’m curious about what the plan is.”

Getting many Democrats on board will be a lot more difficult. “If Democrats were included in the debate, tax reform would be much more likely to help the middle class,” Senate Minority Leader Charles Schumer (D., N.Y.) said Tuesday. “If Republicans are the only ones in the room on tax reform, the vast majority of benefits are

likely to go to those at the very top.”

Republicans are trying to decide how much money they want the government to collect. Mr. Trump uses the terms “tax cuts” and “tax reform” almost interchangeably. “This is more than just tax reform,” he said before Tuesday’s meeting. “This is tax cutting, to put it in a very simple term. We’re going to cut taxes.”

Tax cuts generally refer to lowering the tax burden, while “reform” typically means making structural changes and repealing tax breaks to make the system simpler and more economically efficient.

Republicans, particularly Messrs. Ryan and Brady, have long talked about “reform” that would limit or repeal tax breaks. And some Republicans may be concerned about increasing budget deficits.

But tax cuts are broadly popular among GOP policy makers. Republicans could end up splitting the difference by removing some tax breaks but not enough to cover the cost of the tax cuts.

—Siobhan Hughes and Louise Radnofsky contributed to this article.

## U.S. WATCH

U.S. WATCH

### Hundreds of Workers Leave in Buyouts

Nearly 400 workers have left the Environmental Protection Agency in recent days, the agency said Tuesday, a wave of departures that soon could take the agency’s staffing to its lowest point in almost 30 years.

The departures come primarily from buyouts offered as part of President Donald Trump’s efforts to fulfill a campaign promise of “tremendous cutting” at the EPA. His budget proposal in March suggested a 31% funding cut that would result in about 3,200 fewer jobs at the agency.

The voluntary buyouts were offered in June to more than 1,200 workers. Almost a third of those eligible took the buyout and, coupled with a dozen retirements on Aug. 31, the agency trimmed its staff by about 2.5% in less than a week.

Several dozen more workers could retire or opt to take the buyout later this month, which would cut EPA’s total number of employees to almost 14,400 workers, the lowest since 1988.

—Timothy Puko

## HEALTH

### Researchers Honored For HPV Vaccine

Two U.S. government researchers who helped develop a vaccine to prevent cervical cancer and other tumors are among the winners of the 2017 Lasker Awards, one of the highest honors in medical research.

The winners of this year’s Lasker-DeBakey Clinical Medical Research Award are Douglas R. Lowy and John T. Schiller, researchers with the taxpayer-funded National Cancer Institute who, starting in the 1990s, helped develop a vaccine against human papillomavirus, or HPV.

The sexually transmitted virus causes cervical cancer and certain other tumors.

—Peter Loftus

## PORLAND

### Wildfire Covers Part Of City With Ash

A growing Oregon wildfire covered parts of Portland’s metropolitan area Tuesday with ash and prompted the shutdown of a lengthy stretch of highway through the state’s scenic Columbia River Gorge.

It was one of dozens of wildfires burning in Western U.S. states that sent smoke into cities from Seattle to Denver—prompting health warnings and cancellations of outdoor activities for children by many school districts.

—Associated Press

## CORRECTIONS & AMPLIFICATIONS

**Kosovo was mislabeled** as Serbia on a map of Albania and neighboring nations that was published Saturday with an Off Duty article about the Albanian town of Gjirokastra.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

## THE WALL STREET JOURNAL

(USPS 664-880)

(Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935)

(Western Edition ISSN 0193-2241)

**Editorial and publication headquarters:**

1211 Avenue of the Americas,  
New York, NY 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, NY, and other mailing offices.

**Postmaster:**

Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the

Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser’s order. Only publication of an advertisement shall constitute final acceptance of the advertiser’s order.

**Letters to the Editor:**

Fax: 212-416-2891; email: [wsjtrs@wsj.com](mailto:wsjtrs@wsj.com)

**NEED ASSISTANCE WITH YOUR SUBSCRIPTION?**

By web: [customercenter.wsj.com](http://customercenter.wsj.com);

By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com)

By phone: 1-800-JOURNAL (1-800-568-7625);

Or by live chat at [wsj.com/livechat](http://wsj.com/livechat)

**REPRINTS & LICENSING**

By email: [customereprints@wsj.com](mailto:customereprints@wsj.com)

By phone: 1-800-843-0008

**GOT A TIP FOR US?  
SUBMIT IT AT WSJ.COM/TIPS**

# LEGO

Continued from Page One

its own videogames based on its plastic bricks as well as a set of programmable robots.

The shift, however, hasn’t come fast enough to counter eroding sales of more traditional toy lines. Lego said Tuesday its overall sales for the six months to June 30 fell 5% from a year earlier. In July, Mattel said its half-year sales fell 6.4%.

One bright spot for Lego: Tuesday’s half-year sales of 14.9 billion Danish kroner (\$2.38 billion) pushed it above rival Mattel, which in July reported half-year sales of \$1.71 billion. Sales were above the \$1.82 billion Hasbro reported for its first half. But Lego’s net profit has slipped to 3.4 billion kroner from 3.5 billion kroner a year earlier.

Lego has in some ways been ahead of the curve in efforts to experiment digitally, even as it has promised to remain committed to its physical brick sets. Following the launch of its Chima toy line in 2013, for instance, it introduced related online games, videos and a TV series. It has created Lego Boost, a robot-building kit that combines computer coding with elements of physical construction. And in February, the company launched an app-based social network—promising strict moderation and

privacy controls—that lets children share their Lego creations.

Digital offerings aren’t threatening to wipe out physical toys anytime soon. Kids “are still reading books, still using Legos, people are making a place for physical toys,” said Judy Ishayik, owner of Mary Arnold Toys, an independent toy shop in Manhattan.

Play on touch-screen devices outranks all other kinds of play in frequency—including with blocks, board games and puzzles—according to a 2014 survey by New York research firm Michael Cohen

Group of 350 parents with children age 12 and under.

The shift underscores the challenge for Mr. Christiansen, who takes the reins next month. In his nine years heading Danfoss, Mr. Christiansen is credited with making operations more efficient and agile, and investing in research and development as well as digital capabilities. At Lego, he takes over from Mr. Padda, who will have been in the job just nine months.

On Tuesday, Lego said it would cut roughly 1,400 jobs, with between 500 to 600 of

these coming from its Billund, Denmark, headquarters alone.

It is also working to reduce layers of management and administration to speed product rollout, which Mr. Knudstorp said can involve 20 teams on average before a product is ready for global launch.

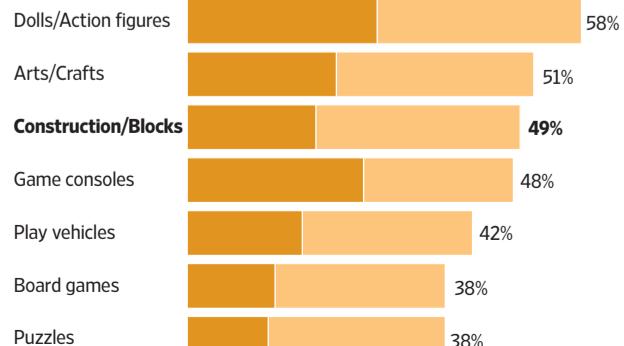
“We are simply not executing well enough on our activities across the business, on product development, marketing, sales,” said Mr. Knudstorp, who as chairman of Lego Brand Group oversees the Kirk Kristiansen family’s 75% stake in Lego.

They are hiring an army of postdocs whose responsibility is to produce articles,”

—Te-Ping Chen contributed to this article.

### Digital Child’s Play

Children prefer to spend more time playing with touch-screen devices over construction and block-based toys.



Note: 2014 national survey of 300 parents of children ages 3-12

Source: Michael Cohen Group

THE WALL STREET JOURNAL

was the first “Star Wars” movie in a decade.

Another big bet that didn’t fully deliver: the company’s second movie based on its toys, called “Lego Batman.”

Toys “R” Us Inc. said toys tied to the movie missed sales goals, even though Lego spent heavily to try to boost interest.

“It didn’t manifest itself into the kind of sales momentum that we expected or they expected,” Toys “R” Us CEO David Brandon said in June.

Mr. Knudstorp, who served as CEO from 2004 until the end of 2016, acknowledged his share of the blame for the recent troubles.

He refocused the company on its iconic brick sets, and scaled back on the array of merchandise the company had rolled out. Initially, he also cut jobs, outsourced manufacturing and simplified the management structure. All that buoyed sales, giving Lego double-digit growth for more than a decade.

More recently, though, he boosted staff to keep up with resurgent demand—and the expectation that it would continue to boom. Between 2012 and 2016, Lego added 7,000 new employees.

“This investment has not materialized into a good harvest,” he said. “We have clearly built too large an organization and we need to make it smaller.”

—Paul Zdziobko contributed to this article.

## U.S. NEWS

# Irma Gains Strength, Threatens Florida

Category 5 storm prompts evacuations in Sunshine State, disrupts air, sea travel

BY ARIAN CAMPO-FLORES  
AND JON KAMP

Hurricane Irma grew into one of the most powerful storms ever recorded over the Atlantic Ocean, raising severe threats to islands in the Caribbean while prompting evacuations in Florida and disrupting air and sea travel.

The National Hurricane Center on Tuesday called Irma, whose maximum sustained winds increased to 185 miles per hour, a "potentially catastrophic" Category 5 storm. Irma is the strongest hurricane ever recorded in the Atlantic basin outside the Caribbean Sea and the Gulf of Mexico, the agency said, and ranks among the five strongest Atlantic hurricanes.

The storm's center was about 130 miles east of Antigua and on track to pass over or near a string of islands, including St. Kitts and Nevis, by Tuesday night or Wednesday morning.

A hurricane warning covered an area stretching from the island of Montserrat to the Dominican Republic. Forecasters said Irma is expected to remain a powerful



Men covered the windows of a car-parts store on Tuesday in preparation for Hurricane Irma's high winds in San Juan, Puerto Rico.

Category 4 or 5 hurricane for the next couple of days.

Puerto Rico Gov. Ricardo Rosselló declared a state of emergency and activated the National Guard on Monday.

He said public schools and the University of Puerto Rico would be closed. The island's housing secretary said 456 shelters were available to take in more than 62,000 people.

In Florida, which faces the

possibility of a direct strike from the storm, Gov. Rick Scott on Monday declared a state of emergency in all of the state's 67 counties. Irma could become the most severe hurricane to strike Florida since Andrew tore across the state's southern reaches in 1992.

Carlos Giménez, mayor of Miami-Dade County, said the county would begin evacuating special-needs residents

Wednesday morning, and he closed county offices on Thursday and Friday.

Miami Beach Mayor Philip Levine made a personal appeal Tuesday for residents and tourists to leave the island as soon as they could, in advance of what he expects will be a mandatory evacuation order from Miami-Dade County.

Authorities in Broward County, north of Miami,

urged residents in evacuation zones to leave and stay with family and friends elsewhere. School officials in Miami-Dade and Broward also canceled school for Thursday and Friday.

In the Florida Keys, Monroe County officials said Tuesday they would be issuing a mandatory-evacuation order for tourists and residents, with the exact times still to be determined.

The threatening storm caused cruise lines to cancel and divert sailings in the popular Caribbean. Airlines on Tuesday were canceling flights in the region and offering waivers to passengers in Florida.

Irma is forecast to dump up to a foot of rain in the northern Leeward Islands, with isolated instances of 20 inches. Drenching rains are also forecast for parts of Puerto Rico, the British and U.S. Virgin Islands.

The Turks and Caicos Islands and southeastern Bahamas could see storm surges of 15 to 20 feet, as well as large, destructive waves, forecasters said.

The northern coast of Puerto Rico could experience a storm surge of 3 to 5 feet.

In an effort to stabilize the island's rocky finances, Puerto Rico's government and municipalities have cut back on staffing in a wide range of areas, from utility crews to emergency personnel, said Edwin Meléndez, director of the Center for Puerto Rican Studies at Hunter College in New York. If Irma generates "the worst possible scenario, Puerto Rico might not be ready to weather the storm," he said.

—Valerie Bauerlein contributed to this article.

◆ Hurricane Irma starts to rattle markets ..... B16

## Benzene Found in Part of Houston

BY MELANIE EVANS

The city of Houston, the Environmental Protection Agency and an environmental advocacy group are investigating a potentially hazardous plume of a carcinogenic substance in one neighborhood after a nearby oil refiner reported its operations suffered hurricane-related damage.

The city and the Environmental Defense Fund said extra air monitors they dispatched to Houston's Manchester region on Monday detected the presence of benzene, a component of crude oil and gasoline.

Two monitors detected significantly different levels of the carcinogen at different times of the day, and additional sampling is needed to determine the concentration, according to Loren Raun, chief environmental science officer for the Houston Health Department, and Elena Craft, a senior scientist at the Environmental Defense Fund, which became involved in the probe after offering the city assistance.

A Valero Energy Partners LP refinery in the neighborhood reported a hurricane-related



A Valero refinery reported a Harvey-related leak on Aug. 27.

leak on Aug. 27.

The EPA said it was deploying an air monitor to the area on Tuesday to help the investigation. Officials are seeking to pinpoint the source of the benzene plume, the concentration and how far-reaching the emissions may have spread, Ms. Raun said Tuesday morning, after a call with EPA, EDF and Houston city officials.

"EPA continues to conduct ambient air monitoring in Houston and is focusing on an area of potential concern associated with reported air emissions from a Valero facility in

Houston," said David Gray, a spokesman for the agency.

A Manchester oil refinery that is a subsidiary of Valero Energy Partners said the leak on Aug. 27 resulted in the emission of benzene and other hazardous compounds, according to a copy of the refiner's report to the Texas Commission on Environmental Quality.

The report, which was filed through the State of Texas Environmental Electronic Reporting System and is available on TCEQ's website, said the leak was a result of "heavy rainfall complications," and that

cleanup was under way.

Valero Energy Corp. is the majority owner of Valero Energy Partners. In an Aug. 29 statement on its website, Valero Energy Corp. said Harvey's pounding rainfall sank the floating roof of a crude oil tank, leading to an oil leak.

The statement said the company's air-quality monitoring found "no detectable levels of emissions in the community." Valero said it didn't have an immediate update on Tuesday.

Companies must report emissions that exceed permitted amounts, a TCEQ spokesman said, adding that the state "investigates all emissions events that are reported to the agency."

Houston Health Department investigators who visited the Valero refinery Tuesday found low traces of hazardous compounds using a hand-held air monitor, which is used to identify whether compounds are present, but doesn't identify specific compounds, Ms. Raun said. Investigators didn't detect hazardous emissions from the damaged tank Tuesday using an infrared camera. "That's good news," she said.

## Senate GOP to Tether Storm Aid to Debt Vote

BY KRISTINA PETERSON  
AND SIOBHAN HUGHES

WASHINGTON—Senate GOP leaders signaled Tuesday they will tie an increase in the nation's borrowing limit to an aid package for victims of Tropical Storm Harvey, a move that could boost the debt-limit legislation's chances of passage ahead of a deadline this month.

Facing a long list of legislative deadlines in September, lawmakers on Capitol Hill are seeking quick approval of an initial measure providing \$7.85 billion in emergency aid to help relief efforts in the wake of Harvey, which first made landfall in Texas as a hurricane on Aug. 25.

The initial Harvey aid faces little opposition on its own in Congress and is expected to sail through the House on Wednesday. But it will become more controversial when it reaches the Senate, where GOP leaders said they plan to attach a measure lifting the debt limit.

Treasury Secretary Steven Mnuchin has urged lawmakers

to raise the debt ceiling by the end of September to ensure that the government has enough cash to pay its bills on time. Failure to increase the debt limit could cause the government to miss payments to bondholders and result in a default on government debt.

Senate Majority Leader Mitch McConnell (R., Ky.) said he was acting to deliver on President Donald Trump's top priorities of providing Harvey relief, preventing a default on the debt and avoiding a government shutdown when its current funding expires on Oct. 1.

"They are my immediate priorities as well," Mr. McConnell said on the Senate floor Tuesday. "In the case of the debt limit, we need to act quickly given the new uncertainty from the large costs of storm recovery."

The combined bill's prospects in the Senate weren't yet apparent. Although Senate Democrats back both the Harvey aid and raising the debt limit, they haven't signed off on the plan since they haven't seen details of it yet, a Senate Democratic aide said.

BARNEYS.COM  
NEW YORK BEVERLY HILLS SAN FRANCISCO  
CHICAGO BOSTON LAS VEGAS PHILADELPHIA SEATTLE  
FOR INSIDER ACCESS: THEWINDOW.BARNEYS.COM



BARNEYS NEW YORK  
MADE TO MEASURE

BE THE FIRST TO EXPERIENCE THIS FALL'S  
NEW FABRICS AND UPDATE YOUR  
LOOK WITH THE LATEST SILHOUETTES.

MADISON + 61ST

Friday, September 8.....Ermenegildo Zegna, 6th floor  
Saturday, September 9.....Di Bianco, Isaia, 6th floor  
Saturday, September 9.....Luciano Barbera, 1st floor  
Friday, September 15.....Sartorio, 6th floor  
Saturday, September 16.....Canali, 6th floor  
Saturday, September 23.....Kiton, 6th floor

BARNEYS  
NEW YORK

XO  
EXCLUSIVELY  
OURS

ERMENEGILDO ZEGNA



## U.S. NEWS

# Poll Shows America's Divisions Growing

A WSJ/NBC News survey indicates a wide partisan split on culture and economy

BY JANET HOOK

Divisions in America reach far beyond Washington into the nation's culture, economy and social fabric, and the polarization began long before the rise of President Donald Trump, a new Wall Street Journal/NBC News survey of social trends has found.

The findings help explain why political divisions are now especially hard to bridge. People who identify with either party increasingly disagree not just on policy; they inhabit separate worlds of differing social and cultural values and even see their economic outlook through a partisan lens.

The wide gulf is visible in an array of issues and attitudes: Democrats are twice as likely to say they never go to church as are Republicans, and they are eight times as likely to favor action on climate change. One-third of Republicans say they support the National Rifle Association, while just 4% of Democrats do. More than three-quarters of Democrats, but less than one-third of Republicans, said they felt com-

fortable with societal changes that have made the U.S. more diverse.

What is more, Americans' view of the economy, the direction of the nation and the future has even come to be closely aligned with their feelings about the current president, the survey found.

"Our political compass is totally dominating our economic and world views about the country," said GOP pollster Bill McInturff, who conducted the survey with Democratic pollster Fred Yang.

The poll found deep splits

## 8%

Portion of Democrats who approve of the job the president is doing

along geographic and educational lines. Rural Americans and people without a four-year college degree are notably more pessimistic about the economy and more conservative on social issues. Those groups make up an increasingly large share of the GOP.

One measure of how much more polarized the electorate is than a generation ago can be found in views of the president.

Eight months into the 1950s presidency of Republican Dwight Eisenhower, 60% of Democrats approved of the job he was doing. That level of cross-party support for a new president remained above 40% until Bill Clinton, when only 20% of Republicans approved of his performance after eight months in 1993. For Barack Obama, Republican support dropped to 16% at this point in his presidency in 2009.

Under Mr. Trump, that trend has continued and intensified. His job-approval rating among Americans overall has remained in recent months at about 40%, but just 8% of Democrats approve of the job he is doing, the survey found. By contrast, 80% of Republicans approve.

Mr. Trump's election has brought a sharp mood swing among Republicans. In August 2014, 88% of Republicans said they weren't confident that life for their children's generation would be better than their own. Eight months into the Trump presidency, just 46% of Republicans say they lack confidence in their children's future—a 42-point swing that is more dramatic than improvements in the economy seem to justify.

Two groups in particular have a relatively pessimistic view of the economy—rural Americans and those with less

education, the survey found.

Some 43% of rural residents gave a high rating to their local economy's health, compared with 57% of urban dwellers. Among people without a four-year college degree, only 47% viewed the economy in their area as good or excellent, compared with two-thirds of people with a degree.

Both groups have been moving from the Democratic Party to the GOP. Among people without a four-year college degree, a plurality of 44% identified as Democrats in 2010. Now, only 36% do. Among college graduates, just 36% now identify as Republican, versus 41% in 2010.

While there is broad agreement that the country is riven by division, there is no consensus on why.

Fully 80% of those surveyed saw the country as mainly or totally divided. But Democrats and independents tended to see the division as rooted in economics—the income gap between the rich and the poor. Republicans saw the split as political, with people divided based on party affiliation, and as a function of which media outlets they follow.

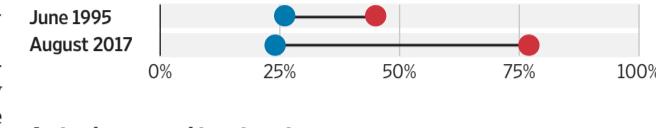
"It's as if everyone agrees that it's too divisive and we can't get along, but also that everyone else is wrong," said Mr. Yang.

### Partisan Lens

Members of the two parties have moved further apart on several issues over the past decade or two.

#### Attitudes toward gun rights

Concerned that government will go too far in restricting gun rights



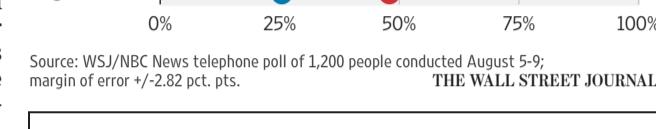
#### Attitudes toward immigration

Immigration strengthens the U.S.



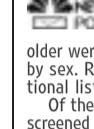
#### Attitudes toward the future

Confident life will be better for our children's generation



Source: WSJ/NBC News telephone poll of 1,200 people conducted August 5-9; margin of error +/- 2.82 pct. pts.

THE WALL STREET JOURNAL



The Wall Street Journal/NBC News poll was based on telephone interviews of 1,200 adults, including 540 who use only a cellphone. It was conducted from Aug. 5-9, 2017, by the polling organizations of Bill McInturff at Public Opinion Strategies and Fred Yang at Hart Research Associates.

The sample was drawn in the following manner: Individuals were randomly selected from national lists of households. Adults age 18 or older were selected by a systematic procedure to provide a balance of respondents by sex. Respondents reached on their cellphone were randomly selected from national lists of cellphone numbers.

Of the 1,200 interviews, 540 respondents (45%) were reached on a cellphone and screened to ensure their cellphone was the only phone they had. In addition, 24 respondents were reached on a cellphone but reported also having a landline.

Overall, the data's margin of error is plus or minus 2.82 percentage points. The margin of error for subgroups is larger.

## Minor Progress Made in Nafta Deal

BY WILLIAM MAULDIN AND DUDLEY ALTHAUS

MEXICO CITY—U.S., Canadian and Mexican officials, buffeted by political disagreements and controversial moves by the Trump administration, notched relatively minor progress in recent days in a big push to renegotiate the North American Free Trade Agreement this year.

The second round of Nafta talks in Mexico City wasn't intended to result in major breakthroughs or serious horse-trading among negotiators, and more substantive progress is expected in the third round later this month in Ottawa, officials said. Canadian Foreign Minister Chrystia Freeland said the second round built on the preparatory work of the first round.

"We have found mutual agreement on many important issues," U.S. trade representative Robert Lighthizer said.

U.S. officials said they reached broad consensus, but not full agreement, in provisions governing small and medium businesses, services, digital trade and the environment.

Mexico's Economy Minister Ildefonso Guajardo said he expects to "start seeing results in the third round of talks."

An adverse political backdrop isn't helping negotiators with a goal of wrapping up talks around the end of the year and submitting a new Nafta for approval in the countries' congresses and parliaments as soon as next year.

President Donald Trump, who made criticism of Nafta a centerpiece of his 2016 campaign, recently renewed threats to pull out of the trade agreement, which has bound North American economies through shared commercial rules and duty-free trade for 23 years.

Participants in the talks described the meetings as professional and not unfriendly.

But observers say the public demands and often-unwelcome policy moves from the governments back home are challenging Nafta negotiators, who will need a combination of hard work, flexibility and luck to hammer out a deal that can survive political scrutiny.

Mr. Lighthizer disputed the notion that the political demands are hurting the talks. Mexican President Enrique Peña Nieto addressed Nafta on Saturday, telling Mexicans in an annual speech that he won't accept a deal that hurts the country's "dignity."

◆ Washington seeks further trade negotiations with Seoul..... A6

## DACA

Continued from Page One  
and shore up the health law's insurance exchanges.

The decision to end the program, which was created by former President Barack Obama, was welcomed by advocates for stricter immigration enforcement, including the attorney general of Texas, whose threat to sue the administration over the program added to the pressure on the White House.

The move was widely condemned by Democrats, some Republicans, business executives, immigrant-rights advocates and educational leaders as a cruel step that will hurt people who they said did nothing wrong and are contributing to the nation.

Attorney General Jeff Sessions announced the policy shift, reiterating his long-held belief that Mr. Obama had overstepped his authority. The Obama administration "deliberately sought to achieve what the legislative branch specifically refused to authorize," he said.

Mr. Sessions said the participants were taking jobs from U.S. citizens, that the program was encouraging more illegal migration and that it was implemented even though Congress had declined to pass the same policy into law.

The reaction was swift. Protesters gathered in front of the White House and at Trump Tower in New York, where nine immigrants protected by the program and three other people were arrested. In Denver, hundreds of people took to the streets to protest the move.

Mr. Obama issued a rare public statement in opposition to



A DACA applicant in Bakersfield, Calif., in March 2015, filling out forms for the program, created by former President Barack Obama

his successor. "Whatever concerns or complaints Americans may have about immigration in general, we shouldn't threaten the future of this group of young people who are here through no fault of their own, who pose no threat," he said.

Officials said that the permits given to young immigrants under the program, which are good for two years, will remain in force until they expire. Some 150,000 participants whose grants expire before March 5, 2018, will be able to renew their status if they file applications by Oct. 5. Officials said no new applications filed after Tuesday would be processed.

Many immigrant advocates

expressed concern that the government would use information collected as part of the program's application process to track people down for possible deportation. On Tuesday, Department of Homeland Security officials said they wouldn't target former program participants and would only use their information if there was a significant law-enforcement or national-security risk.

People participating in the program were both angry and nervous about their futures.

"Immigrant youth are standing up today and saying in no uncertain terms this is our home, we are here to stay," said Cristina Jimenez, executive di-

rector of United We Dream, an advocacy group that represents these people.

In taking the action, Mr. Trump fulfilled a campaign promise to end the program, but the move contradicts assurances he has given since taking office that these people, often dubbed Dreamers, had nothing to worry about.

Mr. Trump encouraged action on Capitol Hill to protect program participants, while signaling he would want any legislation to include his own immigration priorities.

Republicans are divided among those who see an urgency to protect these immigrants, those who oppose such

action and those who are willing to go along only as part of increased immigration enforcement of some sort.

Sen. Lindsey Graham (R., S.C.), a longtime backer of liberalized immigration laws, called this a "defining moment" for the Republican Party and hoped action on the Dream Act, which would provide a path to citizenship for young people brought to the U.S. as children, would be a first step. "This may be what we needed in Congress to get our act together...a real issue of real live people who need us to act decisively," he said.

—Alicia A. Caldwell, Byron Tau and Nancy A. Youssef contributed to this article.

## RATES

Continued from Page One  
tion outlook is shared broadly by investors, if not the majority of Fed policy makers, who have long said they expect inflation to trend higher. Implied inflation expectations, derived from the difference between nominal and inflation-adjusted Treasury yields, are forecast to be about 1.79% annually over the next decade, according to data from Tradeweb. That's down from more than 2% earlier in the year.

While North Korea's latest nuclear test and Hurricane Irma helped bolster Treasuries, the long-term argument for buying bonds also got a boost Tuesday from Federal Reserve governor Lael Brainard, who said in a speech that the Fed's "persistent failure" to hit its 2% inflation target could merit a slower path of interest-rate increases going forward.

"We have been falling short of our inflation objective not just in the past year, but over a longer period as well," she said. "My own view is that we should be cautious about tightening policy further until we are confident inflation is on track to

### Lower Expectations

Bond market-derived expectations for annual inflation over the next decade have been falling for much of this year.



achieve our target."

Ms. Brainard has expressed concern about low inflation before. But her latest remarks came at a critical time, as Fed officials gear up for a debate over whether to stick to the central bank's plan of raising interest rates a third time this year or hit the pause button to wait for more inflation data and see how the economy and markets react to the latest po-

makes it less likely that the Fed will raise interest rates, which is another major threat to the value of outstanding Treasuries.

Since topping the Fed's 2% target in February, one of the Fed's preferred inflation measures, the personal-consumption expenditures price index, has been in retreat, rising just 1.4% in July from a year earlier, the Commerce Department said last week.

The inflation slowdown has surprised many investors and analysts because it has defied many economists' expectations that a low jobless rate should soon lead to higher wages and costlier goods and services.

The U.S. unemployment rate was 4.4% in August, just off a 16-year low, but wage growth and inflation have both remained sluggish. That has left investors debating whether tepid inflation and low bond yields could be the result of large, potentially intractable forces, such as globalization and technological advances, rather than just a consequence of the normal economic cycle.

"I think there's something really powerful" happening, said Rick Rieder, chief investment officer of global fixed income at BlackRock Inc., the world's largest asset manager.

Low inflation makes government bonds more appealing to investors because it helps preserve the purchasing power of their fixed payments. It also

Technological innovation from companies like Amazon.com Inc. and Uber Technologies Inc., he added, are behind "the greatest cost revolution of all time," in a development that has far-reaching consequences for financial markets.

For years, some analysts have argued that technology and increased global competition as well as aging populations and mounting debt levels could all play some role in holding down economic growth, inflation and bond yields. What has changed, investors and analysts say, is how seriously these arguments are now being taken by market participants.

In recent years, investors have frequently blamed low yields on factors including monetary stimulus from major central banks or fears that the global economy could soon tip into another recession. But the Fed now has plans to start slowly reducing its large portfolio of Treasuries and mortgage-backed securities, after already raising interest rates twice this year.

Meanwhile, many investors also expect the European Central Bank to soon start scaling back its own stimulus program, as the entire global economy shows signs of improvement.



# I CAN KNOW THOUSANDS OF PEOPLE I'VE NEVER MET.

**With IBM Services and Watson,** customer service agents can't exactly read minds, but they can know which customers to help first and how to help them better. This helped one company to reduce call resolution times by 99% and saved another company \$11.2 million a year. Find out more at [ibm.com/you](http://ibm.com/you)  
**This is customer service to the power of IBM.**

**you<sup>IBM</sup>**



**IBM**  
®

# WORLD NEWS

## U.S. Presses Military Options in Asia

Trump offers new arms deals to allies in Tokyo, Seoul following North Korea nuclear test

President Donald Trump pressed harder on potential military options in North Korea, offering billions of dollars in new American military equipment to allies in Asia and saying South Korea should use bigger conventional payloads on its missiles as deterrence.

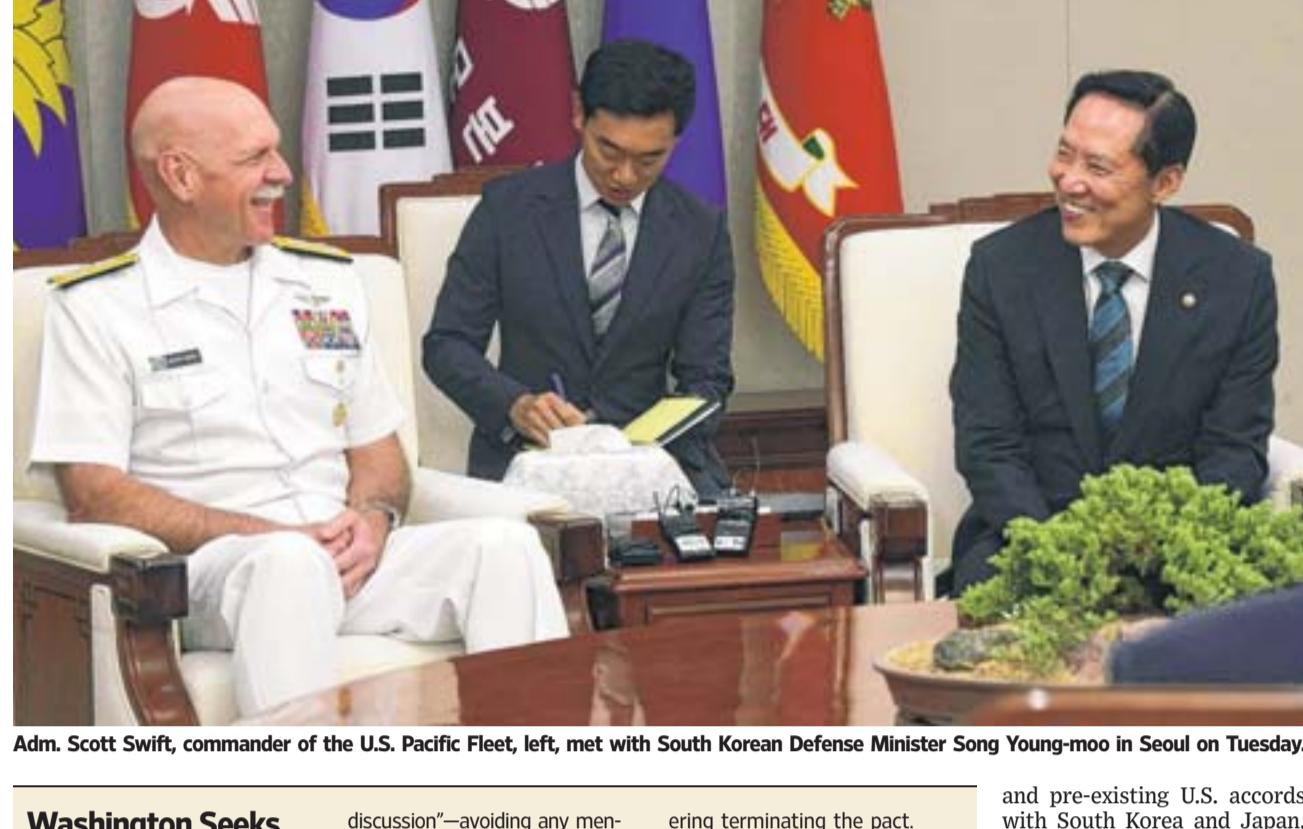
By Jonathan Cheng  
in Seoul and  
Farnaz Fassihi  
at the United Nations

The military emphasis came as U.S. officials faced an uphill negotiation at the United Nations Security Council over new sanctions against Pyongyang, with China and Russia expressing reluctance and a Monday vote on the matter sought by U.S. Ambassador Nikki Haley in doubt.

North Korea, meanwhile, issued a defiant response on Tuesday to U.S. attempts to impose new sanctions, declaring that it wasn't cowed by the Trump administration's warnings and hinting at an unspecified "counteroffensive." Pyongyang said that Mr. Trump was "begging for war"—not North Korea—as Ms. Haley had said on Monday during an emergency Security Council meeting.

The exchanges came two days after North Korea tested its sixth and by far most powerful nuclear bomb, raising alarm in world capitals from Washington to Beijing and weighing on markets from the U.S. to Asia.

Mr. Trump's offer to sell more arms, made in a Tuesday



Adm. Scott Swift, commander of the U.S. Pacific Fleet, left, met with South Korean Defense Minister Song Young-moo in Seoul on Tuesday.

YONHAP NEWS/NEWSCOM/ZUMA PRESS

### Washington Seeks Further Negotiations On Trade With Seoul

The Trump administration's chief trade negotiator said on Tuesday that he is looking to negotiate some changes to the Korea-U.S. free-trade agreement and is hoping for a "successful

discussion"—avoiding any mention of a possible termination of the five-year-old pact.

The remarks by Robert Lighthizer, the U.S. trade representative, were the first public comments by a top policy maker about the trade agreement, known as Korus, since administration officials said over the weekend that President Donald Trump was consid-

ering terminating the pact.

When asked the administration's views on possible Korus withdrawal, Mr. Lighthizer said "we have negotiations," and that "we would like some amendments to the Korean agreement." He didn't address directly the prospect of a pullout. It is unclear whether Mr. Trump is still weighing the withdrawal option.

—Jacob M. Schlesinger

tweet, underscored his message in a weekend call with South Korean President Moon Jae-in. In that call, the U.S. leader agreed to scrap payload limits on South Korean missiles under a decades-old U.S.-South Korean treaty, allowing Seoul to use more powerful

conventional weapons, the White House said.

Mr. Trump also in that call provided what officials said was his "conceptual approval" for the purchase of billions of dollars in U.S. military weapons and equipment.

The Pentagon declined to

provide specifics, but is unaware of any pending sales of the size specified by the White House, a U.S. official said.

Mr. Trump needs congressional approval to authorize most weapons transfers. But it wouldn't be difficult to advance the process due to close ties

and pre-existing U.S. accords with South Korea and Japan, said Patrick Cronin, director of the Asia-Pacific Security Program at Center for a New American Security, a defense think tank in Washington.

Some U.S. military options, such as integrating Japan into military exercises already held between the U.S. and South Korea, would add pressure both on North Korea and its key ally, China.

The military pressure comes as the U.S. tries to convince the U.N. to maximize economic pressure on Pyongyang.

The U.S. began negotiating the draft of a new sanctions resolution with China at the U.N. on Tuesday, diplomats said, although the draft hasn't been circulated to all 15 mem-

bers of the Security Council. Diplomats who had knowledge of the content said it was "very ambitious" in scope and timetable.

The U.S., along with its European and Asian allies, wants to target sectors of North Korea's economy to pressure the regime while avoiding civilian suffering, diplomats said. Oil trade that benefits the government is a priority, diplomats said.

The U.S. would have to convince China and Russia to support a resolution. While neither has openly said it would veto added sanctions, both have urged talks and said sanctions aren't effective. Russia's ambassador on Tuesday cast doubt on whether the council would be prepared to vote by Monday, as Ms. Haley requested.

U.N. Secretary-General António Guterres urged the council to come up with a single, united strategy against North Korea. Mr. Guterres said he stood ready to mediate a solution.

Earlier Tuesday, Adm. Scott Swift, commander of the U.S. Pacific Fleet, said Pyongyang's recent string of missile and nuclear tests has brought the U.S. closer to its allies in Tokyo and Seoul, rather than dividing them, as North Korean leader Kim Jong Un had hoped.

Adm. Swift's comments followed warnings that North Korea appeared to be planning to test-launch another intercontinental ballistic missile as it advances its aim of developing a nuclear-tipped missile that can threaten the U.S. mainland.

The rapid advance in North Korea's military capabilities has exposed differences between Seoul's more dovish approach and Washington's harder-line strategy on Pyongyang.

## Haley Proposes New Path On Iran

By FELICIA SCHWARTZ

WASHINGTON—U.S. Ambassador to the United Nations Nikki Haley on Tuesday laid out a path for the White House to declare that Iran isn't complying with the 2015 nuclear deal—but leave it to Congress to decide what to do.

Although the U.S. has said Tehran is technically abiding by its commitments, Ms. Haley raised critical questions about the deal, in an effort to give President Donald Trump support should he choose not to certify Iranian compliance.

Mr. Trump has called the accord between Iran and six world powers "the worst deal ever," but some of his advisers in recent months have been looking for ways to let the president say Iran isn't complying without immediately killing it.

"What happens next is significantly in Congress's hands," Ms. Haley said in a speech at the American Enterprise Institute, a conservative think tank in Washington. "If the president chooses not to certify Iranian compliance, that does not mean the United States is withdrawing" from the accord.

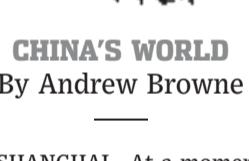
Mr. Trump faces a deadline in October when he must tell Congress whether he believes that Iran is meeting the terms of the deal, which required Iran to cut back its nuclear capabilities in exchange for sanctions relief.

While Ms. Haley said she didn't know what Mr. Trump will say, the president said in an interview with The Wall Street Journal in July that he is likely to say Iran isn't meeting its commitments.

In her speech, Ms. Haley said Mr. Trump would be justified if he doesn't certify Iran's compliance because the deal itself is "very flawed and very limited." She said the accord discourages countries from confronting what the administration views as destabilizing behavior, such as missile tests and support for terrorist groups.

Despite Mr. Trump's misgivings about the deal, he has twice told Congress that Iran is living up to its terms.

## Why Xi Refuses to Go Ballistic on North Korea



CHINA'S WORLD  
By Andrew Browne

to lead a Chinese-hosted summit of major emerging economies. The summit was intended to bolster Mr. Xi's international standing ahead of next month's Congress. Instead, Mr. Kim made a mockery of the Chinese strongman by exposing Beijing's inability to rein in its neighbor's nuclear ambitions.

If Mr. Kim is calculating that Mr. Xi won't risk precipitous action against him ahead of the 19th Party Congress, he's likely correct.

North Korea has become a wild card for Mr. Xi, and it grates on the Chinese leader to be toyed with, no less than it angers Mr. Trump.

**B**ut this is a critical moment of leadership transition for Mr. Xi, and Mr. Kim knows it. The Chinese president seeks elevation to the pantheon of Chinese Communist greats along with Deng and Mao. Some speculate Mr. Xi wants a setup that would enable him to extend his tenure beyond five years. Any missteps ahead of the Congress could open Mr. Xi to attack from the many enemies he's made and derail his legacy.

There is plenty more the Chinese president could do



FRED DUFOUR/AGENCE FRANCE PRESSE/GTY IMAGES

worse, such a scenario, likely bringing down the Pyongyang regime, would be the outcome that Washington seeks. It could bring U.S. and South Korean troops up to the border, where they would command the gateway to China's industrial heartland and routes to the capital.

Thus, Mr. Xi would be surrendering the impressive gains he has made in his first term in a geopolitical contest with the U.S. for influence in East Asia.

Bending to U.S. pressure on North Korea is politically unacceptable. Mr. Xi's "China Dream," after all, is about restoring Chinese pride after a century of foreign humiliation.

There are even perverse benefits to Beijing from Mr. Kim's nuclear brinkmanship: It keeps the U.S. military pinned down in Northeast Asia, and to the extent that it casts doubt on Washington's resolve to defend South Korea and Japan, it drives a wedge between the U.S. and its two key Asian allies.

**F**urthermore, letting North Korea go would give encouragement to political forces in China that Mr. Xi spent his first term

ruthlessly crushing—dissidents, human-rights activists and others who might read in Mr. Kim's demise a message about the vulnerabilities of their own socialist leaders.

The upshot is that Mr. Xi, on the brink of his greatest political triumph, looks impotent in the face of Mr. Kim's increasing provocations.

During his first five years in office, President Xi proved to be a master of control.

His Asia policy has followed a pattern: ratcheting up tensions with U.S. friends and allies—Japan, Vietnam, the Philippines—then de-escalating. By switching on and off the threat of force, Mr. Xi enhanced Beijing's position.

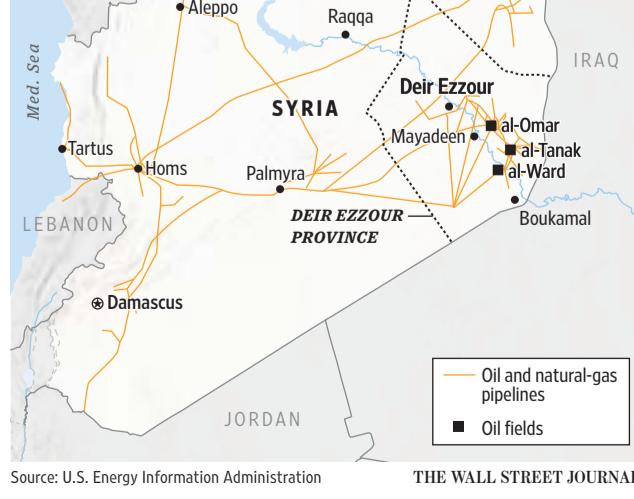
However, in the countdown to the 19th Party Congress, Mr. Xi requires stability more than adventure to safeguard the legacy he's built and secure his dominance.

Now, Mr. Kim threatens to unleash chaos. The crisis calls for Chinese action. The irony is that the most activist Chinese leader on the global stage since Mao is paralyzed by domestic politics at a moment when his intervention is urgently required. Mr. Xi risks a coronation with the region in flames.

## Syrian Military Advances, Ramping Up Pressure on ISIS

### Militant Resources

Some of Syria's most significant oil infrastructure is located in Deir Ezzour province, where populated areas along the Euphrates River are largely controlled by Islamic State.



Source: U.S. Energy Information Administration

The Syrian army broke a three-year Islamic State siege in the eastern city of Deir Ezzour on Tuesday, handing the extremist group a significant setback in one of its most important remaining strongholds.

By Maria Abi-Habib  
in Beirut and Nour Alakraa in Berlin

The regime's advance adds to the pressure on Islamic State fighters in surrounding Deir Ezzour province, which many of the group's leaders fled to as it came under attack and lost territory across Syria and Iraq over the past year.

The Syrian military has been moving toward the city of Deir Ezzour for weeks. The U.S. and Russia, Syria's main ally, agreed recently on a plan to avoid clashes between the regime and the U.S.-led coalition fighting Islamic State, which is currently battling the extremists in the neighboring prov-

ince of Raqqa to the north.

As Islamic State is forced into a shrinking patch of territory in Syria, the regime of Syrian President Bashar al-Assad and its allies find themselves fighting in increasingly close proximity to U.S.-backed forces.

The advance by Syrian forces was met with fierce resistance by Islamic State, according to activists opposed to both the regime and Islamic State. Syrian military units moved in from the western side of Deir Ezzour province and linked up with another brigade inside one of two government-held enclaves inside the provincial capital, according to Syrian state-run media.

"Army units, which have been advancing from the west side of [Deir Ezzour] province, have met with the garrison of the 137th Regiment this afternoon, breaking the siege imposed on the city for more than three years," said state-controlled Syrian Arab News

Agency, or SANA.

Much of Islamic State's leadership, prisoners and most-valued military gear is now believed to be in Mayadeen, about 30 miles southeast of the city of Deir Ezzour. Islamic State still controls Syria's most important oil fields, which are spread throughout the province and which the group uses to fund its operations.

Despite long being at odds with the Assad regime and supporting opposition groups, Washington has opened the door to an expanded role for the Syrian military in fighting Islamic State. "We are here to fight ISIS as a coalition, but if others want to fight ISIS and defeat them, then we absolutely have no problem with that," Col. Ryan Dillon, spokesman for the U.S.-led coalition, said in June. "We as a coalition are not in the land-grab business. We're in the killing ISIS business."

—Raja Abdulrahim in Beirut contributed to this article.

# RESET EXPECTATIONS

A VISIONARY BUILDING FOR VISIONARY COMPANIES



*Building on the unprecedented success of 10, 30, and 55 Hudson Yards, we are pleased to introduce 50 Hudson Yards, the new home of BlackRock.*

JOIN US AT HUDSON YARDS

work

**BLACKROCK** **THIRD POINT** **WELLS FARGO** **COACH** **SAP** **L'ORÉAL** **DNB** **BSF** **SILVERLAKE** **VAYNERMEDIA** **KKR** **Intercept** **Milbank**  
**EQUINOX** **MarketAxess** **Cooley** **BCG** **Point 72 Asset Management** **Intersection** **SIDEWALK LABS** **HBO** **CNN** **TURNER** **TimeWarner**

shop and dine

**Neiman Marcus** **(J) ANDRÉS THINKFOOD GROUP** **Milos** **THOMAS KELLER** **D&D LONDON** **M MICHAEL LOMONACO** **OmomoFuku** **SANTA CRUZ CO.**  
**JO MALONE LONDON** **AG** **BANANA REPUBLIC** **WATCHES OF SWITZERLAND SINCE 1924** **THE BODY SHOP** **lululemon** **athletica** **ZARA** **BOUCHON BAKERY** **H&M**  
**STUART WEITZMAN** **ATHLETA** **MAC** **Kiehl's SINCE 1851** **SEPHORA** **TORY BURCH** **ORIGINS** **NYX PROFESSIONAL MAKEUP** **URBAN DECAY** **Aritzia**

live

**FIFTEEN**  
HUDSON YARDS

NEW YORK

[HudsonYardsNewYork.com](http://HudsonYardsNewYork.com)

**RELATED** **OXFORD**  
AN OMERS COMPANY

**MITSUI FUDOSAN AMERICA**



# We Deliver. Meals. Nutrition. Dignity. Hope. Love.



**GOD'S LOVE  
WE DELIVER®**

#FoodIsMedicine



[godslovewedeliver](#)



[godslovenyc](#)



[godslovenyc](#)

God's Love We Deliver is the New York City metropolitan area's leading provider of nutritious, individually tailored meals to people who are too sick to shop or cook for themselves. All meals are provided free of charge, without regard to income, and we have never had a waiting list. To donate or volunteer your time, visit us at [godslovewedeliver.org](http://godslovewedeliver.org).

If you are in the NYC metropolitan area and would like to become a client, please email [clientservices@glwd.org](mailto:clientservices@glwd.org) or call 212.294.8102.

## WORLD NEWS

# Venezuela Crisis Looms Large on Pope's Latin Trip

Heilyn Rojas, a 21-year-old Venezuelan student, left her country last year, tired of the crime and food shortages back home. She fled to neighboring Colombia in search of a better life.

By Anatoly Kurninaev  
in Caracas, Venezuela,  
and Francis X. Rocca  
in Vatican City

Now, as Pope Francis embarks on a five-day visit to Colombia, she stands among many Venezuelans, including bishops and opposition leaders, who hope the pontiff will chastise Venezuelan President Nicolás Maduro for his role in the nation's economic collapse and its deep political strife.

She wishes Pope Francis "would care more about helping Venezuela, so that we could go back, work and live well, instead of dying of hunger," Ms. Rojas said.

Venezuela—whose economy has shrunk by a third since 2013, sparking a humanitarian crisis—looms large as Pope Francis arrives on Wednesday in neighboring Colombia, where tens of thousands of Venezuelan migrants have fled.

Top Venezuelan bishops plan to greet the pope in Colombia, hoping to convey in person the gravity of the country's situation.

In a letter published last week, the leader of Venezuela's

opposition-controlled congress urged the pope to demand that Mr. Maduro allow humanitarian aid, release political prisoners and respect human rights. "Every day that passes costs another life," wrote Speaker Julio Borges. "We can't wait."

Vatican intervention in international political conflicts is rare. Pope John Paul II, who was Polish, was credited with helping to mobilize Poland's Solidarity movement and give momentum to the fall of communism in Central and Eastern Europe.

Pope Francis, an Argentine who takes a keen interest in Latin American affairs and has issued forceful calls for leaders to respect human rights, helped broker the December 2014 rapprochement between the U.S. and Cuba.

But a Vatican spokesman played down the likelihood that the pope would speak publicly about Venezuela during his trip to Colombia. That trip is likely to emphasize reconciliation and human rights after that country's recently ended civil war.

Many Venezuelans are angry over the Vatican's failed attempt to broker a truce between the opposition and Mr. Maduro's envoys during talks late last year. The talks broke down after his government failed to implement its promises. Just over half of Venezuelans believe the church is working to solve the country's problems, down from 62% before the talks, according



Demonstrators in St. Peter's Square in Rome recently held crosses with the names of people killed in protests against Venezuela's government.

to a June poll from Caracas-based Consultores 21.

The opposition and some clergy blamed the Vatican for allowing Mr. Maduro to stall for time, thus dissipating protests and ultimately tightening his grip on the country.

"The Vatican's diplomacy sinned with naivety. They came unprepared," said the Rev. Francisco Virtuoso, rector of Caracas's Andrés Bello Catholic University and a prominent critic of Mr. Maduro's government. "The government exploited this to the full."

A senior Vatican official told The Wall Street Journal that the Vatican had been aware of

the risks involved in the negotiations, but believed the deepening strife in Venezuela justified its attempt to help.

"It was the government that broke [the rules], not the Vatican," Cardinal Jorge Urosa of Caracas, who has taken a lead role in the standoff, told the Journal.

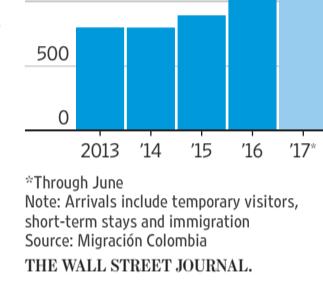
Since then, Venezuela's Catholic hierarchy, one of the country's few remaining independent institutions, has stepped up its public criticism of Mr. Maduro, calling on his government to restore an independent legislature and halt the killing and imprisonment of protesters and opposition leaders.

The bishops denounced a July vote—widely condemned as rigged—to approve a new, hand-picked assembly that is sidelining the opposition-controlled legislature and plans to grant Mr. Maduro greater powers. During the vote, the bishops' conference tweeted a prayer to the Virgin Mary to "free our country from the clutches of communism and socialism."

Mr. Maduro accuses the local church hierarchy of joining the political opposition to topple his government and claims the pope supports him, disagreeing with critics including Vatican Secretary of State Cardinal Pietro Parolin.

## New Horizons

Venezuelans are increasingly moving to Colombia as the crisis worsens back home.



\*Through June  
Note: Arrivals include temporary visitors, short-term stays and immigration  
Source: Migración Colombia

THE WALL STREET JOURNAL.

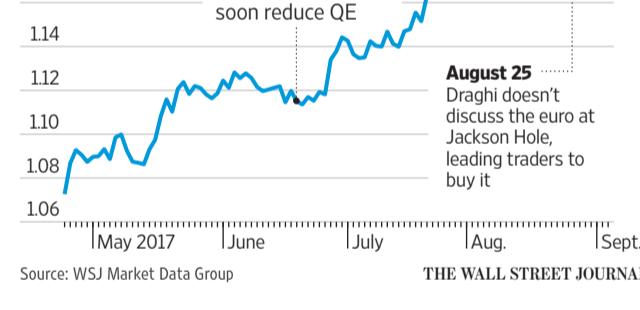
# European Central Bank Expected to Signal End of Stimulus

By TOM FAIRLESS

## On a Tear

The euro has surged since Emmanuel Macron won the French presidency.

### How many dollars €1 buys



the middle of 2018.

Investors are on edge, ready to unload eurozone government bonds and buy the euro currency as soon as the central bank clearly signals the retreat is coming.

ECB officials have given no fresh policy signals since late June, when Mr. Draghi roiled financial markets by suggesting in Sintra, Portugal, that QE's days might be numbered, noting that less stimulus

would be needed as the economy accelerates.

The ECB's stimulus policy "does not fit at the moment with the state of the economy," said Claudia Broyer, an economist with Allianz in Frankfurt. She expects QE, currently running at €60 billion a month, to come to an end by the middle of next year.

The hypersensitivity of financial markets is making ECB officials cautious, however, and could delay their exit plans. They are eager to avoid repeating the policy error four years ago of the Federal Reserve, which triggered a sharp rise in U.S. government-bond yields when it announced its own withdrawal from QE.

Even before the ECB has clearly signaled its intentions, the euro has been surging, rising more than 12% against the dollar over the past five months. As growth has strengthened, the prospect of political upheaval in the euro-

zone has eased with the early May victory in the French presidential election of centrist Emmanuel Macron over far-right candidate Marine Le Pen.

A strong euro complicates the ECB's job because it makes the region's exports more expensive and reduces the price of imports, weighing on economic growth and inflation.

ECB officials "have really been wrong-footed" by the euro's recent rise, said Martin Lück, chief German strategist at BlackRock in Frankfurt.

Another headache is the Fed, which holds its own policy meeting in two weeks. The euro's rise against the dollar partly reflects investors' belief that the Fed won't raise interest rates as aggressively as they once thought. U.S. inflation has softened unexpectedly, and President Donald Trump seems less likely to push through bold spending plans that might require tighter monetary policy.

The ECB "clearly expected

the new U.S. government to do more in terms of economic expansion, which would have made the exchange rate less of a worry," Mr. Lück said.

Eurozone inflation remains weak. It rose to 1.5% in August from 1.3% in July, but is unlikely to move much higher over the next two years, echoing weakness in the U.S. and Japan. Some analysts think the ECB shouldn't move until inflation is closer to its target of just below 2%.

But pressure is building on the ECB to shift course. In Germany, the ECB's easy-money policies are a hot topic in national elections, scheduled for Sept. 24. Last month Germany's top court indicated that QE might violate German law, although it ultimately kicked the decision up to the EU's highest court, the European Court of Justice in Luxembourg.

◆ Heard: Spain is one way to play the eurozone..... B16

## WORLD WATCH

GERMANY

### Merkel Urges Action On Turkey Be Unified

Chancellor Angela Merkel said European Union leaders should decide whether to suspend or end membership talks with Turkey at its summit next month, backtracking from her call to end accession talks.

Speaking to the lower house of parliament in the final debate ahead of the Sept. 24 general election, Ms. Merkel said the bloc's leaders should debate the issue at the EU summit next month, as any public disagreement would strengthen Turkish President Recep Tayyip Erdogan amid concerns about Turkey's crackdown on political dissent.

"Relations with Turkey are of great importance. I will therefore advocate for us to adopt decisive actions but that we act jointly and talk with our European partners," Ms. Merkel said.

—Andrea Thomas

Silva's and Ms. Rousseff's terms, the suspects, all members of the Workers' Party, or PT, used state-run companies to pocket taxpayer money.

Mr. Janot sent the charges to the Supreme Court, which has an undefined amount of time to either accept or dismiss them before any trial is launched.

A spokesman for Ms. Rousseff said she had no comment.

Mr. da Silva said in his Facebook page that the charges are a groundless political action.

The PT said in a statement the accusations are "lies."

—Paulo Trevisani

BRAZIL

### Police Raid Home Of Olympics Chief

Federal police raided the home of the country's Olympic committee president, Carlos Arthur Nuzman, on Tuesday as part of an investigation into suspected bribery that might have helped Rio de Janeiro win its bid to host the 2016 Olympic Games.

The investigation started about nine months ago and is being conducted in cooperation with French authorities, the police said in a statement.

Mr. Nuzman was scheduled to speak with authorities on Tuesday, a police spokeswoman said. Mr. Nuzman's attorney wasn't available to comment.

Brazil's federal police suspect that a vote-buying scheme favored Rio's bid to host the Games.

—Luciana Magalhaes

BRAZIL

### Ex-Leaders Accused Of Embezzlement

Brazil's attorney general on Tuesday accused former presidents Luiz Inácio Lula da Silva and Dilma Rousseff and some of their political allies of embezzling around \$500 million between 2002 and 2016, a period encompassing all of the leftist party's 13 years in power.

Attorney General Rodrigo Janot said that during Mr. da

# Russia Unveils Images of Its Troubled Past

By THOMAS GROVE

MOSCOW—As Confederate statues come down in the U.S., Russia is resurrecting figures from its own thorny past.

Soviet statues tumbled precipitously during the breakup of the U.S.S.R. But under President Vladimir Putin and his project to restore Russia's status as a great power, monuments to the often painful Soviet and monarchic history have been rising again.

On Tuesday, city leaders in Kirov, about 500 miles east of Moscow, unveiled a statue of Felix Dzerzhinsky, a Bolshevik revolutionary and the founder of the Cheka, the dreaded Soviet secret police, later known as the KGB.

In Mr. Putin's Russia, memory is selective. Backers see the statue as a tribute to a man who helped build a formidable intelligence service. But it has angered the descendants of those persecuted: Dzerzhinsky oversaw the Red Terror, the execution of hundreds of thousands of citizens during Russia's 1917-1922 Civil War, often without trial.

"Anyone who has experienced this dark chapter of our country's history can't be indifferent about someone who created the Cheka," said Aradna Kozina, an activist who was raised on her father's stories of serving in a prison camp. "The U.S. may be pulling down its statues, but this is the glorification of all the



A statue of Bolshevik secret-police chief Felix Dzerzhinsky.

### Citing Diversion, Putin Cautions U.S. Not to Arm Ukraine

MOSCOW—President Vladimir Putin said that any delivery of weapons by the Trump administration to Ukraine's government could inflame hostilities and cause Russia-supported separatists to expand the conflict.

"If American weapons reach the conflict zone, it's hard to say how the declared republics will react," Mr. Putin told reporters on a visit to China. "Perhaps [the separatists] will send the weapons they have to other zones of the conflict."

Kiev has fought a three-year war against a separatist movement in eastern Ukraine that Russian and Western officials say is fomented and directed by Moscow. Russia says the separatists are independent actors and denies its military supports them.

—James Marson

Fallen Heroes.

A 50-foot statue of Prince Vladimir, the 10th-century monarch credited with bringing Christianity to Russia, was erected across from the Kremlin last year. At the opening ceremony, Mr. Putin praised the prince's embrace of traditional values.

## IN DEPTH

# BATS

Continued from Page One

Mexican farmers have harvested their blue agave—tequila's raw material—before they blossom, because they die when they flower.

But the lesser long-nosed bat loves the blossoms and was vital to pollinating blue agave before humans took over, Dr. Medellín says. So tequila only exists, he argues, because of what some Mexicans call "the tequila bat."

And now more than ever, he says, bat and agave need each other for the greater good.

Bats pollinate other flowering species, so blue-agave blossoms will help sustain the broader plant kingdom, he says. And bat-pollinated agave, he says, will produce seeds of varieties that are more genetically diverse than what now dominate tequila production.



A lesser long-nosed bat.

The bats, meanwhile, are suffering from human encroachment and would benefit from more tequila-agave nectar, says the 59-year-old Dr. Medellín, a researcher at National Autonomous University of Mexico.

Dr. Medellín, known in his field as "The Batman of Mexico," has persuaded three tequila makers to set aside 5% of their blue-agave crops to flower in some fields, through an initiative launched by his university and Tequila Interchange Project, a group that advocates for sustainable and traditional production techniques.

For their pains, they get to call tequila from those fields "bat friendly" and slap on the bottles a hologram Dr. Medellín provides with an image of a bat near an agave flower.

One of the distillers, Tequila Tapatío, produced a bat-friendly version of its Tequila Ocho that its owner, Carlos Camarena, found "to present traces of pep-

per and pineapple as well as orange blossom aromas." He allows that those characteristics have nothing to do with bats but stem from "terroir."

The sight of flowering agaves in Mr. Camarena's fields is so uncommon that nearby farmers come to ask incredulously why the agave plants are being allowed to blossom. "In this project, you are basically turning tens of thousands of dollars worth of agave into bat feed," Mr. Camarena says.

"But this is a love story."

Americans can share the love at bars like San Antonio's Esquire Tavern, which offers a bat-friendly-tequila cocktail dubbed "Batman of Mexico." The spicy \$12 drink includes fresh corn syrup, a blend of chilies and lime, and bat-friendly tequila.

Dr. Medellín has spent decades in hot caverns studying bats. For much of that time, he was trying to convince tequila makers that bats are good for business. He finally convinced the three tequila makers three years ago.

He and a team of students now moonlight sometimes as bat-friendliness compliance officers. Near midnight recently, they paced one of Mr. Camarena's fields inspecting agave crops that qualify for bat-friendly status.

"Bats remember," Dr. Medellín said, feeding sugary water to an exhausted bat. "After 150 years, they are now back pollinating."

Tequila Patrón, a major distiller, has commissioned a study with Mexico's National Center for Genetic Resources to ana-

lyze the genetics of agave shoots and to check into Dr. Medellín's claims they lack diversity. "We want to do the right thing," says Francisco Soltero, head of strategic planning at Patrón, "but we feel that we need more information about it."

Having turned several distilleries batty, Dr. Medellín has had to pitch bat-friendly booze to bars. He's taken American bartenders to fields in Mexico to show them bats at work at night. "They ended up wanting to have their pictures taken with bats."

A visit last year to a field made a believer of Joaquín Meza, owner of El Rancho Grande restaurant in Providence, R.I. Before, "I wasn't that friendly to bats," he says. Now he is offering the bat-friendly spirit to clients. "Many customers don't like such creepy creatures," he says, "so they get really intrigued when they try bat-friendly tequila."

# JOB

Continued from Page One overlooked in the anxiety about the job-destroying potential of robots, artificial intelligence and other forms of automation. Throughout history, automation commonly creates more, and better-paying, jobs than it destroys. The reason: Companies don't use automation simply to produce the same thing more cheaply. Instead, they find ways to offer entirely new, improved products. As customers flock to these new offerings, companies have to hire more people.

"Robot apocalypse" is a modern expression, but the underlying anxiety goes back centuries. In 1589 Queen Elizabeth I refused to grant the inventor of a mechanical knitting machine a patent for fear of putting manual knitters out of work. In 1930 the British economist John Maynard Keynes warned of "technological unemployment...due to our discovery of means of economizing the use of labor outrunning the pace at which we can find new uses for labor."

Those fears have repeatedly proven baseless. James Bessen, an economist at Boston University School of Law, has found in numerous episodes when technology was supposed to annihilate jobs, the opposite occurred. After the first automated tellers were installed in the 1970s, an executive at Wells, Fargo & Co. predicted ATMs would lead to fewer branches with even fewer staff. And indeed, the average branch used one-third fewer workers in 2004 than in 1988. But, Mr. Bessen found, ATMs made it much cheaper to operate a branch so banks opened more: Total branches rose 43% over that time.

Today, banks employ more tellers than in 1980 and their duties have expanded to things ATMs can't do such as "relationship banking."

Mr. Bessen witnessed this sort of transformation personally. In 1983 he created an early desktop publishing program, which made typesetting and graphical design vastly simpler and cheaper. Shortly after Sears purchased his program in 1989, its catalog operation laid off 100 employees, he recalls, and he worried, "are we shafting a bunch of people with this product?"

But some customers used his software to increase the number and variety of their publications. The supermarket chain A&P used Mr. Bessen's software to publish 30 or 40 versions of its weekly circular for Atlanta, with different promotions aimed at different neighborhoods. Mr. Bessen found that typesetting and compositor jobs fell about 100,000 over the 1980s, but from 1979 to 2007 the number of designers more than quadrupled to 800,000, making up for the loss many times over.

The process is still disruptive, of course: The people thrown out of work by automation are seldom the same people employed in the new industries that automation makes possible. But over time, the net effect is consistently positive.

Retail is easily the largest U.S. industry now facing digital disruption and yet there is strong evidence e-commerce hasn't reduced overall employment and has likely added to it. It is true that thousands of stores have closed. Between the end of 2007 and the middle of 2017, brick-and-mortar retailers lost the equivalent of 140,000 full-time jobs, accord-



Workers operate automated packing machinery inside Amazon's fulfillment center in Fall River, Mass., which employs around 2,000 people.

### Important questions

But, Mr. Mandel notes, that excludes many jobs at fulfillment centers such as Fall River, which the federal Bureau of Labor Statistics tends to count in warehousing and storage. He notes that Kentucky had just 3,213 e-commerce workers in 2016 according to the BLS, yet Amazon employs more than 12,000 there. Warehousing has added 274,000 jobs nationwide since 2007.

Mr. Mandel argues all of those are attributable to fulfillment centers and that thus total e-commerce employment has grown 401,000, nearly three times the brick-and-mortar drop. Mr. Mandel finds that fulfillment centers pay on average 31% better than brick and mortar stores in the same county.

All this raises important

**'Robot apocalypse' is a modern expression, but the anxiety goes back centuries.**

questions. If online retailers, based on sales per employee, are much more productive than regular retailers, how can they on net add to total retail employment? And how can they both pay more and keep prices low?

The answer is complicated. In fact, total retail employment might have grown faster absent e-commerce. In a highly critical report of Amazon last fall, the nonprofit Institute for Local Self-Reliance argued that the firm's higher productivity meant retail employment is 149,000 lower than if it had never come along.

But the main reason is that e-commerce doesn't simply sell the same product as a store at a lower price. It enables customers to peruse a vast array of products and select precisely the one they want and have it delivered in a day or two, saving the time, cost and inconvenience of visiting multiple

stores. Mr. Mandel estimates e-commerce has saved the average adult 15 minutes a week. Just as Uber and Lyft uncovered hidden demand for rides, e-commerce has uncovered hidden demand for shopping from home. These features don't necessarily add to the price, any more than improvements to cars and appliances do. Nonetheless, e-commerce results in people consuming more retail services, once you adjust for this improved quality, than in the pre-online era.

To spur demand, e-commerce companies use their greater efficiency to absorb more of the delivery costs. Amazon uses the margin it earns on goods to build and operate the logistics needed to profitably serve customers.

The breadth of that investment becomes apparent on a visit to the Fall River center, which handles large, irregularly shaped items such as appliances, bicycles, tires and even a boat anchor.

When a crate of frying pans arrives, employees don't stack them in a designated shelf for frying pans. Rather, they stow each pan individually wherever it fits. Each pan's location is scanned into Amazon's inventory and becomes instantly available to any customer on the internet. When a customer orders the frying pan, Amazon's software searches across the company's more than 70 fulfillment centers for the one that can be delivered most cheaply, or most quickly. If it is located at the top of one of the 34-foot tall storage racks in a particular aisle of this center, the order shows up on the scanning gun of the nearest "picker."

The picker's forklift, guided by sensors communicating with wires in the floor, will lift him or her to the precise bin where the object is located.

Pickers transport those items in metal cages to the packing area, where computers tell packers precisely which size box to use, or transmits its dimensions to other devices that cut boxes out to customized size. Once packed by Ms. Duperre and her colleagues, a box flies down a conveyor belt, over a scale that double checks its weight and contents, then under a scanner that prints and affixes a delivery label. Several hundred feet and a few seconds later, the boxes are automatically nudged off the conveyor

### E-commerce Taketh Away and Giveth

The e-commerce sector has created more jobs since the end of 2007 than brick-and-mortar retailers have lost.



Note: Full-time equivalent employment, three-month average. E-commerce includes electronic shopping and mail-order houses; and warehousing and storage.

Source: Michael Mandel, Progressive Policy Institute

boasted 20,000 manufacturing jobs. But by 2015, that had fallen below 4,000, according to Mr. Fiola, as jobs were outsourced to the south and then overseas, or were automated. Unemployment is above 6%, higher than both the national and state average. Though Hillary Clinton beat Donald Trump in surrounding Bristol County by 9 percentage points last fall, that was one her worst showings in the solidly blue state and less than half Barack Obama's winning margin four years earlier.

City leaders rolled out the red carpet for Amazon with generous tax incentives and a prime location on Innovation Way. Its arrival was the single biggest job creation event anyone could remember.

"We had people with a skill set that was nontransferable," says Jasiel F. Correia II, Fall River's 25-year-old mayor and a first-generation child of immigrants from the former Portuguese territory of Cape Verde. "Where does a person who sewed textiles for 20 years go if they're laid off? Places such as Amazon fill that gap," he says. "They got a chance to work for a Fortune 500 company. This community doesn't get those chances very often."

While the e-commerce job boom is real, the question is whether it will last. Amazon and its ilk continue to seek ways to automate fulfillment. The company is exploring using drones, rather than people, to deliver packages, and is studying driverless vehicle technology. In 2012 Amazon bought robot manufacturer Kiva Systems, and it is working on robots to replace pickers.

Yet the day when Amazon needs fewer humans still appears far off. Its volume is growing so quickly it is adding employees. Thus far, the key benefit of robots deployed in Amazon's fulfillment center in Baltimore is to reduce the demand for space, not labor: Inventory can be stored more closely together since robots now take items to where the pickers are, instead of pickers walking the aisles.

The Baltimore center employs more than 3,500, up from 2,500 when it opened in 2015. At a one-day nationwide jobs fair last month, Amazon accepted 100,000 applications and has already made 40,000 job offers.

### Pay boost

It isn't skilled work, and the wages reflect that. The starting salary at Fall River is \$13.05 to \$13.55 per hour. But including overtime, the Amazon shares every new employee receives, and benefits such as tuition aid, annual compensation is comparable to what local textile mills once paid, according to Kenneth Fiola, executive vice president of the city's economic development office. It is also more than traditional retail, which typically pays the state minimum wage of \$11.

The vast majority of our workforce never had experience in a warehouse, never had any

experience driving a forklift or powered industrial equipment, and we provide them that skill and training, we teach them the new retail," says Andrew Sweatman, general manager at the fulfillment center.

Like Ms. Duperre, Tarrah Tripp also used to work in retail, as a cake decorator at a family-run grocery. At Amazon, she operates custom box-cutting machinery for awkwardly shaped items. It isn't high-tech, but it uses more technology than her last job, she says, "unless you think cutting bread is technology intensive." The pay is a bit better and she gets a full week's worth of hours in four days, which gives her three days off every week. She doesn't intend to spend her career here, and soon plans to train as a veterinary technician, for which Amazon will help pay the tuition.

For Fall River, Amazon's arrival is bittersweet. While courting infamy—Lizzie Borden was accused of murdering her father and stepmother here—the city became a bustling center for textile manufacturing. The mills were a magnet to uneducated immigrants from France, Portugal and Poland and their children.

As recently as 1991, the city

# GREATER NEW YORK

## NJ Transit Payments to Amtrak in Dispute

Rail operators to hold talks on the impasse, which is related to problems on tracks

BY PAUL BERGER

The "summer of hell" may be over, but a dispute between Amtrak and NJ Transit is just heating up.

NJ Transit has fallen so far behind on payments to Amtrak for use of the Northeast Corridor rail line that the bill stands at \$90 million.

New Jersey Gov. Chris Christie directed NJ Transit to stop making certain payments to Amtrak in April, after one NJ Transit train derailed and a second was sideswiped by a derailed Amtrak train in the space of two weeks at New York Penn Station.

Amtrak, which owns and operates the station, says NJ Transit's tab is rising at a rate of about \$10 million a month.

Amtrak's co-CEO Wick Moorman said he is hopeful that the dispute can be resolved this month when the



Regular service returned to New York Penn Station on Tuesday.

leaders of Amtrak and NJ Transit meet to discuss the issue.

But Mr. Moorman added that if talks fail, Amtrak won't back down. "I hope it doesn't end up in the courts because that would be expensive and time-consuming," he said Tuesday.

A spokeswoman for NJ Transit, Lisa Torbic, said the

agency looked forward to discussing the issue with Amtrak.

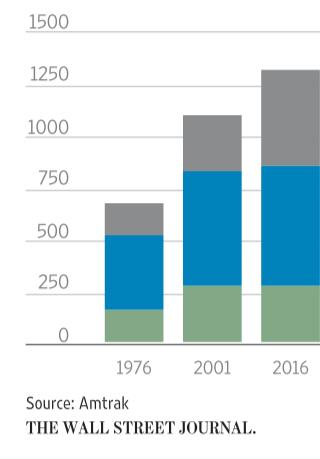
She pointed out that NJ Transit's passengers had "endured a summer's worth of costly, unplanned Amtrak emergency repair work, coupled with several derailments this spring and summer due to failing infrastructure."

NJ Transit and the Long Is-

### Rail Traffic

Weekday trains in and out of New York Penn Station

■ NJ Transit ■ LIRR ■ Amtrak



Source: Amtrak

THE WALL STREET JOURNAL.

running about 20% of trains through there, Mr. Moorman said.

The formula for how much each railroad pays was recalculated several years ago by a commission established by Congress.

During the past 15 years, NJ Transit has almost doubled the number of weekday trains it runs into Penn Station.

Under the new payment structure, NJ Transit's annual obligations more than doubled.

Its obligations for the 2016 and 2017 fiscal years rose to \$175 million and \$176 million, respectively, compared with \$76.8 million and \$54.5 million in 2014 and 2015, according to figures provided by Amtrak.

"They've been getting a good deal for a long time," Mr. Moorman said.

By comparison, the LIRR's use of Penn Station has grown only slightly. Its annual obligations rose to \$40.7 million and \$45.1 million in fiscal years 2016 and 2017, respectively, from \$36.5 million and \$33.9 million in 2014 and 2015.

Amtrak closed several plat-

forms at Penn Station this summer to complete extensive repair work to tracks and switches following the two derailments.

New York Gov. Andrew Cuomo warned that commuters faced a "summer of hell," as thousands of workers were diverted to other train stations and onto buses, cars and ferries.

NJ Transit and the Metropolitan Transportation Authority, which runs the LIRR, spent tens of millions of dollars subsidizing reduced fares for diverted passengers and cross-honoring ticket holders on subways, buses and ferries.

Mr. Cuomo has said that Amtrak should reimburse the MTA for the cost of its mitigation plan, which the MTA estimates at \$58 million.

A spokeswoman for Amtrak said the LIRR is about \$3.7 million behind on its payments.

An MTA spokesman, Aaron Donovan, said: "Amtrak and the MTA regularly make payments to each other, and we do not believe we are behind on any payments."

## 'Great Comet' Packs Up After 10-Month Broadway Run



SHOW'S OVER: A chandelier set piece from 'Natasha, Pierre and the Great Comet of 1812' was taken down Tuesday at the Imperial Theatre after the last performance Sunday. In its final week, the musical took in \$1.1 million at the box office, according to the Broadway League.

## Governor, Mayor Take Their Feud To the Ballot Box

BY MIKE VILENSKY

New York's top two Democrats, Mayor Bill de Blasio and Gov. Andrew Cuomo, aren't lending each other a hand in their re-election bids.

Mr. de Blasio's mayoral primary is Sept. 12, and the general election is in November. Mr. Cuomo has said he is running for a third term in 2018.

The two men have been locked in a yearslong public feud, but even warring incumbents from the same party typically back one another come election season.

Mr. Cuomo, at a parade on Monday, said he has no endorsement in the 2017 mayoral primary because, as a resident of Westchester, he can't vote in a New York City contest.

"I am not voting in this election," the governor told reporters, "so I don't have any primary endorsement at this time."

Mr. Cuomo has endorsed many in this year's New York City Council primaries, which he also can't vote in.

Mr. de Blasio is the frontrunner in his primary and has been endorsed by top city and state Democrats.

It isn't clear if Mr. Cuomo will endorse Mr. de Blasio in November, when the mayor is expected to face off with Republican Assemblywoman Nicole Malliotakis.

Mr. de Blasio returned the favor in an interview with New York magazine about his re-election published on Tuesday. "I'm talking about this year," Mr. de Blasio said, when asked if he would support a 2018 challenger to Mr. Cuomo's left.

Several Democrats are considering a run against Mr. Cuomo next year, including a de Blasio ally, actress Cynthia

Nixon. Republicans are in the process of fielding their 2018 gubernatorial candidate.

Mr. de Blasio backed Mr. Cuomo in 2014 over the governor's liberal challenger, law professor Zephyr Teachout, despite the tensions between the two men at that time.

The mayor also helped broker a deal between the Working Families Party and Mr. Cuomo in 2014 that led the left-wing group to endorse Mr. Cuomo over Ms. Teachout.

With Republicans now in control of the White House and Congress, Messrs. de Blasio and Cuomo have had momen-

*Endorsements aren't forthcoming between Cuomo and de Blasio, both Democrats.*

## Ex-Honduran Leader's Son Sentenced

BY CORINNE RAMEY

The son of a former Honduran president was sentenced to 24 years in prison Tuesday for conspiring to import cocaine into the U.S.

Fabio Porfirio Lobo, 46 years old, pleaded guilty in Manhattan federal court in May 2016. His father, Porfirio Lobo, was president of Honduras from 2010 to 2014.

In court on Tuesday, U.S. District Judge Lorna Schofield said Fabio Lobo had abused his position to further his crime.

"You were the son of the sitting president of Honduras, and you used your connec-

tions, your reputation and your political network," she said.

In addition to the prison term, the judge ordered Mr. Lobo to pay more than \$300,000 in fines and forfeiture. He had faced up to life in prison.

Prosecutors said a stiff sentence was necessary to deter others, particularly in positions of power, from future drug crimes. Mr. Lobo's attorney requested leniency, saying his client had taken responsibility for his actions.

Mr. Lobo, speaking through tears, apologized to the U.S., Honduras, his wife and three daughters. "I have suffered, I have reflected and I am repen-

tant of everything that has happened," he said in Spanish.

Prosecutors said Mr. Lobo began participating in drug trafficking as early as 2009, when leaders of a trafficking organization paid him in exchange for political protection from Honduran law enforcement and for help getting government contracts in his country.

In 2012, Mr. Lobo helped escort loads of cocaine and brought members of the Honduran military with him for protection, according to prosecutors. They said he received cash, an armored vehicle and a machine gun in exchange for his participation.

Mr. Lobo was arrested in Haiti in May 2015, where he went to accept payment for helping people he believed to be Mexican drug traffickers. The traffickers actually were confidential sources working for the U.S. Drug Enforcement Administration, prosecutors said.

At the end of the court proceeding, Judge Schofield addressed Mr. Lobo's wife, saying her husband wasn't a bad man but had made a terrible mistake. "The drug problem in this country has been a terrible scourge for so many people, and it is the obligation of many of us in this courtroom to uphold and enforce the drug laws."

Democrats, accustomed to

tensions between the two politicians, responded to their mutual non-endorsements with sighs.

"There's a long history of mayors and governors not getting along," said Bob Liff, a veteran New York Democratic strategist. "This one may be a little more colorful."

## City and Studio Team Up to Keep Music Industry Humming

BY CHARLES PASSY

Berklee, a music education program, is taking over a legendary New York recording studio, bolstered by \$6 million in city funding.

The recording industry has been shrinking globally in recent years. City officials said they made the investment to help keep Avatar, the studio on Manhattan's West Side where artists ranging from Bruce Springsteen to Lady Gaga have recorded, in business.

Berklee trustee Pete Muller has acquired the studio, which will be called BerkleeNYC, for slightly under \$20 million, according to Roger H. Brown, president of Berklee, which has campuses in Boston and Spain.

In turn, Mr. Muller will lease the facility to Berklee, which will operate it as both a studio and an educational facility that could host performances, lectures, rehearsals, workshops and teacher training.

Transforming and running the space will require an initial investment of \$25 million, according to Mr. Brown. Berklee has raised about \$19 million and the remaining money would come from the city.

New York's recording industry has struggled in recent years, with a number of studios closing. Industry insiders say the change is reflective of the broader financial challenges the music industry is facing in the era of streaming services.

Still, Avatar (now BerkleeNYC) is considered something of an exception to the rule in that it is one of the few studios in the city large enough to take on projects that demand the space, such as Broadway cast recordings.

It also has a history that builds on itself: Artists want to record there because other performers have recorded there. "It's the Yankee Stadium of music," said Joel Hamilton, one of the owners of Studio G, a newer recording facility in Brooklyn.

The plan isn't being universally embraced. Some critics contend it sets a costly precedent by using taxpayer money to back another entertainment enterprise, much as New York

state supports film production with millions of dollars in tax credits.

Proponents of such incentives say they help keep companies, if not entire industries, from doing business elsewhere.

But Nicole Gelinas, a senior fellow at the Manhattan Institute, a New York-based free-market think tank, says certain companies benefit, while others don't, depending on how officials allocate funds. "It's better for companies to compete on a fair playing field," she said.

City officials also contend that considering the booming real-estate market, there was concern that Avatar might give way to another residential development.



Dan Coleman conducted an orchestra at Avatar in 2012. Berklee, with the city's help, is taking over the Manhattan recording studio.

## GREATER NEW YORK

METRO MONEY | By Anne Kadet

# Campaign Program Boosts Small-Donor Clout

Nearly every day, New York City Council candidate Tamika Mapp treks door-to-door seeking campaign donations. Her district—which includes East Harlem and the South Bronx—is poor. So she usu-

ally requests a tiny contribution, just \$10.

It's worth the trouble, she says, because the city's Campaign Finance Program kicks in \$6 for every eligible dollar collected.

New York City is unique with this almost insanely generous match, which septuples qualifying donations

of up to \$175. Few know the program, launched in 1989, exists. Ms. Mapp says she has to explain it to just about everyone who comes to the door. But the incentive often persuades potential donors.

"Once I tell them their donation turns into \$60, I can get their money," she says.

Ms. Mapp, a Democrat, isn't alone in going after small donors. Candidates say the program gives them a big incentive to court the little guy.

Liam McCabe, a Republican running for City Council in a district that includes the Bay Ridge neighborhood of Brooklyn, has raised contributions from 476 donors who gave an average of \$129.

Mr. McCabe says he focused all summer on "low dollar" fundraising events. The most recent was a pay-what-you-want barbecue at his fiancée's mother's house. The 100-odd attendees donated \$20 on average, he says.

But with the match, those little donations add up. While he's so far raised \$61,458 in private contributions, he's on track to receive \$100,100 in matching funds—the maximum available for a City Council primary candidate.

The program also shapes the efforts of candidates for citywide office.

Democrat mayoral contender Sal Albanese says his

fundraisers typically host 50 to 60 donors in the back room of a pub, offering finger food and drinks. These affairs sometimes raise about as much as they cost: perhaps \$3,000, he says. But with the matching-funds program, \$3,000 swells to as much as \$21,000.

There's a catch. To qualify for matching funds, candidates must accept strict spending limits, which vary by office. They also must raise a minimum number and amount of qualifying donations. Mayoral candidates, for example, must raise at least \$250,000 from at least 1,000 residents.

"It's a real pain," says Mr. Albanese, who has so far raised \$58,764 in matchable donations. "I don't think it's fair for grass roots candidates. A good threshold would be \$150,000."

The initiative has its crit-

ics. Bo Dietl, a retired NYPD detective running for mayor as an Independent, says the program—which cost \$38 million in the last citywide election—forces taxpayers to subsidize candidates they don't like. He isn't participating.

Some note the potential for fraud, while criticizing what they see as unnecessarily burdensome reporting requirements. "It is a major hassle," says Rob Ryan, a Republican political consultant working for GOP mayoral candidate Nicole Malliotakis.

Campaign Finance Board spokesman Matt Sollars says the office seeks feedback after every election cycle and uses that input to propose changes that would improve the program "for all New Yorkers."

One of the program's vocal supporters is Mayor Bill de Blasio, a Democrat who has so far received \$2.65 million in public matching funds for his re-election campaign. This may make the program sound like a dubious use of taxpayer dollars, given what looks like his almost certain victory in November.

But the program has a way of producing upsets. Remember the 2013 election, when Mr. de Blasio initially faced long odds? asks his campaign spokesman Dan Levitan: "The mayor has often said, if it wasn't for this system, he wouldn't be mayor."

*anne.kadet@wsj.com*



Gwendolyn Kaczor FOR THE WALL STREET JOURNAL

The program, which began 28 years ago with a 1:1 match, seems to be having its intended effect. The percentage of contributions from small donors has grown significantly and is much higher than that found in

*Candidates say the program gives them a big incentive to court the little guy.*

other jurisdictions, says Michael Malbin, co-founder and Executive Director of the Campaign Finance Institute.

The program also has increased contributions from minorities and low-income neighborhoods, he notes.

The initiative has its crit-



The Unicorn Frappuccino is no longer for sale at Starbucks.

## GREATER NEW YORK WATCH

CONNECTICUT  
**Two Men Are Killed In Motorcycle Crashes**

Police are investigating a pair of motorcycle crashes that left two men dead.

The men, both from New Haven, were killed in separate crashes in Hamden and North Haven on Monday, police said.

Hamden police said a 38-year-old man was killed around 4 p.m. when a vehicle turned in front of him and hit him. North Haven police said a 48-year-old man died after a collision with a utility pole around 6:20 p.m.

—Associated Press

NEW JERSEY  
**Murder Suspect Caught Out of State**

A suspected member of the violent gang MS-13 who is wanted in connection with a homicide in New Jersey has been captured in Massachusetts.

Boston police said 20-year-old Francisco Carlos Ramires was arrested on Sunday. He was also wanted in connection with several assaults in Boston, where he used the alias Carlos Campos-Cutone.

Police said Mr. Ramires is a suspect in an Aug. 25 killing in Perth Amboy, N.J. It couldn't be determined whether Mr. Ramires has a lawyer.

—Associated Press

TRENTON  
**Body Is Discovered Inside a Plastic Bag**

New Jersey police said a body was discovered in a plastic trash bag Monday night.

A witness alerted authorities about the bag in Trenton around 4:45 p.m. Monday. Police confirmed there was a body and alerted homicide detectives.

—Associated Press

WHEN IT'S TIME TO SELL  
**confidence**  
IS  
**precious**



Selling your jewelry or precious stones can feel like stepping into a world of the unknown.

At Windsor Jewelers, you can count on our 30+ years of integrity, personalized service, expert gemologists, and consistently higher prices – offered on the spot.

**WINDSOR JEWELERS INC**  
551 FIFTH AVENUE, 32ND FLOOR, NEW YORK  
212-262-0500 WINDSORJEWELERS.COM

**OUT TODAY**  
**alexander**  
FREE INSIDE THE **NEW YORK POST**



**FASHION WEEK SPECIAL**  
STARRING LAKE BELL

3 NYPI 101

**Get IN on the event of the summer**



**TICKETS ON SALE NOW**  
**USOPEN.ORG**

**US OPEN**

**ticketmaster**

**AMERICAN EXPRESS**

**AUG 28 - SEPT 10**

©2017 USTA. Photo © Getty Images.

# LIFE & ARTS



ART

## Go Inside the Mind of a Videogame

BY KELLY CROW

**WHAT IF** a videogame could play itself? New York artist—and cognitive scientist—Ian Cheng has riddled out an answer that is winning over researchers and art lovers alike.

Mr. Cheng, whose first museum solo show, "Ian Cheng: Emissaries," is on view at New York's MoMA PS1 through Sept. 24, has spent the past three years developing software that simulates animated games—with backdrops that include an ancient village nestled against a rumbling volcano, a teeming wildflower field and a spare, sandy atoll. The key distinction is that he has populated his scenes with foliage and figures who twitch and fight and feed each other in real time with no predetermined outcomes, an endless unspooling of artificial intelligence in beta mode.

At one point during the volcano simulation, Mr. Cheng said that he watched a group of villagers gang up on an outlier, kill him, drag his body into the center of town and urinate on him. "There was no algorithm for that," he said. "It was horrifying, but it felt like a revelation since they had not been told to do anything like that." In another simulation, he watched a pack of dogs encircle a man and repeatedly lick him, a man's-best-friend response that was also unscripted.

The Museum of Modern Art said it was so impressed by Mr. Cheng's work that it bought the trio of his simulations before the last one was even finished. Major collectors of video art like Dusseldorf's Julia Stoschek have also bought early editions. This



week, the artist signed with powerhouse New York dealer Barbara Gladstone.

Starting Sept. 22, Pittsburgh's Carnegie Museum of Art will show his latest simulation, "Emissary Sunsets The Self." In a fresh twist, curator Eric Crosby said that the Carnegie gallery's overhead lights will be synced to match the day-or-night scenario unfolding on the piece's 13-foot-long LED screen.

"A lot of artists are working in response to a digital landscape, but he's innovating in that space," Mr. Crosby said. "He's invented an entirely new art form with its own rules and norms."

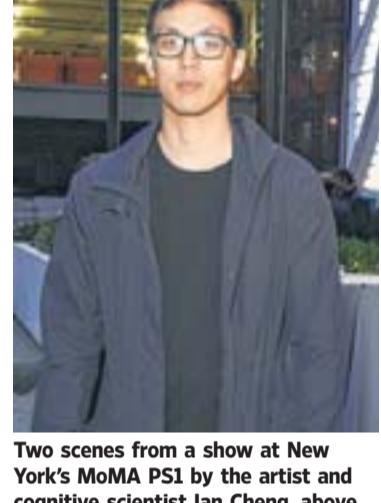
Fans of HBO's rebelling-robots show "Westworld" will relate to the anything-goes uncertainty that

pervades Mr. Cheng's works, but the artist said he isn't striving for a hyper-realistic setting. Instead, his programming allows characters to convulse and collide in mutations that look like software glitches. In the lush-garden game, he once watched an old-fashioned red telephone glom onto a nearby palm tree, a combination he calls a "self-made sculpture."

Growing up in Los Angeles as the son of graphic designers, the 33-year-old artist said he always wanted to work within the nexus of cognitive science and art. He earned a dual degree at the University of California at Berkeley and worked afterward at George Lucas's visual-effects and animation studio, Industrial Light &

Magic. Instead of fawning over "Star Wars" characters, he gravitated to the company's research and development division, where he said researchers were toying with new ways to simulate natural phenomena like whirlpools.

Later, after art school at Columbia in New York and jobs with established artists like Paul Chan and Pierre Huyghe, he began experimenting, creating the volcano scenario in early 2015. The only narrative direction he gave was to create a trembling threat in the volcano, a shaman-leader who is coded to ignore it and the shaman's daughter who is tasked with alerting her father to the impending eruption—but who often gets distracted by fellow villagers offer-



Two scenes from a show at New York's MoMA PS1 by the artist and cognitive scientist Ian Cheng, above.

ing her food or a place to sleep or whatever daily-ritual the others want to enact in the moment. Mr. Cheng said he relished the godlike control he initially had over these characters and the surprising pride he felt once he let randomness intervene.

"Art is my way of playing with people's nervous systems, to seduce them but also unsettle them," he said.

Peter Eleey, chief curator at MoMA PS1, said the work also raises intriguing questions for museums or collectors who want to store or study Mr. Cheng's work for the long term. Since his pieces operate like a computer program instead of a film, there is nothing to archive—only software to start up or update as the artist sees fit. "At night, we turn the projectors off, but the piece itself keeps running," Mr. Eleey said. "When we come in each morning, the Petrie dish is transformed."

MUSIC

## TICKETMASTER ASKS: ARE YOU A BIG ENOUGH FAN?

BY ANNE STEELE

**AFTER MISSING OUT** when tickets went on sale for Taylor Swift's 2015 concert tour, Kelley Johnson couldn't afford the sky-high prices scalpers were asking. Her final gambit, calling into radio stations in her hometown of Lenoir, N.C., was also unsuccessful and she never saw the tour.

"It killed me knowing there were seats open," she said. "But I couldn't get them because they were \$1,000."

When the pop star's next tour kicks off, Ms. Johnson, 30, hopes things will work out differently for her, thanks to a new system called Verified Fan.

It's Ticketmaster's latest attempt to ensure that actual fans, rather than scalpers, get first crack at tickets to hot events, including Ms. Swift's "Reputation" tour and Bruce Springsteen's upcoming run of solo shows on Broadway. For at least a decade, the ticketing giant has waged war against professional resellers and the software "bots" they use to harvest tickets the in-

stant they're available.

"Instead of fighting an arms race, we decided we could take advantage of a deep database of info on ticket buyers and identify the behaviors that real fans exhibit," said David Marcus, head of music at Ticketmaster, a unit of Live Nation Entertainment Inc.

The system asks users to register weeks before tickets go on sale, providing their name, email and phone number. Ticketmaster doesn't disclose the exact details of how the program works. But according to people who have worked on tours that used Verified Fan, the ticketing giant mines its own sales records, along with publicly available data such as social-media history, to verify would-be buyers' identities. Those deemed legitimate are sent codes that let them access tickets.

Verified Fan has generated controversy in its first several months. Unsuccessful fans are livid, feeling snubbed by software that purports to quantify their enthusiasm for a given artist. Ticket brokers—the term resellers prefer to scalpers—say the process inter-

Please see FANS page A11



Fewer than 3% of tickets sold via Verified Fan for Bruce Springsteen's show have hit the secondary market.

## LIFE &amp; ARTS

MY RIDE | By A.J. Baime

# Big Love for a Tiny, Tiny Car



Ralph Hough, 74, the deputy mayor of Oro-Medonte, Ontario, on his microcars, as told to A.J. Baime.

The week before I married my wife Wendy in 1962, we bought our first microcar, a Messerschmitt. We lived in England at the time and we went on our honeymoon in this car. Later we toured Europe in it, and in 1964 visited the Messerschmitt factory in Regensburg, Germany, right around the time the company stopped producing these vehicles.

Back then, microcars were called bubble cars, and they were quite popular, most notably the Messerschmitt (like ours) and the BMW Isetta. These vehicles first appeared in the early 1950s, not long after World War II, when resources like steel and fuel were scarce. (Messerschmitt built fleets of German military planes during the war.) Bubble cars made sense. They were efficient, did not use a lot of raw materials, and unlike scooters, protected riders from the weather.

Today, we have six Messer-



schmitts and one BMW Isetta, and we host a festival on our property called Micro North every June. We get 40 to 50 oddball cars from all over the northern States and Canada.

This year's party was extra special because it was the 25th year. It also marked the 55th year since my wife and I bought our first microcar, and our 55th wedding anniversary. We collect these cars because



Ralph Hough, above, and with his wife, Wendy, above left, with their 1955 Messerschmitt KR175 in Ontario, more than a half-century after they took their first Messerschmitt on their honeymoon.

of the sentimentality, because we had such memorable adventures in them when we were young.

The red car you see pictured here is a three-wheeled 1955 Messerschmitt KR175. It has a 175-cc motor that is bolted right to the car's frame with no rubber engine mounts, so the vehicle is a real boneshaker. It is kind of a hybrid between a car and a scooter, in that it has handlebars and a mo-

torcycle-style gear shifter, plus carlike foot pedals. It cruises comfortably at about 50 mph. At a constant speed of 30 mph, it could probably get close to 100 miles per gallon.

I bought this Messerschmitt from an owner in Montreal approximately 20 years ago, and it was a real basket case. I used parts from five other Messerschmitts in the restoration. I have

no idea how much the vehicle cost because I have purposely avoided adding up the bills.

My wife and I have had wonderful adventures in microcars with other microcar fans. We like to do our part to keep these vehicles on the road so future generations can enjoy them too.

Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).

## ADVERTISEMENT

## Showroom

To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

## PORSCHE



Our priority is you.

## &gt; PORSCHE

17 911 Turbo S Coupe PDK	Black/Black	1K mi	\$189,900
16 911 Carrera 4S Cabriolet PDK	Black/Espresso	20K mi CPO	\$114,900
16 Cayman GT4 Coupe MT, PCCBs, Bucket Seats	White/Black	16 mi	\$127,900
16 Cayenne S E-Hybrid	Moonlight Blue/Black & Cream	8K mi	\$75,900
15 Macan Turbo	White/Black	6K mi CPO	\$68,900
14 911 Carrera 4S Cabriolet PDK	Basalt Black/Black & Beige	14K mi CPO	\$92,900
14 Panamera 4S	Black/Black	19K mi CPO	\$67,900
14 Panamera 4	Agate Grey/Black	20K mi CPO	\$59,900
12 911 Carrera S Cabriolet PDK	White/Luxor Beige	31K mi CPO	\$73,900
11 911 Carrera S Coupe Manual	Dark Blue/Beige	21K mi CPO	\$69,900
08 Cayman S Coupe Manual	Atlas Grey/Black	10K mi	\$38,900
03 911 Turbo Coupe Manual	White/Natural Brown	5K mi	\$79,900
03 911 Carrera Cabriolet Manual	Seal Grey/Grey	45K mi	\$32,900

## &gt; MERCEDES-BENZ

16 S 63 AMG Coupe – \$59K Off MSRP	Obsidian Black/Black	17K mi CPO	\$122,900
14 SL 550 Convertible	Black/Black	28K mi CPO	\$65,900
89 560 SL – 2 Owner!	Arctic White/Grey	24K mi	\$59,900

## &gt; BMW

18 M760Li xDrive	Black Sapphire/Black	126 mi	\$166,900
17 M2 Perf. Ed. – 6-Speed, 1 of 150	Alpine White/Black	90 mi	\$62,900
16 535d xDrive	Mineral White/Black	4K mi CPO	\$58,900
88 M6 Coupe	Schwarz Black/Grey Leather	37K mi	\$89,900

## &gt; SPECIAL INTEREST

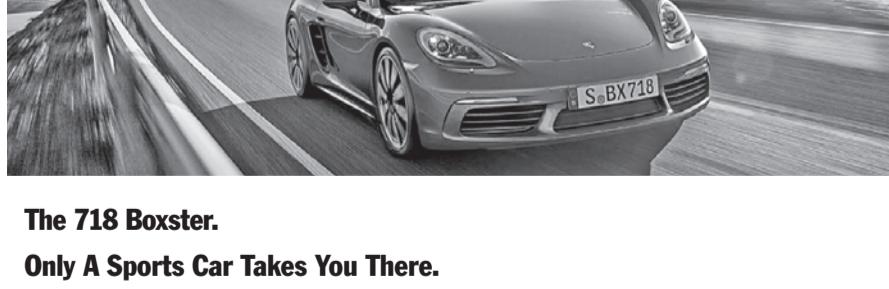
89 Ferrari Testarossa	Rosso Corsa/Crema	2K mi	\$199,900
84 Ferrari 512 BBi	Rosso Corsa/Beige	24K mi	\$349,900

877-362-9770 | Springfield, IL  
sales@isringhausen.com | [isringhausen.com](http://isringhausen.com)



Nationwide Delivery

©2017 Porsche Cars North America, Inc. Porsche recommends seat belt usage and observance of traffic laws at all times.



The 718 Boxster.

Only A Sports Car Takes You There.



877-362-9770 | Springfield, IL  
[Isringhausen.PorscheDealer.com](http://Isringhausen.PorscheDealer.com)

Premier  
Porsche Dealer

PORSCHE

Featured Porsche Inventory:

911 Turbo S Cabriolet	Jet Black/Black & Red	\$209,490	Macan Turbo	Jet Black/Agate Grey	\$87,780
911 GTS Cabriolet PDK	Agate Grey/Black	\$152,230	Macan S	Agate Grey/Black	\$65,170
911 Carrera S Cpe Endurance Racing Edt. PDK	Black/Black	\$152,365	Panamera Turbo	Carmine Red/Black	\$167,710
911 Carrera S Coupe Manual	Mexico Blue/Black	\$128,710	Panamera 4	Agate Grey/Black & Red	\$88,620
911 Carrera 4S Coupe PDK	Black/Black	\$143,870	718 Boxster S PDK	Black/Black	\$86,435
911 Carrera 4S Cab. PDK	Agate Grey/Black & Red	\$146,955	718 Boxster S Manual	Guards Red/Luxor	\$81,645
911 Carrera Cabriolet PDK	Agate Grey/Black	\$118,940	718 Cayman S PDK	Agate Grey/Black	\$89,030
911 Carrera Coupe PDK	GT Silver/Black	\$109,210	718 Cayman Manual	GT Silver/Black	\$70,330
Cayenne GTS	Moonlight Blue/Black & Cream	\$110,960	Cayman PDK	Black/Black	\$64,765
Macan Turbo Performance Pkg.	Jet Black/Black & Red	\$99,365			

All prices exclude Tax; Title; Registration and Licensing; Delivery and Handling Fees; Dealer Charges. Dealer is not responsible for pricing errors.

## FERRARI

## Ferrari

BY MANCUSO  
THE FERRARI SPECIALISTS

One of the finest selections of concours-quality, high option, low mileage, Ferrari-certified vehicles available.

## COLLECTIBLES

14 FIA 458 GT3	\$475K
11 GTO Blk/Blk 2k	\$719K
08 Scuderia Gry 7k	\$237K
05 Superamerica Red/Bge	\$398K
04 575M Sil/Bl	\$139K
99 355 Spider Series Fiorano Blk/Bge	\$139K
83 BBS12i Red/Bk 1 owner	\$329K
73 Daytona 365 GTB4	DUE
72 Dino 246 GTS	DUE
72 Dino 246 GTS	DUE
72 365 GT/4	DUE
71 330 GTC	DUE

## MODERN 12 CYLINDER

17 F12 Blk/Blk 400 mi	SOLD
17 GTC4 Lusso DEMO	CALL
17 F12 Red/Tan DEMO	CALL
16 F12 Blk/Blk 6k	\$289K
15 F12 Dk Gry 4k	\$199K
15 FF Sil/Blk 6k	\$199K
15 FF Blu/Bge 3k	\$199K
14 F12 Rosso Scuderia	\$244K
14 F12 Blk/Bk 8k	SOLD
11 GTO Blk/Blk 2k	\$719K
04 575M Sil/Bl	\$139K

## 488 MID ENGINE

17 Spider Red/Bk 1k	CALL
17 Spider Blk/Bk 1k	500 mi.
17 Coupe Red/Tan	1k mi.
17 Coupe Gry/Tan	3k mi.
15 488 MID ENGINE	SOLD

## 458 MID ENGINE

15 Coupe Red/Tan 1k	SOLD
15 Coupe Red/Bk/Bk	\$244K
14 F14 Dk Gry 3k Rare	\$175K
14 G8/G8 Hi Options	\$159K
13 Spider Nero/Coupe 11k	\$219K
13 Spider Blk/Bge 2k	SOLD

## LIFE & ARTS



GRAHAM MACINNOD

The National: Scott Devendorf, Bryce Dessner, Matt Berninger, Bryan Devendorf and Aaron Dessner; the band's 'Sleep Well Beast' is out on Friday.

**ERUDITE AND HIGHLY** capable musicians, the members of the National dedicated the years since their 2013 album, "Trouble Will Find Me," to a range of independent projects: EL VY, singer-composer Matt Berninger's delightful pop collaboration with Brent Knopf of Ramona Falls; the twin brothers Aaron and Bryce Dessner's broody score for the crime-thriller film "Transpecos"; the full band's musical contributions to "Day of the Dead," a 59-track multi-artist tribute to the Grateful Dead co-produced by the Dessners and Josh Kaufman; and Bryce's classically minded compositions performed by the Copenhagen Philharmonic, Eighth Blackbird, Kronos Quartet and Sō Percussion; among many other ventures.

Inspired by their adventures, when they reconvened to write and record, they found that they were eager to alter their familiar sound of traditional organic rock in support of Mr. Berninger's baritone and his lyrical storytelling. Mr. Berninger said the quintet had realized they had been working with "a limited palette." "We had been more in a corner than we thought," he added when we spoke by phone last week.

The resulting "Sleep Well Beast" (4AD), out on Friday, is unlike any of the National's previous six albums and is well removed from indie rock's orthodoxy. Its foundation is propulsive electronic music composed by the Dessners, who previewed some of the new sounds at an October 2016 festival in Berlin in which

# MUSIC REVIEW | By Jim Fusilli

## Breaking From Indie Rock Orthodoxy

On its new album, the National returns with electronic-tinged experiments that still rock hard

about 80 eclectic musicians collaborated on spontaneous and often experimental performances. The presence of Mr. Berninger's voice, snarling electric guitars, supple bass and pounding drums in conjunction with the complex electronica places the album at an intersection of the new and familiar. "It feels more reckless," Aaron told me when I called him at home in Copenhagen. "We were interested in melting away some of the barriers between genres."

Most tracks on "Sleep Well Beast" utilize a synthesized substructure from start to end. "I'll Still Destroy You" rises from a simple beat created on Aaron's laptop; when it recedes, a folk guitar and what sounds like a marimba slide under Mr. Berninger's voice. "Empire Line" also opens with an electronic pulse that's joined by drummer Bryan Devendorf, who excels throughout the album, and lush strings sweep in as Mr. Berninger



shifts easily between singing and speaking the tale. A lovely take on a 1950s-style stroll, "Dark Side of the Gym" features synthetic sounds flitting about the midrange; after a deft modulation, orchestral strings appear to provide a thrilling exit.

The National rocks hard on the album, even within the electronic context. In the rumbling "The System Only Dreams in Total Darkness," a stinging repeated

guitar riff suggests the instrument will be used as decoration only, but there is a blistering solo that elevates the track. "Turtle-neck" is booming rock in which Scott Devendorf's bass locks in with his younger brother's kick drum and toms.

The National composed the new disc as it had past recordings—with the Dessners recording instrumental sketches and submitting them to the full group for development. Working on his own or with the aid of his wife, Carin—the National is nothing if not a family affair—Mr. Berninger crafted melodies in the digital audio workstation GarageBand. Lyrics emerge through free association or "mumble," as Mr. Berninger called them. The darker colors of his baritone, that here is of a school with Nick Cave, Bryan Ferry and Leonard Cohen, well suit the somber mood that permeates "Sleep Well Beast." In writing the lyrics, Mr. Berninger said he

was responding to the music that was presented to him. "I can tell when Aaron is sad," he confided.

Aaron agrees that the band can be "gloomy," as he put it, without trying to be. "I like to make music that is meditative and cathartic," he said, adding that if the early drafts of the compositions have an emotional weight to them, Mr. Berninger responds accordingly.

Here, the narrator is often isolated. "I try to save it for a rainy day. It's raining all the time," Mr. Berninger sings in "Walk It Back." In "Empire Line," he sings, "I've been talking about you to myself because there's nobody else." He summarizes his state of mind in "I'll Still Destroy You": "I have no positions, no point of view or vision / I'm just trying to stay in touch with anything I'm still in touch with." In several songs, characters are in motion, seemingly only for the sake of being so.

The presence of Mr. Berninger will be a comfort to longtime fans of the National: His voice and lyrics ensure "Sleep Well Beast" is in the continuum of its body of work. For those who follow the band members' external explorations, the experimental nature of the music is a welcome variation that reflects the musicians' capabilities. Thus, the album doubly satisfies. And at its best it exhilarates.

*Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.*

## FANS

*Continued from page A9*  
fers with free-market dynamics.

But many in the concert industry hail it as the best solution yet to an age-old problem.

Mr. Marcus said for typical high-demand shows, Ticketmaster expects 30% to 50% of tickets to be snapped up by scalpers and their bots. With Verified Fan, which some 50 artists have used since it rolled out late last year, fewer than 5% end up being offered for resale on services such as StubHub or through brokers' own websites.

So far, Ticketmaster says fewer than 3% of the tickets sold via Verified Fan last week for Bruce Springsteen's 79-show run on Broadway have hit the secondary market.

Diane Wilkes, a Springsteen fan-page administrator who's seen him 150 times, wasn't among the lucky few to secure a ticket code for one of the Broadway shows, which run from Oct. 3 to Feb. 3 at the 960-seat Walter Kerr Theatre. Luckily, her husband did, and secured a pair for \$600 apiece.

"I think this made it less horrible," she said, adding that no ticketing system could solve the basic problem that there simply aren't enough tickets for everyone who wants one.

Not all fans are convinced. Edward Morris, a die-hard Springsteen fan, took the day off work last Wednesday to wait for a code that never came. He's used to tough times when it comes to securing tickets.

"When Springsteen goes on sale the computers crash—that's almost tradition," he said. But at least he had a shot in those cases. "I'm wondering if the fairest way isn't just to camp out like the old days."

Representatives for Mr. Springsteen declined to comment.

In Ms. Swift's case, fans are be-

do. "Nobody is forced to buy anything," he said. "Taylor's fan base is hyper-engaged. They are collectors of her music, avid buyers of her merchandise, rabid viewers of her videos and listeners of her singles."

Ms. Swift's publicist said scalpers won't take the time to engage in legitimate fan activity.

"This is a program that rewards fans for being fans and makes sure they get great tickets at face value," she said. "If these same tickets were offered on the open market, scalpers would snatch them up and fans would be paying thousands of dollars for them."

Ram Silverman, operations director for Golden Tickets, a broker based in Plano, Texas, dismissed Verified Fan as a gimmick.

"It is good marketing but in the end it's very deceiving," he said. "You don't know where you're going to be in line or what kind of tickets you might get."

"The whole idea behind a secondary market is giving people a chance to go see a show they want to see. You can decide what you want and what you're willing to pay," he said.

Managers and agents whose clients have used Verified Fan said even though artists are reluctant to ask their fans to do any extra work, their experiences were generally positive and they'd use the service again.

Ms. Johnson, the Swift fan, plays the video nonstop, while she's cooking, cleaning and even at work.

"I'm hoping it pays off because it's a lot of work to play videos 40 times a day," she said. "It has basically consumed my life and will continue to until I hopefully get tickets."



GETTY IMAGES

Taylor Swift fans have had mixed reactions to Ticketmaster's Verified Fan program for her upcoming concert tour.

ing prioritized for tickets before tour dates are even announced. Preference is based on how aggressively fans display their fervor, including by spending money on her products.

A registered user can earn a "medium boost" by watching one of Ms. Swift's videos on her site or posting a photo on Twitter showing a UPS truck emblazoned with an ad for her upcoming album, "Reputation." UPS is a sponsor of her tour. They can earn a "high



boost" for ordering merchandise including T-shirts (\$47 to \$50), rings (\$60) or "Reputation," for \$15, plus \$45 for "expedited" ship-

ping—via UPS—to ensure it arrives on its release date, Nov. 10.

Mr. Marcus said the system rewards fans for things they already

# SPORTS

**U.S. OPEN** | By Jason Gay

## Roger vs. Rafa in NY? It's Oh So Close

Third-seeded Roger Federer and No. 1 seed Rafael Nadal each need to win one more match to secure a historic showdown in the U.S.

Open men's singles semifinals on Friday.

And that's about as boring and neutral as I can be about this development, folks, because WOOOOOO, BABY! ROGER VS. RAFA IN NEW YORK? I CAN'T BELIEVE THIS BAD BOY IS ON THE VERGE OF HAPPENING!! IF YOU HAVE TO SELL A CAR OR A CHILD TO GET A TICKET, DO IT!

Yes, right, I know: the respectful and superstitious thing would be to refrain from talking about any Roger vs. Rafa meet-up, because Nadal and Federer still have to get through Andrey Rublev and Juan Martin del Potro on Wednesday, respectively, and neither Rublev or del Potro is a slouch.

Del Potro basically died and crawled out of the grave to win a match in five sets Monday night. The dude's amazing. And he's spoiled Federer and Nadal before to win an Open.

You: See? Settle down. We've been here before. Nothing in tennis is guaranteed. Remember Serena trying to win the calendar Grand Slam in 2015?

Me: I CAN'T SETTLE DOWN! I SPENT ALL LAST NIGHT FOLDING NEON BANDANAS!

How can anyone be restrained about Roger vs. Rafa? Tennis history is knock, knock, knocking. To heck with respect and superstition. Let black cats walk under ladders! I don't care.

Roger & Rafa! Rafa & Roger! Is it finally going to happen at the U.S. Open? The game's greatest star-dust at the planet's loudest Slam?

I think it might!

You: You're jinxing it, you moron.

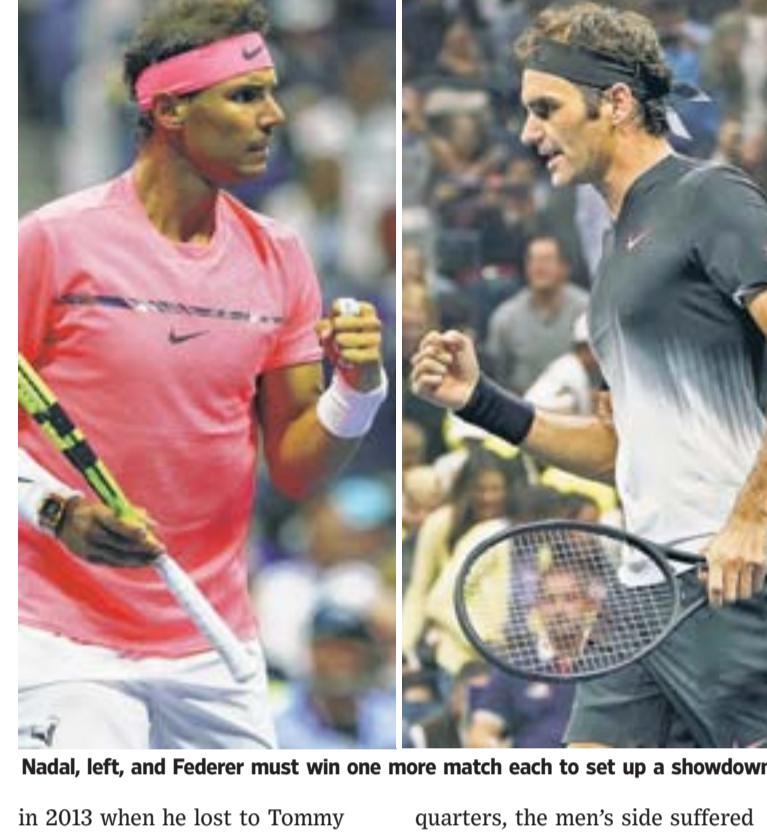
Me: I am sort of jinxing it, sorry.

They've never met here, incredibly. Federer and Nadal have plenty of history at Wimbledon, Australia and even Roland Garros, but not once have they looked at each other across the net in Arthur Ashe Stadium.

It's bizarre. It's like finding out Elvis never played Vegas. How have the tennis gods missed this one?

To be fair, both men are partly to blame. Nadal missed finals with a waiting Federer when he lost in the semifinals to Andy Murray in 2008 and to del Potro in 2009. Federer broke off finals with a waiting Nadal when he lost back-to-back semi heartbreakers to Novak Djokovic in 2010 and 2011 (Fed had two match points in each.)

Federer also missed a potential quarterfinal showdown with Nadal



Nadal, left, and Federer must win one more match each to set up a showdown.

in 2013 when he lost to Tommy Robredo in the fourth round.

They've had chances, close enough to touch. And it's never happened. In an all-time rivalry of rivalries, it's one of the few things that's left.

For a minute, it looked like we wouldn't get here this year, either.

Both men looked a little wobbly kicking off this year's Open. Especially Federer, who pulled out of a Cincinnati tournament two weeks before with back issues, and struggled uncharacteristically in back-to-back five-set victories in the first and second rounds. Both Frances Tiafoe and Mikhail Youzhny had chances for career-making upsets.

Nadal didn't struggle the same way, but both Taro Daniel and Leonardo Meyer swiped a first set off him.

Here's the good news: It looks like both men are now clicking. On Monday, both Nadal and Federer rolled to straight-sets victories—Nadal making short work of Alexander Dolgopolov, and Federer with a relative breeze over Philipp Kohlschreiber.

If this was an NFL show, you know what the middle aged guys in suits and ties would say: *They're peaking at the right time!* Nadal looks like Nadal, and Federer appears fluid, unworried about his tricky back.

Thank goodness for it, too. While the minus-Serena women's draw at the Open has been an intriguing surprise, with four U.S. women—Venus Williams, Coco Vandeweghe, Madison Keys and Sloane Stephens—advancing to the

quarters, the men's side suffered with pre-tournament withdrawals of Novak Djokovic, Stan Wawrinka and No. 2 seed Andy Murray.

Murray's late departure especially tormented the men's bracket. Prior Open winners Nadal, Federer and del Potro are still alive in the top half of their draw along with Rublev, but in the bottom half, a first-time Slam finalist will come from the remaining foursome of Sam Querrey, Kevin Anderson, Pablo Carreno Busta, and Diego Schwartzman.

In a proper sports universe, Rafa and Roger would have the opportunity to meet for a final. A semifinal will have to do. Hopefully ESPN has Friday free and isn't committed to showing the Northern Vermont Scooby-Doo High School Kickoff Classic.

What a year it's already been for Nadal and Federer. A year ago, Fed skipped the U.S. Open to recover from injuries. Nadal pulled out of the French, missed Wimbledon and got bounced from New York in the fourth round by Lucas Pouille.

This season is an utterly different tale. Federer and Nadal kicked off 2017 with a five-set epic in Australia, followed by matches in Indian Wells and Miami. Nadal went on to win the French. Federer took Wimbledon. It's like old times.

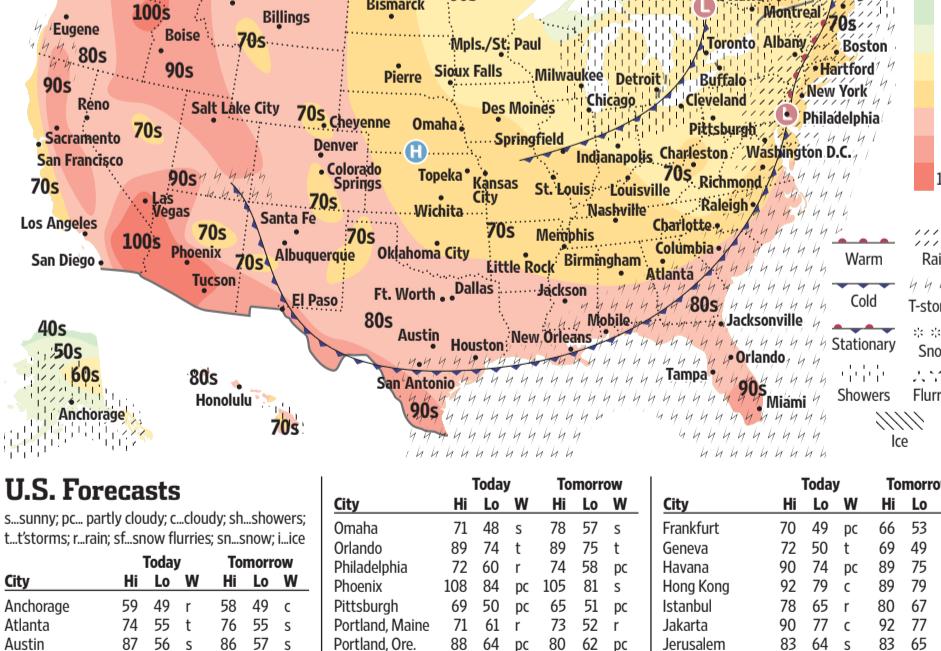
Except this. This would be new. This would be history—and the dream.

Rafa Versus Roger. One more win each, then Friday night at the U.S. Open.

It's all happening.

### Weather

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



### U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Chicago Cleveland Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam Athens Bagdad Bangkok Beijing Berlin Brussels Buenos Aires Dubai Edinburgh

### AccuWeather.com



### International

Today Hi Lo W Tomorrow Hi Lo W

City

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



### SAND BOX | By Jim Page

#### Across

- 1 With 9-Across, high-rise feature  
9 See 1-Across  
12 Very near  
13 Blockhead  
15 Tubes in a studio  
16 Town on Long Island's southern shore  
18 Cherokee Landing State Pk. location  
19 It makes the bed  
21 "Boolah Boolah" singer  
22 Hung in there  
25 Hole in the head  
28 Valued strings

- 31 Park place?  
32 Skyping need  
35 With 45-Across, hurricane-prone area, and a clue to this puzzle's edges  
37 Like some communities  
38 Pizza chain, informally  
40 Phony  
42 It's brought to order  
43 Barbershop item  
45 See 35-Across  
47 "The Racer's Edge"  
48 Shaman, e.g.  
50 Jellyfish delivery

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

ets in 1993 for \$85 million.

The high price might convince other NBA owners to feel out the market. One indication that it earned some attention across the league was that shares of Madison Square Garden Co., owner of the New York Knicks, climbed almost 7% after the Rockets deal was announced.

But it's unlikely that many NBA teams would be worth more than Houston—a stable team with a savvy front office in a major city with attractive demographics and international appeal. As the team that drafted Yao Ming, the Rockets are one of the NBA's most popular teams in China. They're expected to contend for a title in what would be Fertitta's first season with stars James Harden and Chris Paul.

The deal, which is pending league approval, would cap a two-month sales process in which Houston was devastated by Hurricane Harvey. The Rockets said the sale's timing was "truly unfortunate."

There was speculation when the team hit the market that the Rockets would attract interest from Chinese ownership groups and maybe even the world's most famous Houston native: Beyoncé.

But there is no one else involved in the deal, the Rockets said, and Fertitta was the most likely buyer all along. He tweeted Monday to say happy birthday to Beyoncé, whom he called "Houston's all-time greatest," sharing a photograph of her wearing Paul's Rockets jersey. His next tweet on Tuesday was to announce that he'd bought the team.



James Harden is the centerpiece of a Houston franchise that brought a record price. The deal could prompt other owners to gauge the market.

### NBA

## ROCKETS FETCH \$2.2 BILLION

BY BEN COHEN



### THE OWNER

Rockets agreed to sell the team on Tuesday to the local billionaire Tilman Fertitta for \$2.2 billion, according to a person familiar with the matter, setting a new record for the sale of an NBA team at a time when the league's valuations are soaring.

Fertitta (shown at right) is the CEO of the Houston-based hospitality group Landry's Inc., which owns restaurants, hotels, aquariums and the Golden Nugget casino in addition to its namesake seafood chain.

Born and raised in Texas, Fertitta already has an outsize presence in the city. He was previously an advisory director to the Rockets and minority owner of the NFL's Houston Texans. He's the chairman of the University of Houston's board of regents and a major booster for the school's football team. And like Dallas Mavericks owner Mark Cuban, Fertitta is featured on a business reality show. It's called "Billion Dollar Buyer."

The sale, which would break the record \$2 billion that former Microsoft Corp. executive Steve Ballmer paid to buy the Los Angeles Clippers in 2014, reflects the ascending cultural status of the NBA, a league that has seen the value of its franchise skyrocket in the last five years. Leslie Alexander decided to sell the team in July with the understanding that he would see an enormous return on his original investment: He bought the Rock-

ets in 1993 for \$85 million.

The high price might convince other NBA owners to feel out the market. One indication that it earned some attention across the league was that shares of Madison Square Garden Co., owner of the New York Knicks, climbed almost 7% after the Rockets deal was announced.

But it's unlikely that many NBA teams would be worth more than Houston—a stable team with a savvy front office in a major city with attractive demographics and international appeal. As the team that drafted Yao Ming, the Rockets are one of the NBA's most popular teams in China. They're expected to contend for a title in what would be Fertitta's first season with stars James Harden and Chris Paul.

The deal, which is pending league approval, would cap a two-month sales process in which Houston was devastated by Hurricane Harvey. The Rockets said the sale's timing was "truly unfortunate."

There was speculation when the team hit the market that the Rockets would attract interest from Chinese ownership groups and maybe even the world's most famous Houston native: Beyoncé.

But there is no one else involved in the deal, the Rockets said, and Fertitta was the most likely buyer all along. He tweeted Monday to say happy birthday to Beyoncé, whom he called "Houston's all-time greatest," sharing a photograph of her wearing Paul's Rockets jersey. His next tweet on Tuesday was to announce that he'd bought the team.



## OPINION

# The Case for Nonvoting Stock

By Dorothy Shapiro Lund

**S**&P Dow Jones Indices will no longer include companies that go public with multiple classes of shares on its major U.S. stock indexes, it announced in July. A few days earlier, FTSE Russell said it would bar dual-class companies from its indexes unless public shareholders hold at least 5% of the voting rights.

These policy changes were made in response to a recent surge in dual-class initial public offerings, in which company insiders raise cash by selling nonvoting or low-voting stock to the public while retaining voting control over the company. Such structures were historically favored by family-owned companies seeking to preserve control but have recently gained popularity among successful technology companies, including Google, Facebook and, more recently, Snap Inc.

The conventional view is that dual-class structures insulate company insiders from investor influence and accountability. When a problem arises at a company, the shareholders most affected have few tools to take action. Separating control from ownership therefore weakens the insiders' incentives to maximize shareholder welfare. When the insiders slack or skim off the top, they reap all of the benefits but bear only a fraction of the costs.

Dual-class issuers do not deny that low-vote stock shields insiders from influence.

They view it as the key benefit. That is because the dual-class structure can allow insiders to operate without interference from outside shareholders who seek short-term gains at the expense of the company's long-term vision.

Both sides of the debate overlook an important and unrecognized benefit of dual-class structures: A corporation that offers two classes of stock to

### Having two classes of shares leaves decisions to those who are informed.

the public is able to allocate voting power between shareholders who are informed about the company and its performance and those who are not.

Put differently, there may be companies that are made worse off when all shareholders vote. Some shareholders, including many retail investors, have no interest in learning about the company and prefer to free-ride off informed investors. Other passive shareholders, such as index funds, may lack financial incentives to vote intelligently because of their investment strategy.

Index funds seek to match the performance of the market, not beat it, so any investment in informed voting would drive up the fund's costs with little to no benefit.

Index-fund voting, therefore,

is unlikely to move the company in the right direction. Yet as index funds own more of the market, uninformed shareholders are likelier to be the ultimate arbiter of shareholder elections.

This is where nonvoting stock could be especially useful. If a company issued nonvoting shares for uninformed investors to buy, all shareholders would be better off. Consolidating voting power in the hands of informed investors would make the company more attractive to those investors, who would get greater influence at a lower cost, and also to uninformed investors, who would save on costs associated with voting.

Moreover, because nonvoting stock generally trades at a discount, voter sorting should occur without legal intervention. Uninformed voters should want to purchase discounted nonvoting shares, while informed voters would likely pay a premium for the right to vote.

But there are reasons to believe that such sorting won't always occur. Most prominently, the institutional investors that primarily invest in index funds haven't yet embraced nonvoting stock. Quite the opposite—they have been leading the effort to bar dual-class companies from stock indexes. These largely passive institutional investors explain that because their indexing strategy requires them to buy and hold company stock under all conditions, they need a voice in company affairs. In time,

though, the opportunity to purchase stock at a discount and avoid costs associated with voting would likely push uninformed investors, including many index funds, toward nonvoting shares. And when this happens, the company that issued them would be more valuable, not less.

It's also true that so far the effect of issuing nonvoting stock has been to keep control with company insiders.

But over time, the growing concentration of wealth in the hands of index funds and exchange-traded funds should increase the attractiveness of company structures that concentrate voting power with informed investors—that is, so long as companies are not prohibited from using those structures.

The decisions by the major U.S. stock indexes, however, serve as a powerful deterrent to future dual-class offerings. Those indexes are major drivers of demand for U.S. stocks, and so their decisions are likely to eliminate dual-class IPOs in the U.S. Rather than celebrate the elimination of an entrenching corporate governance practice, Americans should pause and consider what unintended consequences arise from blanket prohibitions on corporate structuring in competitive markets.

*Ms. Lund is a teaching fellow at the University of Chicago Law School.*

Holman W. Jenkins, Jr. is away.

## How Trump Can Achieve Inclusive Growth

**POLITICS & IDEAS**  
By William A. Galston

With Labor Day just behind us, now is a fitting time to review the condition of American workers and their families. During the past few months, median household incomes finally have regained the ground lost during the 2007-09 recession—closing in on the all-time high reached in 1999. Yet for average Americans almost two decades have passed without significant improvement in their standard of living. For many, it has been far worse. On average, high-school-educated white men working full time earned 4% less in 2014 than they did in 1996, according to a Sentier Research study.

Statistical aggregates often conceal as much as they reveal. All else equal, when experienced workers retire and younger workers are hired in their place, median income will decline. This is no cause for concern. The real issue is what happens to individuals over the course of their working lives. This reality, the Sentier study shows, was far worse than the aggregate numbers suggest. The cohort of high-school educated white men who were 25 years old in 1996 and 43 years old in 2014 experienced a 9% decline in annual earnings, on average, between 1996 and 2014.

During this same period, by contrast, white men with college degrees were gaining ground. Overall, as college-educated men who were 25 in '96 and 43 in 2014 experienced average earnings gains of 23% between 1996 and 2014. Those beginning their careers fared even better. College-educated men ages 25 and 26 earned an average of \$40,487 in 1996. Eighteen years later, these men on average earned \$94,252, a gain of 133%.

In one sense, this is nothing new. A cohort analysis for white men between 1978 and 1996 tells much the same story. Overall, high school-educated men ages 25 to 44 in 1978 had annual earnings of \$49,414. By 1996, when these men were ages 43 to 62, the average stood at \$44,108, a decline of 11%. By contrast, college-educated men in this age cohort saw average earnings gains of 30%.

But there is a key difference between these two 18-year chunks of recent history. Between '78 and '96, women at all educational levels surged into the paid workforce, and two-earner families became the norm.

Overall incomes in households with high school-educated men could rise even when men's earnings did not. But female labor-force participation peaked in 1999 and declined thereafter, eliminating a key counterbalance to declining earnings for less-educated men.

### Focus on 'middle skill' jobs, which require some training but not a bachelor's degree.

For four decades, American society has left less-educated workers to fend for themselves as unions weakened and the forces of globalization and technological change intensified. And now there are two Americas divided by education. One moves forward, the other falls behind. One is optimistic, the other pessimistic. One is comfortable with change, the other fears it. This divide is dangerous and has been ignored for far too long.

For the next generation, the pole star must be not only overall growth, but inclusive growth that gives Americans at different levels of formal education a chance to succeed. Although the details remain up for debate, consensus broadly exists on how to achieve this. To increase aggregate growth, the U.S. must focus on higher

rates of labor-force participation and productivity-enhancing capital investments. As long as global forces hold inflation in check, U.S. monetary policy can tilt toward growth.

To achieve inclusive growth, Congress and the president should emphasize middle-skill jobs, which require more than a high school education but less than a bachelor's degree. Studies have identified pools of these jobs that are of high value for businesses, provide pathways to higher wages over careers, and have proved persistently difficult to fill. There are gaps between what non college-educated workers are bringing to the job market and what employers are seeking.

A systematic program to close this gap would begin by expanding modern skills training in high schools and local community colleges. It would increase the availability of apprenticeships. And as a Harvard Business Review study puts it, because no *deus ex machina* will produce workers with the right skills who are ready to contribute from day one, employers must "take ownership for fixing the skills gap," and they "must be willing to make the investments necessary" to close it. The alternative is to continue sitting on the sidelines complaining about the American educational system.

It's time for employers to get back into the game. The country will benefit, and over time they will too.

**BOOKSHELF** | By James Traub

## The Hazards Of Giving Shelter

### Refuge

By Alexander Betts and Paul Collier  
(Oxford, 268 pages, \$18.95)

**A** refugee crisis is what happens when large numbers of people flee poor, violent countries seek asylum in rich, peaceful countries, raising agonizing moral and political questions. This of course is what occurred in 2015, when a million refugees from Syria and elsewhere poured across Europe's borders, provoking a backlash that brought nationalist parties to the verge of power and threatened the Continent's liberal order. The refugees were the cause, rather than the victims, of the crisis in question.

What happened in Europe two years ago was profoundly important for Europe but insignificant for most refugees. Sixty-five million people have been displaced from their homes by violence; about a third of those have fled abroad. The plight of displaced people generally is not so much a crisis as a global phenomenon, like climate change, that requires a global solution.

Unlike climate change, however, which affects all of us, displacement chiefly afflicts the displaced themselves, and their immediate neighbors, and so provokes little sense of urgency among the world's political leaders—except when the problem laps against the distant shores of Europe.

In "Refuge: Rethinking Refugee Policy in a Changing World," Alexander Betts and Paul Collier note that the current regime of laws and norms that govern states' responsibilities toward refugees was devised in the years after World War II, with the Nazis' mass violence fresh in memory and the Soviet Union menacing Europe. Individuals with a "well-founded fear of being persecuted" were given a right to asylum. But it is not "persecution" that provokes millions to flee Syria or Afghanistan or the Democratic Republic of Congo; it is, rather, the chaos engendered by frail and failing states. And yet the system has barely changed since 1951.

The current refugee ordeal thus points to a systemic failure, one that cries out for rigorous thinking. This is the specialty of Paul Collier, an Oxford economist who has proposed solutions to extreme poverty (in 2007's "The Bottom Billion") and to the "resource curse" (in 2010's "The Plundered Planet"). His co-author, Alexander Betts, also of Oxford, is a professor of Forced Migration and International Affairs, about as finely tailored an expertise as you can have for the subject in question.

**Activists often fail to draw a line between refugees and economic migrants. The result can be catastrophic for host countries.**

The authors argue that we must both expand and confine our definition of a refugee. They would include anyone who has no recourse except flight to avoid the threat of "serious physical harm" but not someone who wishes only to flee desperate conditions. Presumably, then, they would have states offer protection to a young couple in Afghanistan who would be killed for eloping but deny it to, say, Afghan farmers whose village has been wrecked by decades of fighting.

That distinction may sound arbitrary, or at least morally flimsy. But what's a better line? In two years of writing about the refugee crisis, I have met innumerable activists who refuse to draw a sharp line between refugees and economic migrants. That the failure to draw such a line can be catastrophic for host countries—and might bring to power leaders who would bar the door to all refugees—seems irrelevant to many refugee advocates. Europe, apparently, has an obligation to commit suicide in the name of principle. Messrs. Collier and Betts, by contrast, insist that the rich have rights, too.

Even those who do have a right to refuge, the authors argue, do not have a right to pick a country. They have a right to shelter but not to maximal prosperity or comfort. It is to the benefit of all, and not just nervous Europeans, the authors say, that refugees remain close to home whenever possible, since their country will need them once hostilities end. Messrs. Betts and Collier argue that all nations have a duty of "solidarity" toward those in flight. For some nations, that will mean providing temporary, and at times permanent, refuge; for others, it will mean paying for other nations to do so.

Critically, the authors argue, the duty of care is not limited to physical protection but must include opportunities for a decent life, something that Messrs. Collier and Betts summarize as "autonomy." They extol the example of Uganda, which offers refugees vacant land to farm and allows urbanized refugees to work. And they describe the Jordan Compact, which brought together the U.K., the European Union, the World Bank and the government of Jordan to create employment opportunities for refugees in Jordan as well as aid and investment.

If you're in the business of selling global solutions, you can't be expected to call too much attention to snags in the fabric. Messrs. Betts and Collier do not address the danger that "special economic zones" and the like across the border from a civil war would hasten the pace of flight. Indeed, a recent study of the Jordan Compact concluded that special economic zones have probably done more harm than good and that the overall program may not have done much to achieve its goals. The authors also over-argue their case by claiming that, among other things, inculcating autonomy among refugees will help them serve as a force for progress once they return home, about which one can only conclude that it would be wonderful if true.

That said, by steering a path between panicked repudiation and blithe embrace, Messrs. Betts and Collier offer pragmatic insights to an intensely polemicized issue and compel us to confront hard questions. Given the forces driving conflict in Africa and the Middle East, the staggering number of the displaced is not about to diminish any time soon. Until now, the authors say, the response has oscillated between the "heartless head" and the "headless heart." They have performed a precious service by reasoning with their heart and feeling with their head.

*Mr. Traub is currently writing a book on the evolution of liberalism.*

By Michael Chertoff

**A**merican voters received yet another rude awakening last month. Chicago's Board of Elections reported that names, addresses, birth dates and other sensitive information about the city's 1.8 million registered voters had been exposed on an Amazon cloud server for an unknown period. Worse, it appears hackers might have gained access to employees' personal accounts at Election Systems & Software, a major election technology vendor—info that could be used to hack a future U.S. election.

Earlier, the Department of Homeland Security reported that foreign agents targeted voting systems in 21 states in the 2016 election, and Bloomberg News reported that hackers had successfully compromised various election technology companies.

In an age of unprecedented cyber risks, these dangers

aren't surprising. But lawmakers and election officials' lackadaisical response is both staggering and distressing.

American elections are an increasingly easy target because our election technologies are antiquated, and we

### Protecting our voting systems should be an easy bipartisan win.

have few federal level cybersecurity standards. An estimated 43 states rely on electronic voting or tabulation systems that are at least 10 years old. A survey of 274 election administrators in 28 states found most said their systems need upgrades.

This is a matter of national security, and Congress should treat it as such. Given that we're still dealing with the unfunded mandates of 2002's Help America Vote Act, there's

a clear need for action to upgrade security systems and create meaningful standards.

This summer more than 100 experts on election administration, computer science and national security released a plan for Congress to safeguard the vote. The experts include Republicans and Democrats, united in the view that our current patchwork of voting-security measures is insufficient for the emerging threats.

Some in Congress are now finally paying attention. A bipartisan amendment to the National Defense Authorization Act from Sens. Lindsey Graham (R., S.C.) and Amy Klobuchar (D., Minn.) would address the challenge in a way that's fiscally responsible, respectful of states' policy-making powers, and proactive in dealing with the most pressing vulnerabilities.

It would limit access to election systems to qualified vendors, secure voter registration logs, help ensure proper audits of elections, create

more-secure information sharing about threats, and establish proper standards for transparency.

This should be an easy bipartisan win. While many Democrats have been concerned about Russian hacking, President Trump has himself been a leading advocate for the most important security reform: a return to paper ballots as the record of voter intent. As the president said in an interview the morning of the election: "There's something really nice about the old paper ballot system. You don't worry about hacking."

The Chicago episode should be yet another wake-up call. We know what it takes to strengthen election cybersecurity. But we need to start taking the issue seriously.

*Mr. Chertoff served as secretary of homeland security, 2005-09. He sits on the advisory board of the Alliance for Securing Democracy.*

## OPINION

### REVIEW & OUTLOOK

## The Dreamer Debacle

President Trump is taking flak from all sides for ending his predecessor's Deferred Action for Childhood Arrivals (DACA) policy, thus putting some 800,000 young immigrants—so-called Dreamers—in legal limbo. Though the President and Barack Obama share responsibility for instigating the crisis, Mr. Trump and Congress now have an obligation to fix it and spare these productive young adults from harm they don't deserve.

\* \* \*

Mr. Trump was at his worst during the campaign when he assailed DACA as an "unconstitutional executive amnesty," though to his credit he later evinced a change of heart toward these immigrants who were brought to the U.S. illegally as children. The White House continued DACA despite legal misgivings. But in June, 10 GOP state Attorneys General presented an ultimatum: Kill DACA or we'll sue.

They could make this threat because President Obama unilaterally issued the policy in June 2012 putatively because Congress failed to reform immigration, but the end-run was timed to galvanize his base before the election. He also knew that Dreamers have widespread public sympathy, including among Republicans who otherwise support strict immigration enforcement. He figured Republicans would harm themselves politically by opposing the compassionate policy and that a GOP successor couldn't roll it back without a public backlash.

This was Mr. Obama at his most cynical, and it takes gall for him to scold Mr. Trump as he did Tuesday for making a "political decision" about "a moral question" and "basic decency." Mr. Obama's "political decision" to act as his own legislature teed up this moral crisis and created the legal jeopardy.

DACA allows undocumented immigrants under age 36 to apply for legal status and work permits, which can be renewed every two years. Applicants cannot have a serious criminal conviction. They must attend school, have a job, or serve in the military.

As America's problems go, these young adults shouldn't even be on the list. And it shows the Republican Party at its worst that the state AGs and Attorney General Jeff Sessions want to make this an urgent priority, rather than let Congress take it up when it has a less crowded schedule. They are pandering to the restrictionist right that is a minority even within the GOP.

But as a legal matter, they are right that Mr. Obama's DACA diktat presents legal problems. The Constitution gives Congress the power to write immigration law, and issuing work permits confers a right that is the purview of the legislative branch.

The GOP AGs led by Texas's Ken Paxton threatened to amend their lawsuit against the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA), which Mr. Obama issued in November 2014. That sweeping order granted legal protections to four million

or so undocumented immigrants and stretched far beyond any reasonable definition of prosecutorial discretion.

### Cynical politics by both parties puts thousands of adults in jeopardy.

DACA "is vulnerable to the same legal and constitutional challenges that the courts recognized with respect to the DAPA program."

But DACA presents distinct humanitarian and economic concerns—as well as a government promise that carries a moral if not legal obligation. Unlike DAPA, which was never implemented, some 800,000 Dreamers have used DACA to reorder their lives.

The Obama Administration invited Dreamers out of the shadows and asked them to submit personal identification and records that could now allow the feds to track them down. These young immigrants have committed no crime and trusted the federal government to protect them. A study last year by the Immigrant Legal Resource Center found that 87% of DACA beneficiaries are employed.

They would no longer be able to work legally once their DACA permits expire. And if they forge work documents, they would become a deportation priority. Dreamers could be forced to return to a country where they have no family and may not even speak the language. Is deporting these people really how Republicans want to define themselves?

\* \* \*

The White House seems to understand the terrible political optics, which is why it has tossed the issue to Congress. It plans what it calls "an orderly wind-down of DACA" rather than wait for a potentially disruptive court injunction. Current Dreamers whose permits expire over the next six months will be allowed to apply for renewals by Oct. 5, though no new applications will be accepted.

This gives Congress at least some time to enact the current Dreamer legalization process in a statute that is the proper legal path under the Constitution's separation of powers. Mr. Trump signaled his willingness to sign such a bill on Tuesday when he tweeted, "Congress, get ready to do your job—DACA!" We hope he means it.

This will be a test of the sincerity of both Republicans and Democrats in Congress. Some Republicans like Iowa Rep. Steve King will oppose any DACA legalization as "amnesty," and will want to load up a bill with poison pills that moderates and Democrats can't abide. Many Democrats may also be more than happy to block legislation and use the Dreamers as a cudgel against Republicans next year.

An obvious bipartisan solution would trade authorizing DACA in return for additional border enforcement. But Republicans should also be prepared to send Mr. Trump a clean authorization to make good on the government's moral obligation to these young people.

## The Godfather of Missile Defense

When President Ronald Reagan asked physicist George A. Keyworth II to start thinking about how to shoot down an enemy's ballistic missiles, few imagined a world in which a chubby dictator's missiles and bombs would pose a threat to the U.S.

Jay Keyworth, who died on Aug. 23, became Reagan's science adviser in 1981. Reagan believed that the Cold War needed to end, and part of his strategy for ending it was developing a technology to shoot down ballistic missiles in flight. It is hard to overstate the derision that greeted Reagan's Strategic Defense Initiative in 1983. The day after Reagan announced SDI, Sen. Ted Kennedy mocked the President's "reckless Star Wars schemes."

Used relentlessly by the press to describe SDI, the Star Wars name stuck, and Jay Keyworth's job was to convince skeptics that Reagan's idea of shooting down missiles in flight wasn't Hollywood science fiction.

The opposition to building antimissile de-

### Jay Keyworth endured liberal derision but was vindicated by history.

fense systems never relented. To his credit, and the country's good fortune, Jay Keyworth was tireless in publicly supporting the effort as scientifically achievable. It eventually gave us systems like Thaad, which can effectively intercept short- and medium-range ballistic missiles and is now deployed on the Korean Peninsula.

In a remembrance posted last week on the website of the Institute of Electrical and Electronics Engineers, Tekla Perry recalled a remarkably prescient comment of Keyworth's about the original rationale for SDI. "We have got a second-class nation," Keyworth said, referring then to the Soviet Union, "virtually a developing nation, threatening the existence of the United States, threatening the entire free world... I think it is a pretty frightening set of circumstances, and the more I look forward into the future, the more unstable I see it."

To the extent the North Korean nuclear threat is at all containable, we have Jay Keyworth to thank for it.

## Making Canada Great Again

Throughout his presidential campaign, Donald Trump liked to bang on about how Mexicans are stealing American jobs, and he called the North American Free Trade Agreement "maybe the worst trade deal ever signed anywhere but certainly ever signed in this country." Now someone on the other side of the U.S. border is finally agreeing with him.

But it isn't Mexico. It's Canada. And this is probably not what Mr. Trump expected when he forced Nafta's trading partners back to the negotiating table. As part of this renegotiation, the Canadians are now complaining that U.S. labor laws are unfair to Canada. Specifically, the Globe and Mail reports that Canadian negotiators spent Sunday's talks in Mexico City trying to persuade their U.S. counterparts to pass a federal law negating the right-to-work laws that now prevail in 28 U.S. states.

The Canadians argue that these laws, by reducing the power of unions to compel dues from workers, mean weaker unions, lower labor

standards and reduced wages. This in turn means that when it comes to attracting business, these U.S. states enjoy an unfair advantage over the higher-cost Canadians. The Canadians say they only want to level the playing field.

In other words, the Canadians are arguing that the U.S. is doing to its markets what Mr. Trump accuses Mexico of doing to ours: stealing jobs through lower-cost labor. The leader of Canada's largest trade union, Jerry Dias, out-Trumped Mr. Trump in his bluntness: "Canada's got two problems," he says. "The low-wage rates in Mexico and the right-to-work states in the United States."

It's easy to laugh over someone turning Mr. Trump's trade argument against him, especially when there's zero chance of doing away with U.S. right-to-work protection. But there's a serious point amid the absurdity: A reminder that sometimes when people complain about unfair trading practices, what they're really objecting to is old-fashioned competition.

### Ottawa out-Trumps Trump on Nafta and trade.

Mr. Trump accuses Mexico of doing to ours: stealing jobs through lower-cost labor. The leader of Canada's largest trade union, Jerry Dias, out-Trumped Mr. Trump in his bluntness: "Canada's got two problems," he says. "The low-wage rates in Mexico and the right-to-work states in the United States."

It's easy to laugh over someone turning Mr. Trump's trade argument against him, especially when there's zero chance of doing away with U.S. right-to-work protection. But there's a serious point amid the absurdity: A reminder that sometimes when people complain about unfair trading practices, what they're really objecting to is old-fashioned competition.

## OPINION

## LETTERS TO THE EDITOR

### Journal Was Too Polite in Describing Antifa

Your editorial analysis of Antifa is timely and on target ("Behind the Bedlam in Berkeley," Aug. 29). Some media cavalierly refer to Antifa actors as "demonstrators" or "participants" or "protesters" when it is becoming apparent that Antifa wants to violently shut down legitimate protests and demonstrations. The "comrades" who claim to be antifascist are actually anti-everything.

Violence is Antifa's primary tactic to stifle free speech and shut down conservative or midstream speech, whether Republican or Democratic.

You stop short of identifying Antifa as a major terrorist threat to America, evidence of which is growing. Both political parties, college presidents, campus leaders and the media must denounce Antifa for its nihilistic suppression of free speech and its violent opposition to any exchange of ideas. They must also demonstrate a solidarity against anarchy and Antifa's intrinsic violence.

JOSEPH E. COFFEY

West Roxbury, Mass.

As anarchists, Antifa thugs are by definition a law unto themselves. They despise authority, particularly law enforcement. So far this year Antifa has used Molotov cocktails, rocks, bricks, marbles, bottles of urine, balloons filled with feces and unknown chemicals, red-stained tampons, fireworks and pepper spray to attack police in Berkeley, Boston, Phoenix, Portland, Ore., and Olympia, Wash.

When a black police officer recently intervened to stop Antifa from vandalizing an Atlanta park statue, the demonstrators chanted: "Blue lives splatter." Antifascists interviewed by the Atlanta Journal-Constitution said they "view police as a tool of an establishment they want to dismantle."

Eventually Antifa will kill someone unless law enforcement clamps down soon, perhaps using a no-tolerance "broken-windows policy" to arrest those who hurl projectiles, vandalize property, commit assaults or even Jaywalk. Unmask them, jail them, publish their names and force them to attend free-speech training.

CHARLES D. EDEN

Atlanta

The fact is that leaders on the right have vigorously denounced white supremacists and Nazis. Further, it is a fact that leaders on the left such as President Obama and Harry Reid have defended and encouraged leftist malefactors such as Occupy Wall Street and Black Lives Matter. I believe that the more they condone this sort of behavior, the more mainstream voters will incline to Republican candidates in future elections. Shooting themselves in the foot has been a recent hallmark of the Democrats.

RICK ELLIS  
New Orleans

What we really need to know is who is paying the bill for all those black suits, masks, shoes and weapons. The views of the guy who is paying the bills are what the group stands for.

JUDITH EVANGELISTA  
Medford Lakes, N.J.

The similarities among Antifa, the Sturmabteilung (Nazi Brownshirts) and Stalin's thugs is chilling. Have we learned nothing from the 20th century?

JAMES SCHAEFER  
Paso Robles, Calif.

These groups routinely show up at otherwise peaceful rallies armed and ready for battle. They come clad in black, hooded and masked to disrupt and attack anyone that might put forth ideas or positions that differ with their beliefs. This ignores the right of others to freely express opposing ideas and concepts. This is un-American and must be stopped.

I suggest that as soon as Antifa or any others appear in masks they be immediately arrested, unmasked and photographed. It is obvious by their dependence on these masks that they are cowards and are most afraid of being identified and associated publicly with these hate groups. This might not solve all problems but would greatly reduce participation in these groups.

JOHN R. ASHBURN JR.  
Carrollton, Va.

It's the antifada.

ROBERT HERNDON  
Brandon, Miss.

### Ben's List of Virtues Continues to Stimulate

Regarding "What Would Ben Franklin Say?" (Life & Arts, Aug. 22): Readers might be interested to know that Franklin's original Junto is still alive and well in Philadelphia. In his autobiography Franklin describes how the members of his discussion group would often need recourse to their books to settle arguments. An initial plan for members to bring all their books together in one place failed when books were borrowed and not returned. Franklin improved on the idea by encouraging the members of the Junto and their friends to form a new kind of library company,

which required members to pay a deposit upon joining. If a member

failed to return a book, the cost was taken out of his deposit. The pooled funds were also used to buy new books, chosen by the members.

This venture was called the Library Company of Philadelphia, and 286 years after its founding it is still going strong. It was the first lending library in what would become the U.S., arguably the first anywhere. Franklin was especially proud of it and of the level of education it brought to the people of the colonies.

The spirit of shared learning and mutual improvement lives on in the work of scholars who use our collections to learn about our nation's earliest days, and who share with one another and with our members and shareholders their discoveries.

MICHAEL BARSANTI  
Library Company of Philadelphia  
Philadelphia

### Ms. Yellen is Right, We're Forgetting Costly Lessons

Janet Yellen's faith in Dodd-Frank would be amusing if it weren't so dangerous ("Our Political Central Bankers," Review & Outlook, Aug. 29). Dodd-Frank's main accomplishment has been to increase compliance costs, which of course are passed on to businesses and consumers. The banks that were bailed out in 2008 are now bigger. Required down payments on houses are once again ridiculously low, resulting in too much leverage. Cash-out refis are now back in vogue.

"Already, for some, memories of this experience may be fading," says Ms. Yellen of the financial crisis. No kidding.

CHARLIE POLITI  
Peoria, Ariz.

### Pepper ... And Salt

THE WALL STREET JOURNAL



### CORRECTION

Rep. Ben Ray Luján is from New Mexico, and Michael New is a professor at Ave Maria University. Mr. Luján's state and Mr. New's affiliation were misstated in the Aug. 31 op-ed "Democrats Inch Right on Abortion."

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

## OPINION

# Trump's Looming Trade Crack-Up

By Robert B. Zoellick

**D**onald Trump's trade policy is speeding toward a shipwreck. Under the Constitution, Congress has principal authority over trade, although it has delegated considerable powers to the executive. Congress needs to reassert control to block Mr. Trump's crack-up.

The president threatened last week to abandon the U.S.-Korea Free Trade Agreement. The immediate result would be to increase barriers to American exporters, especially farmers, ranchers, manufacturers and

**His fight with Seoul would leave the U.S. a loser. Congress needs to assert its authority to stop him.**

service industries. Without the FTA, Korea's average tariff could be boosted to almost 14%, quadruple the average U.S. tariff. The European Union will retain free access to Korea through its trade deal.

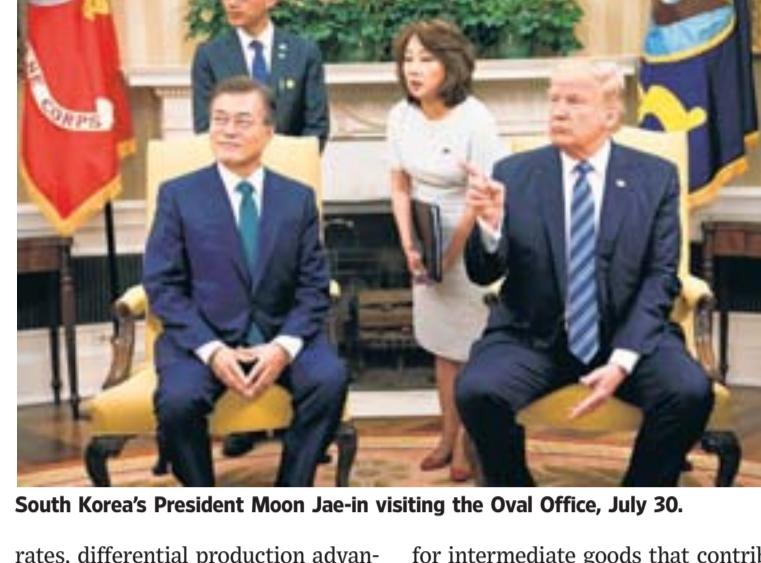
Mr. Trump's impulses are strategically incoherent. China has been squeezing Korean companies because Seoul has been installing missile defenses against North Korean rockets. When Mr. Trump seeks to cut off South Korea's trade with the U.S., Seoul's logical course is to accommodate Beijing to protect ties with its largest trading partner.

Combined with his withdrawal from the Trans-Pacific Partnership, the president's attack on the Korean FTA signals America's unreliability as an economic partner. Asian countries will inevitably question whether

America's economic retreat is consistent with U.S. security commitments across the Pacific. No one will understand why Mr. Trump would fracture ties with Seoul—and provoke public hostility in South Korea—at a moment when North Korea's threats necessitate tight cooperation and trust to thwart Pyongyang. North Korea's Kim Jong Un will proclaim that he is Korea's true national patriot, having shown his countrymen that America is selfishly thrashing the "running dogs" in Seoul.

The recently appointed South Korean trade minister, Kim Hyun Chong, is the same man who negotiated the FTA with the George W. Bush administration, who patiently renegotiated with Barack Obama, and who worked with Congress during both terms to forge closer links. South Korea's economic and democratic development has been an incredible success story; Korea grew to become America's sixth-largest trading partner for goods even without an FTA. But Mr. Kim wanted to lock in an alliance with America in the 21st-century competition for power in the Indo-Pacific. Especially in Asia, where respect and reliability in personal relations are valued highly, Mr. Trump's shocking slap to America's Korean friends will be noted and long remembered.

Mr. Trump's tirade about South Korea is part of a much larger problem. He has repeatedly threatened to terminate the North American Free Trade Agreement, too. Conventional wisdom has treated these trade tantrums as passing storms, but the rationalizers have misread his purposes. Mr. Trump wants to reverse bilateral trade deficits, which he views as "losing." In reality, trade deficits with other countries reflect a mix of relative growth



BRENDAN SMIALOWSKI/AFP/GTET IMAGES

South Korea's President Moon Jae-in visiting the Oval Office, July 30.

rates, differential production advantages, supply chains, savings and investment, and currency exchange rates. The U.S. has a trade surplus with Australia, which has a surplus with China, which has a surplus with the U.S.—each reflecting comparative advantages. I have a "deficit" with my local supermarket, but I offset what I owe by earning money elsewhere, not by stocking shelves at night to pay for my groceries.

The U.S. cannot reverse trade deficits through new agreements. Mr. Trump's negotiators will try to fix outcomes by having governments set market shares or through arrangements similar to barter, like the Soviet Union's old Council for Mutual Economic Assistance. Neither Mexico, Canada, South Korea nor any other market economy partner will agree to a central-planning trade model. Even if they tried, bilateral trade patterns would still reflect global comparative advantages. Some 60% of America's imports are

for intermediate goods that contribute to U.S. competitiveness. Mexico's trade surplus with the U.S. primarily reflects integrated auto production, which helps U.S. companies and workers to compete globally.

The administration's Nafta proposals reveal its own contradictions. The U.S. demands more-open markets for American goods, pressing for provisions from the TPP that Mr. Trump denounced. But the U.S. also wants the ability to ignore its commitments. The administration, for example, wants to abolish neutral panels that apply agreed rules to resolve disputes about subsidies or selling goods below cost. The U.S. also wants to be able to raise new barriers when interest groups demand "temporary protection." And the administration wants to ignore rules on treating investors fairly. Mr. Trump's abandonment of investment protections could prove especially self-defeating if a new Mexican government reverses President

Enrique Peña Nieto's move to open Mexico's energy markets.

Mr. Trump appears oblivious to these realities. His real aim may be to forge a domestic political realignment around matters such as trade protectionism, hostility to immigration and walling off Mexico. As he is unable to achieve simple solutions in North Korea, Afghanistan and the Middle East—and as his frustrations build with Congress and investigations—the danger is that he will lash out. Because his trade policy will not reverse bilateral trade deficits, the president will want to scrap "bad deals" that he can blame on others. He will destroy agreements to keep faith with his own false arguments—and to save himself.

Those in Congress who still want to give Mr. Trump the benefit of the doubt should ask how he plans to enact his new deals. Nafta's passage in 1993 required a huge effort by President Clinton and relied heavily on Republican support. Mr. Trump is inept with Congress and will never fight for any Nafta. Democratic lawmakers will happily embrace Mr. Trump's economic isolationism to reclaim voters they lost.

This trade policy will unravel vital ties across the Asia-Pacific region, hurt an ally facing a security crisis, destroy a North American partnership that should be the foundation for U.S. global power projection, and subvert confidence in the U.S. around the world. Congress can no longer wait for Mr. Trump to speak and act sensibly. It needs to assert its constitutional powers over trade to stop this president's destruction.

*Mr. Zoellick is a former World Bank president, U.S. trade representative and deputy secretary of state.*

## Congress's Chance to Do Its Job and Solve the Dreamers' Dilemma



**UPWARD MOBILITY**  
By Jason L. Riley  
  
Republicans have spent the past five years grumbling about how President Obama used executive power to give temporary work permits to people brought to the U.S. illegally as children. Now GOP lawmakers have a chance to put up or shut up.

Attorney General Jeff Sessions announced Tuesday that the Trump administration is ending this program, called Deferred Action for Childhood Arrivals, but with a six-month delay intended to give Congress time to do its job and address the issue with legislation. Mr. Trump made a campaign pledge to rescind all executive actions taken by President Obama, who often acted unilaterally when Congress wouldn't bend to his will. But Mr. Trump's view of DACA recipients, also known as "Dreamers," has been more complicated.

The president believes that his calls for a border wall and his tough rhetoric on immigrant gangs and

sanctuary cities helped him get elected, and perhaps it did. He also understands, though, that all illegal immigration doesn't warrant the same response. "We love the Dreamers," he said last week from the Oval Office. "We think the Dreamers are terrific." At the same time, the administration has continued to insist that DACA is unlawful and can't withstand legal challenge. In a Tuesday statement explaining why he rescinded the program, Mr. Trump said: "The legislative branch, not the executive branch, writes these laws—this is the bedrock of our constitutional system, which I took a solemn oath to preserve, protect, and defend."

A Pew survey taken in 2012, shortly after Mr. Obama issued his DACA order, put its support at only 46%. Yet 70% of the respondents—including 53% of Republicans—said illegal immigrants in the U.S. "should have a way to stay in the country legally." In other words, a bipartisan majority supported Mr. Obama's goal but not necessarily his method. Process matters, and Republicans now have an opportunity to get it right.

Republican governors such as Rick Scott of Florida, an outspoken supporter of the president, have come to the defense of DACA immigrants. So have business groups and GOP leaders on Capitol Hill like Sen. Orrin Hatch of

Finding a way to avoid deporting about 800,000 DACA recipients would seem to be a no-brainer politically. In an NBC News/SurveyMonkey poll last week, 64% of Americans said they supported DACA, and 71% said that "most undocumented immigrants working in the United States"

### A bipartisan majority supported Obama's DACA goal, but not necessarily his unilateral action.

should be "offered a chance to apply for legal status." For comparison, Mr. Trump's approval rating was 39%. An amnesty for DACA recipients wouldn't be popular with the president's base, but Dreamers are still far more popular than Mr. Trump.

Republican governors such as Rick Scott of Florida, an outspoken supporter of the president, have come to the defense of DACA immigrants. So have business groups and GOP leaders on Capitol Hill like Sen. Orrin Hatch of

Utah and Speaker Paul Ryan, who's convinced that a legislative fix is possible. Measures already in the works include a bill co-sponsored by Sens. Lindsey Graham, a Republican from South Carolina, and Dick Durbin, a Democrat from Illinois. To earn legal status under their plan, modeled on DACA, you'd have to pass a background check, pay a fee, be employed or enlisted in the military, and speak English, among other requirements.

The big unknown is what Mr. Trump, who says he's providing "a window of opportunity for Congress to finally act," will demand in return for protecting Dreamers. Will the "really big fixes" he called for Tuesday include funding for a border wall and more detention facilities, or new E-Verify requirements on businesses?

One demand may be significant reductions in legal immigration, which Republicans would be wise to resist.

Mr. Trump praised the Raise Act, introduced earlier this year by GOP Sens. Tom Cotton of Arkansas and David Perdue of Georgia, which purports to put U.S. immigration policy on path to a merit-based system like

Canada's or Australia's. In practice however, the bill wouldn't boost skilled immigration and would cut legal immigration overall by about 50% over the next decade, according to an analysis by the Cato Institute.

An entry system that served America well 100 years ago may not be suited for a 21st-century economy, and fixing immigration involves more than fixing the border. But the two are of a piece, and making it difficult to come to the U.S. legally is the best way to encourage unlawful entries. Moving the U.S. away from a system that heavily favors family ties and toward one based more on skills might well be the way to go, but not at the expense of an overall reduction to immigration.

Some 10,000 baby boomers reach retirement age every day, and we're hearing much more lately about labor shortages than job shortages, even in industries—agriculture, construction, manufacturing—where higher wages are being offered. Now is probably not the time to drastically limit employers' access to labor. Reducing legal immigration is where Republicans in Congress should draw the line.

## Who's the Real Internet Censor: Comcast or Facebook?

By Mark Epstein

**A**pple has at last broken its silence on net neutrality. Last week the company sent a letter to the Federal Communications Commission endorsing "strong, enforceable open internet protections" and opposing the FCC's planned deregulation. "Consumers must be allowed to access the lawful internet content, applications, and services of their choice," wrote Cynthia C. Hogan, Apple's vice president of public policy for the Americas. "Broadband providers should not block, throttle, or otherwise discriminate against lawful websites and services."

Apple's comments are directly in line with the larger progressive narrative, which presents net neutrality as a bulwark against corporate censorship. If the FCC's deregulation went through, a senior policy analyst for

the American Civil Liberties Union worried in July, "corporations like Comcast, Verizon, and AT&T will have the power to distort the flow of data and the marketplace of ideas online." Facebook's Mark Zuckerberg wrote that the FCC plan would let internet providers "block you from seeing certain content." A public policy manager at Twitter said "free expression" would be threatened because cable companies could "block content they don't like."

One problem: No one has presented a single credible case of any major internet provider censoring web content based on political beliefs. But you know who does? The very companies calling for net neutrality. Apple, Facebook, Twitter, Google, PayPal and other tech firms are engaged in increasingly strict political censorship through vague and

subjective prohibitions on "hate speech" and "fake news."

Twitter outright banned the conservative provocateurs Milo Yiannopoulos and Anthony Cumia. Although these men could be caustic online—Mr. Yiannopoulos has embraced the label "troll"—social-media companies also blocked controversial but sober political arguments. Twitter allows paying users to "promote" their tweets, but last month it refused posts from the Center for Immigration Studies, including one that argued "illegal immigrants are a large net fiscal drain."

Facebook reportedly removed a post last year that merely argued "what Trump is trying to say is that Homeland Security can not differentiate which muslim is radical wanting to cause harm and which is a harmless refugee." Google's YouTube restricted access last year to dozens of videos from PragerU, a project of conservative talk-radio host Dennis Prager, including lectures by prominent experts on subjects such as "Israel: The World's Most Moral Army." PayPal canceled service this summer to dozens of accounts labeled as "hate groups" by the left-wing Southern

Poverty Law Center. Apple Pay soon followed suit, and CEO Tim Cook announced his company would donate \$1 million each to the SPLC and the Anti-Defamation League.

Proponents of net neutrality say this comparison is apples and oranges. Since most people have only one or two options for high-speed internet, and because cable companies must invest billions of dollars in infrastructure, the argument is that competition

### Silicon Valley firms claim net neutrality will protect free speech—and then they take down your 'hate.'

won't effectively check censorship. On the other hand, we're told to think of "platform monopolies" like Facebook as competing newspapers that would be beaten in the marketplace if they began to censor.

But this ignores that social media is the textbook example of a service with "network effects." The more users they have, the more valuable they

become. The point of social media is communicating with others on social media. You could start a free-speech competitor to Facebook or Twitter, but it would not provide remotely the same service until it attracted hundreds of millions of users.

Moreover, social media companies present themselves as open forums. "Free expression is part of our company DNA," the Twitter public policy manager wrote in July. "We are the platform that lets users see what's happening and to see all sides." The Supreme Court apparently agrees. In *Packingham v. North Carolina*, an opinion issued in June, the justices described social media as the "modern public square."

For years, Facebook denied it was a media company in any sense of the term. Then in December, when it began restricting fake news, Mr. Zuckerberg claimed it was "not a traditional media company." The legal difference here is important. Traditional media companies like newspapers can be held liable for the content they publish. But online platforms are given a safe harbor under law to avoid liability for their users' content. The statute setting up this immunity explicitly states that Congress believes "the Internet and other interactive computer services offer a forum for a true diversity of political discourse."

This is not to say that social media companies should be subject to the First Amendment or "common carrier" regulations, as some have recently begun to advocate. But if Apple, Facebook and Google want to prevent big corporations from suppressing free speech online, then: physician heal thyself.

*Mr. Epstein is an attorney and freelance writer.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancey, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

DOW JONES  
News Corp

Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannbeck-Smith, President

OPERATING EXECUTIVES:

Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitmann, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business;

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

EDITORIAL AND CORPORATE HEADQUARTERS:

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

Telephone 1-800-DOWJONES

### Notable & Quotable: 'A Socialist Impulse'

New York magazine interviewing Mayor Bill de Blasio, Sept. 4:

In 2013, you ran on reducing income inequality. Where has it been hardest to make progress? Wages, housing, schools?

What's been hardest is the way our legal system is structured to favor private property. I think people all over this city, of every background, would like to have the city government be able to determine

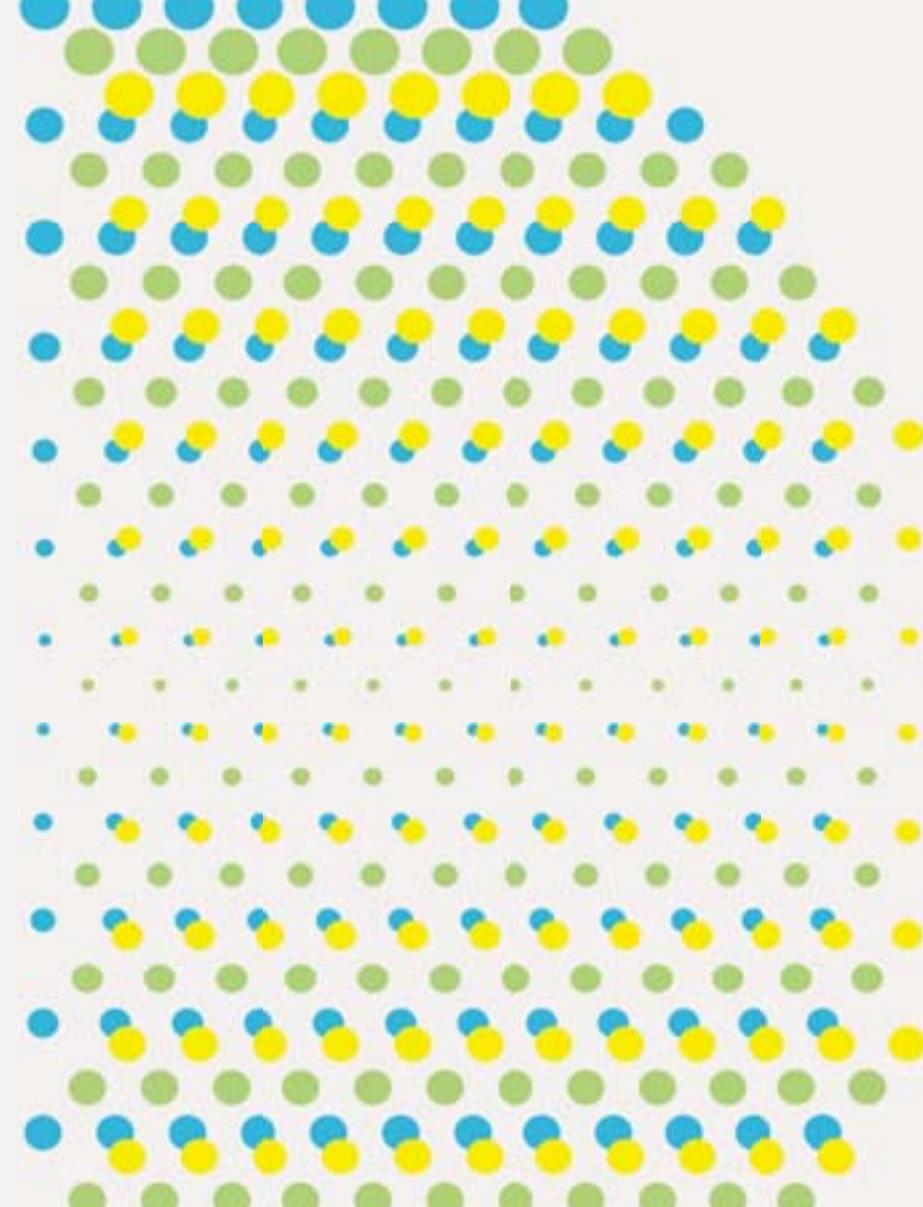
which building goes where, how high it will be, who gets to live in it, what the rent will be. I think there's a socialist impulse, which I hear every day, in every kind of community, that they would like things to be planned in accordance to their needs. And I would, too. Unfortunately, what stands in the way of that is hundreds of years of history that have elevated property rights and wealth to the point



OCTOBER 16-18 | LAGUNA BEACH, CA

## TECH'S MOST AMBITIOUS MINDS, ON STAGE AND ON THE RECORD

REQUEST YOUR INVITATION: DLIVE.WSJ.COM



### SPEAKERS INCLUDE:

GINNI ROMETTY | Chairman, President, and CEO, IBM  
JOHN HANKE | Founder and CEO, Niantic, Inc.  
JOSEPH TSAI | Executive Vice Chairman, Alibaba  
BETH COMSTOCK | Vice Chair, GE  
JEFFREY KATZENBERG | Partner, WndrCo  
MAX LEVCHIN | Co-Founder and CEO, Affirm  
ARIANNA HUFFINGTON | Founder and CEO, Thrive Global; Director, Uber

MARK HURD | CEO, Oracle Corporation  
KHANYI DHLOMO | Founder and CEO, Ndalo Media  
MARC LORE | President and CEO, Walmart eCommerce U.S.  
MARISSA MAYER | President and CEO, Yahoo! (2012-2017)  
ROBIN LI | Co-Founder, Chairman and CEO, Baidu, Inc.  
JENNY LEE | Managing Partner, GGV Capital  
BARRY DILLER | Chairman and Senior Executive, IAC & Expedia, Inc.

Proudly supported by:



EPSON  
EXCEED YOUR VISION



NETJETS

ULYSSE NARDIN

WELLS FARGO

# BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

\* \* \* \* \*

THE WALL STREET JOURNAL.

Wednesday, September 6, 2017 | B1

S&P 2457.85 ▼ 0.76% S&P FIN ▼ 2.20% S&P IT ▼ 0.89% DJ TRANS ▼ 0.95% WSJ \$IDX ▼ 0.41% LIBOR 3M 1.317 NIKKEI (Midday) 19325.87 ▼ 0.31%

See more at [WSJMarkets.com](http://WSJMarkets.com)

## Verizon Makes It Personal

Wireless carrier offers rewards to customers, but also wants to see their browser histories

BY RYAN KNUSTON

A new Verizon Communications Inc. rewards program provides credits that wireless subscribers can use for concert tickets, movie premieres and phone upgrades.

But the program, known as Verizon Up, comes with a catch: Customers must give

the carrier access to their web-browsing history, app usage and location data, which Verizon says it uses to personalize the rewards and deliver targeted advertising as its customers browse the web.

The trade-off is part of Verizon's effort to build a digital advertising business to compete with web giants Facebook Inc. and Alphabet Inc.'s Google, which often already possess much of the same customer information.

Even though the U.S. Congress earlier this year dismantled tough privacy regulations

on telecommunications providers, Verizon still wants customers to opt in to its most comprehensive advertising program, called Verizon Selects. Data collected under the program is shared with Oath, the digital-media unit Verizon created when it bought AOL and Yahoo.

Since access to data from customers could make it easier to tailor ads to their liking, Verizon hopes the information will help it gain advertising revenue to offset sluggish growth in its cellular business. While it added more than

600,000 wireless subscribers in the latest quarter, the gains came during a period of intense competition that forced it to revive unlimited-data offerings and sacrifice the revenue it generated from pricier plans and overage fees.

Verizon's core wireless business generated \$89 billion in revenue in 2016—a 2.7% drop from 2015. Meanwhile, its digital advertising unit brings in roughly \$7 billion a year. Verizon has about 4% of the U.S. digital advertising market this year, compared with 41%

Please see DATA page B4

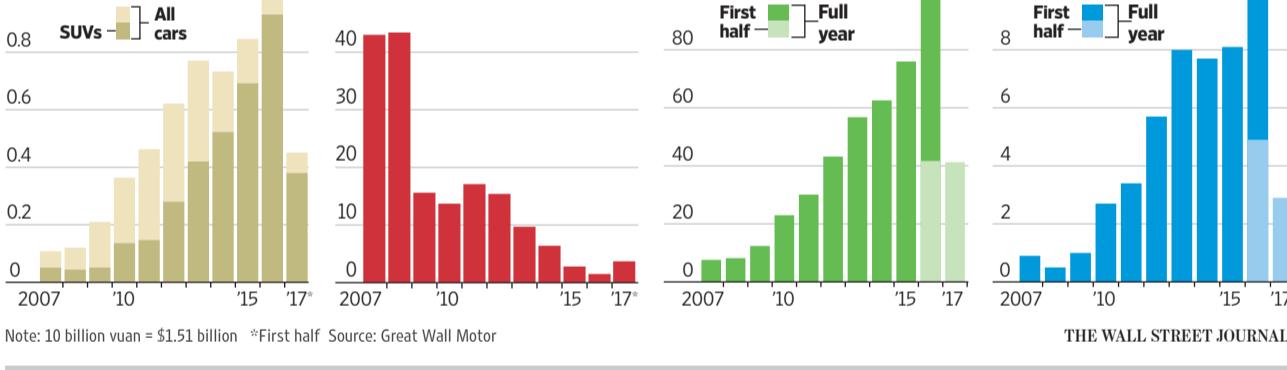
## Jeep's Chinese Suitor Faces Roadblocks at Home



Great Wall Motors' global push is being spurred by some tricky realities in China's auto market. B3

### Wall Building

Great Wall has become an SUV specialist focused almost entirely on the China market...



Note: 10 billion yuan = \$1.51 billion \*First half Source: Great Wall Motor

...and has been one of the country's most profitable auto makers, but profits have slipped in 2017.

In the wake of the global financial crisis, fear of such "black-swan" events drove some investors into hedge funds that offered protection should markets plunge. But the swans have yet to return, and such strategies have fallen out of favor.

The patience of many investors has run out after losing money during the intervening years of mainly benign market conditions. According to data by CBOE Eurekahedge, those who invested in these tail-risk funds—which are designed to reap benefits from sudden slumps—when their performance peaked in September 2011 would have by now lost 55% of their money.

Some big names in asset management have been hit, leaving only a handful of funds that promise outsize returns should markets go into a tail-spin.

Those left say that a decade after the financial crisis began, people have forgotten its lessons just as market risks are building. Market volatility is near record lows and stock

markets remain resilient, but entering September, typically the weakest month for the U.S. stock market, many investors and traders are looking over their shoulders.

The term black swan was popularized by writer and academic Nassim Nicholas Taleb to describe extreme events that are difficult to predict and more likely to happen than forecast.

Historically high stock valuations, increased consumer leverage and extraordinary central-bank stimulus are among the factors that some money managers believe make a black-swan event more likely than at any time since the financial crisis, which sent stock, credit and commodity markets plummeting.

However, critics point to evidence suggesting that buying insurance is always a losing strategy in financial markets.

As the crisis peaked in 2008, **Universa Investments LP** made returns of above 100% for its clients.

Nine years later, "I don't see anyone out there doing what I do," said founder Mark

Please see SWAN page B2

## Gasoline Jumps as Refineries Restart

BY ALISON SIDER

As gasoline prices at the pump hit a fresh two-year high Tuesday, the futures market signaled the supply crunch for fuel created by Hurricane Harvey will soon ease.

The average price for a gallon of gasoline rose another 1.1 cents Tuesday to \$2.65 a gallon, up 24.8 cents from last week. Prices rose 27 cents in the week ended Monday—the largest weekly increase since Hurricane Katrina hit the Gulf Coast in 2005 and the national

average soared 49 cents in a week, according to GasBuddy, which tracks fuel prices.

Gasoline futures on Tuesday fell 2.8% to \$1.6991 a gallon on the New York Mercantile Exchange on news that the nation's fuel infrastructure was coming back online.

Five Gulf Coast refineries were in the process of restarting Tuesday afternoon and at least seven more were operating at reduced rates, according to the U.S. Department of Energy. **Colonial Pipeline Co.** said it has resumed gasoline

shipments from Houston through a pipeline that supplies much of the Southeast and Northeast. On Sunday and Monday, **Explorer Pipeline** restarted pipelines that take fuel from Houston to Tulsa, Okla., and on to Chicago.

Still, for consumers, costs might stay elevated for some time amid global competition for fuel as refiners and pipelines gradually ramp up and depleted inventories are slowly replenished. Analysts at AAA expect retail gasoline prices could increase another five to

10 cents in the next week.

"Everybody's breathing this big sigh of relief that the shortage of gasoline is over, but we're still several weeks away from what we would call back to normal," said James Burr, vice president of energy products at broker INTL FCStone. With several major refineries still down, "that's a lot of gasoline not being produced," he said.

Harvey hit Texas as a Category Four hurricane and lingered over the region for days, dousing the Gulf Coast and

Please see FUEL page B2

A major clinical breakthrough at two pharmaceutical companies didn't get much attention from Wall Street. That means opportunity for investors.

Xarelto, the clot-prevention drug jointly owned by **Bayer** and **Johnson & Johnson**, was shown to significantly cut the risk of stroke, heart attack, amputation or death for patients with severe atherosclerosis, or blockage in the arteries. Patients who took Xarelto in combination with aspirin experienced a 24% decline in those serious events, compared with patients who took just aspirin. The trial was halted early due to Xarelto's efficacy.

The data, which were pre-

sented last month at a medical conference, are "about as good as it gets," said Dr. Pete DiBattista, head of cardiovascular research and development at J&J. Yet neither Bayer nor J&J shares have rallied since the data were unveiled.

Xarelto is already a blockbuster drug. Analysts expect \$4 billion in sales at Bayer and \$2.4 billion at J&J from the drug in 2017, according to FactSet. And the companies will need regulatory approval to convert the data into expanded sales opportunities, which will take time.

And Wall Street does expect significant growth in Xarelto sales, to about \$9 billion in total by 2020.

Still, there is a strong chance that Xarelto could sell better than most expect as the latest data signifi-

cantly expand its market potential. Bayer said on a conference call with analysts that as many as 30 million new people may become eligible for the treatment, and this is a treatment that goes on indefinitely. The number of patients could further ex-

pend when more data come out next year.

The drug is likely to be profitable because Bayer and J&J aren't likely to need a major investment in sales forces. And, because Xarelto would be an add-on to an existing aspirin regimen, new patients won't need to switch from another drug.

Johnson & Johnson and Bayer trade at 17 and 14 times forward earnings, respectively. Those valuations are in line with recent history, but analysts expect earnings growth on the order of 7% annually for the next three years for both companies.

Stock markets are mostly efficient. But every now and then, a major development happens without much fanfare. Investors should take notice.

## Boeing Questions Suppliers' Merger

BY DOUG CAMERON AND THOMAS GRYTA

Boeing Co. on Tuesday raised concerns about United Technologies Corp.'s proposed takeover of Rockwell Collins Inc., threatening to cancel some contracts with the suppliers if the combination undermines competition in the aerospace supply chain.

A day after the \$23 billion deal was made public, Boeing said it was skeptical the transaction would benefit its airline customers or the broader industry. "We would intend to exercise our contractual rights and pursue the appropriate regulatory options to protect our interests," the aircraft maker said in a statement.

In buying Rockwell, United Technologies is betting it can foster the industry's creation

of the fully digital airplane. Aerospace companies are investing heavily to connect everything from engines and brakes, and even coffee pots, using sensors to guide them on when to schedule maintenance or replacements.

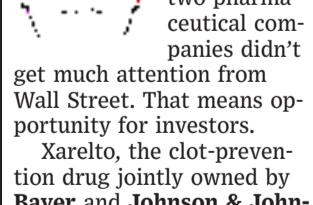
Such repairs have long been the most profitable part of the aircraft industry, prompting efforts by Boeing, Airbus SE and others to secure a larger slice of the business, moves potentially threatened by United Technologies' move on Rockwell Collins.

"It gives us the opportunity to do things that we wouldn't be able to do on our own," said United Technologies Chief Executive Greg Hayes on a Tuesday conference call. The combination with Rockwell Collins, he said, will make it easier to

Please see UTC page B2

HEARD ON THE STREET | By Charley Grant

## This News Should Get Blood Pumping



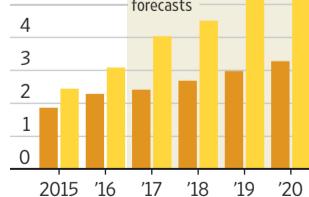
A major clinical breakthrough at two pharmaceutical companies didn't get much attention from Wall Street. That means opportunity for investors.

Xarelto, the clot-prevention drug jointly owned by **Bayer** and **Johnson & Johnson**, was shown to significantly cut the risk of stroke, heart attack, amputation or death for patients with severe atherosclerosis, or blockage in the arteries. Patients who took Xarelto in combination with aspirin experienced a 24% decline in those serious events, compared with patients who took just aspirin. The trial was halted early due to Xarelto's efficacy.

The data, which were pre-

### Health Kick

Annual Xarelto sales for Bayer (■) and Johnson & Johnson (□)



\$6 billion

Analyst forecasts

Source: FactSet

THE WALL STREET JOURNAL.

5

4

3

2

1

0

2015 16 17 18 19 20

THE WALL STREET JOURNAL.

5

4

3

2

1

0

2015 16 17 18 19 20

THE WALL STREET JOURNAL.

5

4

3

2

1

0

2015 16 17 18 19 20

THE WALL STREET JOURNAL.

5

4

3

2

1

0

2015 16 17 18 19 20

THE WALL STREET JOURNAL.

5

4

3

2

1

0

2015 16 17 18 1

## INDEX TO BUSINESSES

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

### A

Activision Blizzard...B15  
Allstate...B16  
Alphabet...B1,B15  
AQR Capital Management...B2

Ashford Hospitality Prime...B7  
Aspen Insurance Holdings...B16  
AT&T...B4

Aveva Group...B2

### B

Ballard Spahr...B3

Banco Bilbao Vizcaya Argentaria...B16

Banco Santander...B16

Bank of America...B15

Barry Callebaut Group...B3

Bayer...B1

Beacon Roofing Supply...B16

BlackRock...B15

Blackstone Group...B6

Boeing...B1

Bond Dickinson...B3

Brockton Capital...B6

BRW Electronics...B4

### C

Capula Investment Management...B2

Carnival...B16

Chadbourne & Parke...B3

China Investment...B6

Citigroup...B14

Clearbell Property Partners...B6

Colonial Pipeline...B1

### D - E

Diamondrock Hospitality...B7

### E

Everest Re Group...B15,B16  
eVestment...B15

Explorer Pipeline...B1  
Exxon Mobil...B2

### F - G

Facebook...B1,B4  
Fiat Chrysler Automobiles...B3

General Motors...B3

GGP...B6

Goldman Sachs Group...B15

Great Wall Motors...B3

### H

Helical...B7

Heritage Insurance Holdings...B16

Hersha Hospitality Trust...B7

Home Depot...B16

### J

J.C. Penney...B6

Johnson & Johnson...B1

### L

LaSalle Investment Management...B7

L'Oréal...B8

Lowe's...B16

LyondellBasell Industries...B5

### M

Macy's...B6

Man Group...B2

Mansfield Oil...B2

Mattel...A1

Merck...B3

### N - R

Nasdaq...B15

New Line Cinema...B9

### S

Prew, Mike...B6

Idema, Matt...B4

Ironsides, David...B6

Ivory, Trevor...B7

### K

Kotak, Hemant...B6

### L

Levin, Adam...B4

Levin, Barry...B3

Lewis, Janet...B3

### M

Mattes, Daniel...B5

Minnick, Jim...B15

### N

Nelson, Bill...B16

### P

Perry, Fred...B7

Perry, Stephen...B2

Zhang, Yale...B3

Source: the companies

### E

### F

### G

### H

### I

### J

### K

### L

### M

### N

### O

### P

### Q

### R

### S

### T

### U

### V

### W

### X

### Y

### Z

## BUSINESS & FINANCE

## SWAN

Continued from the prior page  
Spitznagel, who defined what he does as "sort of like gold on steroids."

There is no set definition for how far markets must fall before the drop can be labeled as a black-swan event.

Markets have mainly climbed as central banks continue to flood them with funds and the global economy expands. The CBOE Volatility Index, known as Wall Street's "fear gauge," fell to its lowest intraday level ever in July and remains near historic lows. The S&P 500 has been on a smooth road higher since early 2009, while the bull run in bonds continues.

Tail-risk funds are down 6.3% this year through July, according to data group eVestment, and have lost money in four of the five preceding years.

London hedge fund Man Group PLC launched the AHL Tail Protect Fund in 2009 and has lost 45% since then, according to Man Group. Capula Investment Management LLP's Tail Risk Fund, with \$3.7 billion under management, is down 6.7% this year, according to an investor letter reviewed by The Wall Street Journal. The fund made 11% in 2011 but lost 14% the following year and ran up further losses in three of the four years following. Representatives of Man Group and Capula declined to comment.

**AQR Capital Management** LLC calculates that black-swan events need to happen, on average, at least once every decade for tail-risk strategies to break even. The fund defines such an event as a 20% drop in the S&P 500 in one day.

But the last time the stock market suffered such a plunge was nearly 30 years ago, on Black Monday, Oct. 19, 1987.

Mr. Spitznagel said the problem is that most funds just aren't bold enough to lose a lot of money when markets are calm, which is the price to pay for these strategies to offer gigantic returns when another Black Monday happens.



AMIT DAVE/REUTERS

## Schneider, Aveva Merge Industrial-Software Work

BY BEN DUMMETT AND NICK KOSTOV

**Schneider Electric** SE of France has agreed to take control of British engineering software provider **Aveva Group** PLC, the latest move by an industrial giant toward writing the software that will run the factories and machines of the future.

Under the deal, announced jointly on Tuesday, Schneider will fold its software assets into Aveva's operations and pay the U.K. company more than £550 million (\$710 million) in exchange for a 60% stake in the combined entity, in a so-called reverse takeover. Aveva would also distribute £100 million to shareholders following the deal's completion.

Fearing disruption from tech startups and Silicon Valley giants, the companies are combining their software operations to add heft as manufacturing adopts more automation. Other companies, including General Electric Co. and Robert Bosch GmbH, have been working on digitizing their manufacturing processes,

and developing software platforms and automation tools to sell to other industrial players.

Schneider targeted U.K. software companies in the past to bolster its industrial-software business. In 2013, it agreed to acquire Invensys PLC for £3.31 billion to better compete against rivals such as Siemens AG, Mitsubishi Electric Corp. and Rockwell Automation Inc.

The planned transaction is similar to the structure of an attempt by the companies to merge their industrial-software businesses in July 2015. Then, Schneider had agreed to combine its software assets with those of Aveva and pay £550 million in exchange for a 53.5% stake in the enlarged group. However, the deal collapsed after the two sides couldn't agree on final terms.

Spun out of the University of Cambridge in 1967, Aveva provides engineering software to owners, operators and engineering contractors that operate in the power, oil-and-gas, marine and paper and pulp sectors, among others. It employs more than 1,700 people across 30 countries.

The deal comes at a time

Aveva is trying to reduce its reliance on the slowing oil-and-gas and marine markets. For the year ended March 31, Aveva boosted revenue by 7% to £215.8 million from the prior year, benefiting in part from currency moves. Discounting that, revenue was down 3.8%.

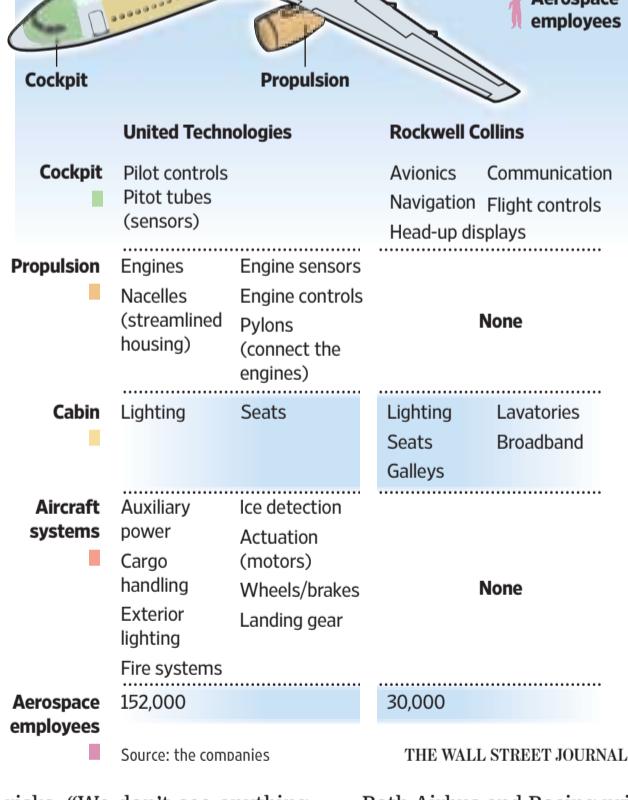
Schneider's software is used to help manage manufacturing processes, design tools, and train plant crews. It services industries ranging from transportation to its largest market of food and beverages and pharmaceuticals, which generates about 16% of the company's annual software revenue.

The combination will give Aveva greater access to the U.S. market, where Schneider's software business generates almost half of its annual sales. Aveva generates the bulk of its revenue in Europe, the Middle East and Asia.

"Aveva will significantly expand its scale and product portfolio, increase its capabilities in the owner operator market, diversify its end user markets and increase its geographic exposure to the North American market," said Aveva Chairman Philip Aiken.

## The Sum of Many Parts

United Technologies' acquisition of Rockwell Collins is a big bet on taking the digitally connected aircraft one step closer to reality.



THE WALL STREET JOURNAL

Both Airbus and Boeing privately lobbied last year against plans by Honeywell International Inc. to buy United Technologies, according to people familiar with the situation. However, Honeywell's \$15 billion aerospace unit had far more product overlap with

risks. "We don't see anything that will stop this transaction from happening," he said.

Credit Suisse analysts gave the deal an 80% chance of closing, mostly because of the lack of major overlaps, even with Boeing pushing against the takeover.

An Airbus spokesman said the aircraft maker hopes "this M&A will not distract UTC from their top operational priority," which is delivering a new generation of Pratt & Whitney engines.

United Technologies' Pratt & Whitney division has struggled with its new geared turbofan jet engine that powers Airbus A320neo single-aisle planes. Efforts to fix the shortcomings have encountered repeated delays, and some analysts warned that the demands of integrating Rockwell Collins could aggravate the problem. United Technologies officials have said they expect the problems to be resolved this year.

—Robert Wall contributed to this article.

## FUEL

Continued from the prior page causing floods. Ports where shipments of crude oil come in and out were closed. Fuel-making plants slowed or stopped, either to avoid dangerous emergency shutdowns or because they were no longer able to get the crude oil they turn into gasoline, diesel and jet fuel. At one point, around 25% of U.S. refining capacity was closed. That choked

off supplies to pipelines that connect the Gulf Coast to markets in the Midwest and the Northeast.

As a result, gasoline has been in shorter supply and prices have jumped in places such as Atlanta and Raleigh, N.C. Analysts at **Mansfield Oil** Co., fuel wholesalers based in Gainesville, Ga., said Sunday that trucks were waiting in line for six to eight hours to get fuel to distribute to filling stations. Major oil companies have cut allocations even to customers that sell branded

fuel—usually the last to feel the pinch, traders said.

"The biggest [price] increases are behind us," said Patrick DeHaan, senior petroleum analyst at GasBuddy.

But some refineries likely

will be offline for several weeks.

The U.S.'s largest refinery,

Motiva, in Port Arthur, Texas,

said Tuesday it is in the initial

phases of restarting. **Exxon**

**Mobil** Corp. said Tuesday its

Baytown refinery, the second-

## BUSINESS NEWS

# Jeep's Suitor Struck Potholes in China

Great Wall Motor looks to grow abroad as it loses traction in its home market

BY TREFOR MOSS

SHANGHAI—Great Wall Motor Co.'s push to go global by acquiring Jeep is being spurred by some tricky realities closer to home, where the Chinese auto maker faces sliding profit and red-hot competition in its core segment.

As the once-freewheeling China market becomes more competitive and growth slows, Great Wall is signaling through its acquisition plans that foreign expansion could soon be the best way to increase profit amid rising domestic pressures.

Acquiring Jeep wouldn't only give Great Wall a world-leading brand, but it would also provide instant access to foreign markets, including the U.S., where the Chinese auto maker has little or no presence, and with it new avenues for growth.

"An overseas acquisition would be very helpful to Great Wall," said Janet Lewis, managing director of equity research at Macquarie Capital Securities.



Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

sales. But that was likely the high-water mark in terms of China auto-sector growth: Car sales increased 16%, but are unlikely to top 5% growth from 2017 onward, officials predict.

For Great Wall, this year's slowdown coincided with stiffer competition in the SUV market from foreign and domestic rivals, resulting in flat unit sales in the first half of 2017, and halved profits. Haval slipped to No. 4 among the top-selling Chinese auto brands, according to researcher LMC Automotive, off from second previously.

The company has fought back by launching a new premium brand called Wey in April designed to boost profitability, and unveiling a second generation of its flagship H6 SUV, which accounted for 54% of all Great Wall sales last year. It remains China's best-selling SUV, but its lead has been eroded by an increasingly strong lineup of competitors.

With China market saturation expected, Great Wall and other domestic auto makers must give foreign markets new attention, said Yale Zhang, managing director of consulting firm Automotive Foresight. A foreign acquisition, like Great Wall's pitch for Jeep, would be the quickest way.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great Wall also began focusing on the China market. Exports last year were just 1.5% of total sales, off from 43% a decade earlier, when the company exported in relatively small volumes to developing markets such as Africa and the Middle East.

Last year, Great Wall's sales topped one million cars for the first time. In a country where most domestic auto brands struggle to make money, the company reported a record \$1.6 billion profit on \$15 billion in

revenue.

Great Wall's Haval SUVs under assembly in China. Haval has slipped to No. 4 among top-selling Chinese auto brands, from No. 2.

Like other analysts, Ms. Lewis says that Great Wall's strong financials make it a credible suitor for Jeep despite its relatively small size.

There is less consensus on whether Great Wall could secure Jeep without agreeing to buy all of its parent, Fiat Chrysler Automobiles NV, as some say the latter might insist. That would dwarf any deal previously attempted by a Chinese auto maker.

Great Wall said in August it is considering a possible acqui-

sition of Jeep, and possibly all of Fiat Chrysler. It declined to comment for this article.

Based in China's Hebei province, Great Wall is still a minnow by global standards. The world's biggest car companies—General Motors Co., Toyota Motor Corp. and Volkswagen AG—each produced 10 times more vehicles than Great Wall last year.

China's top producer, Shanghai Automotive Industry Corp., also eclipsed its local rival, building 6.5 million cars,

though most of those were copies of foreign autos built via joint ventures with GM and Volkswagen.

Unlike state-run auto makers such as Shanghai Auto, Great Wall has focused solely on building its own brand.

Founded in 1984 as a pickup and later sedan maker, it has transformed itself over the past few years into a sport-utility-vehicle specialist. The company's Haval marque accounted for 87% of the company's 2016 unit sales, up from 25% in 2009.

In recent years Great

## TECHNOLOGY

WSJ.com/Tech

# RadioShack Readies Plan For Survival

Store-front presence likely to depend on the persistence of small-time retailers

By PEG BRICKLEY

The first time RadioShack went bankrupt, independent dealers struggled to get answers about the future of a brand that was integral to their businesses.

With some 4,400 company-owned stores to restructure in 2015, RadioShack's leaders and advisers seemed to take scant notice of the shopkeepers who were representing the electronics brand in places too small or remote to warrant much attention from the corporation.

As the end of the company's second bankruptcy draws near, hope of keeping the RadioShack name attached to a brick-and-mortar operation hangs largely on retailers such as Ira Brezinsky.

and his BRW Electronics, with two stores, one in Northampton, Mass., the other in Brattleboro, Vt.

"There are loads of people that still love RadioShack, that recognize the name," Mr. Brezinsky said.

Fewer than 100 RadioShack-owned stores remain open. Very few if any would remain under the company's plan to exit bankruptcy. So if you are walking down a street in the near future and the familiar RadioShack logo catches your eye, chances are it will be a sign in the window of a store like BRW Electronics.

Back in 2015, RadioShack's small-town independents organized and hired a lawyer to look out for them in the first chapter 11 bankruptcy, which was supposed to launch a streamlined, reinvigorated chain of stores. Instead, RadioShack returned to bankruptcy in March, its revival in ruins.

This week, RadioShack will ask a judge to let it undertake a new reorganization, more modest in scope and aspiration than the 2015 restructuring, which featured an alliance with Sprint Corp. The Sprint connection, which was supposed to bring shoppers into RadioShack stores, soured badly.

In a lawsuit filed at the end of June, creditors accused Sprint, "the ugly duckling of the U.S. wireless business," of sacrificing its commitment to the new RadioShack to cut costs. In recent court papers, one creditor said the lawsuit seeks damages of as much as \$500 million, and as such represents the chief hope of recovery for vendors, landlords and other unsecured creditors.

Sprint couldn't be reached Tuesday to comment on the lawsuit.

Details of the reorganized RadioShack business operation are missing from chapter 11 plan papers, and will be filled in later.

The dealer network, with its entrepreneurial spirit, will have a place in a reorganized company, as will the e-commerce business, said people familiar with the process.

Product isn't always easy to get, he said. But the rules are looser. With thousands of company-owned stores wiped from the map, it no longer matters where an independent dealership is located or how large a population it serves.

"It's been a difficult road," Mr. Brezinsky said. His stores are doing fine, adapting to a changing marketplace by offering classes to the do-it-yourself crowd, and services such as smartphone-screen repair, which are tied to product sales, he said.



A RadioShack salesman, at right, demonstrated the company's hardware at a computer show in Boston in 1977.

## Facebook Sees WhatsApp Charging Businesses a Fee

By DEEPA SEETHARAMAN

Facebook Inc. is getting ready to earn back some of the \$22 billion it spent to buy the messaging service WhatsApp three years ago.

WhatsApp will eventually charge companies to use some features in the two free business tools it started testing this summer, WhatsApp's chief operating officer, Matt Idema, said in an interview.

The new tools, which help businesses from local bakeries

to global airlines talk to customers over the app, reflect a different approach to monetization compared with other Facebook products, which rely on advertising.

"We want to put a basic foundation in place to allow people to message businesses and for them to get the responses that they want," Mr. Idema said. "We do intend on charging businesses in the future."

The free WhatsApp Business app allows small businesses to

field customer questions or send them updates. Larger companies can do the same with another free tool that lets them plug directly into the WhatsApp platform. WhatsApp is also rolling out verified profiles for businesses so its one billion daily users can distinguish between a person and a business.

Companies in Brazil, Europe, India and Indonesia are testing the free services, including KLM Royal Dutch Airlines. Users must "opt in" to be contacted by a business, a WhatsApp spokesman said.

Mr. Idema declined to describe the paid features or say when they would make their debut. "We don't have the details of monetization figured out," he said.

The business tools being tested, detailed in a blog post Tuesday, are another sign of Facebook's intention to cash in on messaging as it grapples with a slowdown in revenue growth from its core service, news feed.

Facebook owns two of the

world's most popular messaging apps, WhatsApp and Facebook Messenger, and Chief Executive Mark Zuckerberg predicts that messaging could yield dividends for the company within five years.

In July, Facebook started showing advertisements inside Messenger, sandwiched between users' conversations when they open the app. The strategy is similar to how Facebook monetizes the news feed and Instagram, the photo- and video-sharing app it bought for

\$1 billion in 2012.

Mr. Idema didn't rule out that WhatsApp could show ads to users at some point but said the focus was now on connecting businesses and users. Last year, WhatsApp started sharing its user data with Facebook, a step to improve Facebook's ad targeting and friend suggestions.

Regions where WhatsApp is popular, such as India, haven't been as lucrative for Facebook's advertising business.

Newley Purnell contributed to this article.

## DATA

Continued from page B1  
for Google and 20% for Facebook, according to eMarketer.

Wireless competitor AT&T Inc. faces similar challenges as it also tries building an ad-targeting program around its new video services.

Verizon—the U.S.'s largest carrier, with more than 114 million subscribers—has been experimenting with targeted-advertising programs for at least five years. Verizon Up, launched in August, is the latest incarnation of its rewards program. Verizon doesn't say how many people have en-

rolled in Up or Selects.

For every \$300 customers spend on their Verizon bills, they receive one Up credit, which can be used for rewards such as Uber rides, four free months of Apple Music or chances to win tickets to see performers such as Lady Gaga.

Verizon makes it clear during the sign-up process what data consumers are giving up: information about their demographics and interests, what websites they visit, what apps and features they use and their location.

The disclaimer quickly drew criticism in the tech world: Adam Levin, a consumer advocate and founder of data-security firm CyberScout, warned

in a column on HuffPost that the "hidden cost of Verizon's 'free' rewards program is your data." In an interview, he asked: "When you think about it, do you really want somebody to know that much about your life?"

Deli Meeks, a 26-year-old forklift operator in Atlanta, said he doesn't mind Verizon accessing his data. A lot of companies track information, and it helps make advertising more useful, he said. Mr. Meeks used his first reward to secure tickets to a preseason National Football League game between the Baltimore Ravens and Buffalo Bills.

Google, Facebook and other internet firms possess similar data about their users and disclose it in their privacy policies. But Verizon must walk a more delicate line.

Telecom companies are required by federal law to take precautions when it comes to customer data.

"Some of our competitors, they have exactly the same thing, it's just buried in the terms and conditions of the service," Diego Scotti, Verizon's chief marketing officer, said of the information tech companies collect. "We are not hiding anything."

Google and Facebook declined to comment.

Verizon's program allows customers to opt out of data-sharing after they have signed up for Verizon Up, but the company can keep the data for three years.

## FIRST CLASS TRAVEL FOR YOUR FEET



Travel tip: comfortable feet make everything more fun. The Un-Sneaker combines the comfort of a sneaker with the style of a shoe. Travel well!

**SAMUEL HUBBARD.COM**

SHOEMAKERS SINCE 1930

Free shipping and returns. Order online or call 844.482.4800.

Make your emergency plan today.

Ready.gov/Business



JFK 100

VISIONARIES NEVER GO OUT OF STYLE

See our new exhibition:  
JFK 100: Milestones & Mementos

JFK Presidential Library and Museum  
Columbia Point, Boston



## BUSINESS NEWS

# Takeda Tries to Soothe Debt-Load Fears

CEO says drugmaker will show discipline in its spending after recent big acquisition

BY PREETIKA RANA

TOKYO—Takeda Pharmaceutical Co. Chief Executive Christophe Weber said another multibillion-dollar acquisition is unlikely soon, allaying fears Japan's largest drugmaker is building up too much debt after paying nearly \$5 billion for a U.S. company in January.

The deal for Ariad Pharmaceuticals, Mr. Weber's first major acquisition since taking the reins at Takeda three years ago, drew concern from credit-ratings firms, with

some lowering their outlook for Takeda debt. Takeda paid a 75% premium over Ariad's closing price before the deal was announced.

In an interview, Mr. Weber said Takeda was following a disciplined approach and the rewards of the Ariad purchase outweighed the risks. In April, Ariad won regulatory approval in the U.S. for a lung-cancer therapy that Takeda says could generate as much as \$1 billion in sales a year.

After borrowing money to buy Ariad, Takeda's gross debt as of March 31 stood at nearly four times the company's earnings before interest, taxes, depreciation and amortization, or Ebitda. That ratio was up from two times a year earlier. Banks use the ratio to assess a company's ability to service its

debt. The higher the ratio, the lower the chance lenders advance loans, constraining the company's ability to borrow cash. "We don't want to be overstretched. We want to be between two to three times Ebitda," Mr. Weber said.

While Takeda will continue to closely monitor promising startups, Mr. Weber said to investors: "Don't expect an announcement very often. We are very risk-aware."

Takeda is faced with a shrinking pool of patent-protected products, much like its Western counterparts. Actos, the company's blockbuster diabetes drug, lost patent protection in 2012. Acid-reflux medication Dexilant is expected to lose exclusivity in 2020, paving the way for less-costly generic copies.

The company has forged more than 50 partnerships in the past three years, and on Monday it said it would join a Japanese biotechnology startup to co-develop a cancer therapy of the type known as CAR-T, which involves modifying patients' immune cells so they are programmed to attack tumors. Novartis AG last week won approval for the world's first CAR-T therapy.

Despite the patent expirations, Mr. Weber said Takeda is poised for solid growth over the next few years on the back of recently introduced products including Ninlaro, a multiple myeloma treatment poised to become the company's best-selling cancer product. The drug came from Takeda's \$8.8 billion acquisition of Millennium Pharma-

ceuticals Inc. in 2008. Takeda later spent roughly \$14 billion to purchase Nycomed A/S of Switzerland.

A former GlaxoSmithKline PLC executive, Mr. Weber is the first non-Japanese CEO at 236-year-old Takeda and one of the few foreigners leading a large Japanese company.

He has named non-Japanese executives to many of Takeda's top posts.

His appointment initially annoyed longtime shareholders. Shortly after he was hired in 2014, a group of shareholders said the ascension of a Frenchman was akin to "a hijacking by foreign capital."

One of those shareholders, Yujiro Hara, said things have turned out better than he expected. Mr. Weber "listens to others well," said Mr. Hara.

"The mood seems to have improved," he added.

Mr. Weber has shed non-core businesses, and reduced Takeda's focus to a small group of diseases. The company consolidated research into two main sites—in Boston and Shonan, south of Tokyo—and said it expects annual savings of \$164 million once the restructuring concludes next year.

Its stock price has risen 26% over the past year.

Mr. Weber said he was conducting town halls, roundtables and lunches to better understand employee concerns amid the restructuring. "We have passed this phase of huge uncertainty," he said. "Now it's time for us to stabilize."

—Chieko Tsuneoka  
contributed to this article.

## The Big Shift at Work

It used to be that workers in the U.S. could expect a 9-to-5 schedule, retirement benefits and generous health insurance. Today's workers have more control over how and where they do their jobs, but many of the fringe benefits of full-time jobs have vanished.

### HEALTH INSURANCE\*

Share of workers at large companies with employer-sponsored health insurance

1980 97%  
2016 61

... with single coverage paying no premium

1980 72  
2016 5

... with family coverage paying no premium

1980 51  
2016 1

### RETIREMENT

Percentage of private-sector workers with pension plans

1979 38  
2014 13

... with a 401(k)

1979 17  
2014 45

### WORK-LIFE BALANCE

Percentage of full-time workers with paid family leave

1995 2  
2016 16

... with paid sick leave

1979 56  
2016 76

Sources: Bureau of Labor Statistics (health insurance, work-life balance); Kaiser Family Foundation (health insurance); Employee Benefits Research Institute (retirement); Simcha Barkai (shareholder capitalism)

### SHAREHOLDER CAPITALISM

The biggest share of companies' output still goes to workers, but that share is shrinking as companies spend less on both employee compensation and business investment.

■ Workers ■ Capital costs  
■ Other ■ Profits

8.3% 5.3% 24% 62.4%

1984

15.6% 8.6% 18% 57.8%

2014

Note: Numbers might not equal 100 due to rounding.

\*1980 data: Bureau of Labor Statistics; includes full-time workers. 2016 data: Kaiser Family Foundation; includes part-time and full-time workers.

THE WALL STREET JOURNAL.

## Jumio Estate Sues Ex-Chiefs Over Financial Statements

BY TOM CORRIGAN

The bankruptcy estate of former Silicon Valley startup Jumio Inc. is suing its prior leaders for allegedly misrepresenting the company's financial health and presenting investors with "dramatically incorrect" revenue statements.

In a complaint filed in U.S. Bankruptcy Court in Wilmington, Del., the former Jumio said its founder and one-time chief executive, Daniel Mattes, worked with other executives to orchestrate a covert plan to inflate revenue figures by more than 90%, enticing high-profile investors to open their wallets.

"These investments gave Jumio an appearance of legitimacy which in turn allowed Jumio to attract more investors," lawyers for the former Jumio said in court papers.

The suit, which names Mr. Mattes as well as Jumio's former chief operating officer and former general counsel, is seeking unspecified damages, lost interest and attorneys' fees.

Mr. Mattes, who founded the identity-verification company in 2010 and now resides in Austria, denied any wrongdoing and said he will do whatever is necessary to fight the lawsuit.

"I'm extremely surprised by this complaint," he said in an interview Tuesday. "I think I'm being blamed for

DAVID PAUL MORRIS/BLOOMBERG NEWS

something that is wrong and has no merit."

Jumio's products help businesses verify credentials such as driver's licenses and passports.

The company says its services speed up checkout time, cut down on users' data-entry errors, increase transaction-completion rates and reduce fraud.

According to the complaint, Mr. Mattes reported the full amount of each credit-card transaction Jumio had helped process instead of the small fee it actually collected.

At the time, the former Jumio's financial statements showed revenue growing exponentially, exceeding \$100 million in 2013.

Mr. Mattes said the discrepancy in reported revenue

resulted from differences in U.S. and European practices. He said an outside accounting firm in Austria prepared the reports and that its accounting practices were transparent and clearly explained.

Jumio's operations were sold off to New York private-equity firm Centana Growth Partners for \$850,000 following an auction last year, despite being valued at \$100 million only a year earlier, court papers show.

The Centana sale included Jumio's name, and the business continues to operate under the Jumio brand. The corporate shell of the former Jumio remains in bankruptcy and was left to figure out how to repay creditors and whether to pursue litigation against former officers and directors.

## Judge Tosses Out LyondellBasell Creditors' Clawback Lawsuit

BY PATRICK FITZGERALD

A bankruptcy judge in New York Tuesday tossed a lawsuit brought by a trustee on behalf of creditors of LyondellBasell Industries AF to claw back more than \$5.9 billion that the chemical company's shareholders received from a failed 2007 leveraged buyout.

Judge Martin Glenn of the U.S. Bankruptcy Court in New York in a brief, three-page or-

der dismissed with prejudice a lawsuit brought by a trustee on behalf of creditors of LyondellBasell's bankruptcy.

The creditors were seeking to claw back the billions in cash from hundreds of former shareholders—pension and mutual funds, Wall Street banks, hedge funds and retail investors—of Lyondell Chemical Co. The creditors had also sued billionaire deal maker

Leonard Blavatnik over the 2007 merger of Lyondell Chemical and Basell AF that created what was then one of the largest chemical companies in the world.

Mr. Blavatnik's Basell paid \$48 a share for Lyondell, what the creditors called a "blowout price" in court filings, which allowed the Houston-based chemical company's shareholders to collect bil-

lions from the merger.

Representatives for the trustee and the shareholders weren't available for comment.

The boom-era deal loaded the company up with more than \$20 billion in debt just before global commodity markets tumbled amid the global financial crisis. A little more than a year after the merger, LyondellBasell filed for bank-

ruptcy.

Unhappy creditors sued to claw back the cash from shareholders, arguing the merger amounted to what was a fraudulent transfer that left Lyondell insolvent. Mr. Blavatnik denied that he thought the deal would fail and blamed the global recession for the company's financial troubles.

In April, Judge Glenn ruled

in a separate-but-related lawsuit involving Mr. Blavatnik that the trustee had failed to prove that the merger left Lyondell insolvent, or unable to pay its debts.

LyondellBasell emerged from bankruptcy in 2010 after eliminating about \$5 billion from its debt load with Mr. Blavatnik's holding company, Access Industries, as a significant backer.

## MEET THE SECURITY TEAM OF THE FUTURE

We are on a mission to make the United States of America the safest country in the world, changing everything for everyone.

Join us before October 10th and you too can help build a brighter tomorrow. Visit us at [knightscope.com](http://knightscope.com) to learn more.

[www.knightscope.com](http://www.knightscope.com)



Designed and Built in Silicon Valley

# THE PROPERTY REPORT

## European Mall Operators Upbeat

Demographics, design and relative scarcity have helped Continent weather downturns

By ESTHER FUNG

As in the U.S., the retail world in Europe has been turned upside down by the brave new world of shopping that enables you to buy practically anything while sitting in your pajamas at the computer or waiting in line with your phone.

But the pain to European retail landlords has been less severe.

Shares of listed European retail real-estate companies have fallen but not as far as their U.S. counterparts. Values of European malls and shopping centers continue to rise in some European markets while they are falling throughout the U.S.

The U.S. landscape is pockmarked in many regions by empty and near-empty shopping centers. In Europe, there are fewer such "dead malls," analysts say.

The main reason that analysts cite is that Europe didn't experience the retail-development boom that the U.S. did in the 30 years leading up to the 2008 crash.

In the U.S., there are 24 square feet of retail space for every man, woman and child in the country compared with five square feet in the U.K., four in France, and three in Spain and Italy, according to data from the International Council of Shopping Centers.

"It's a completely different scale," said David Ironside, chief investment officer of LaSalle Investment Management's continental European business. LaSalle's private-equity group owns 242 retail assets in U.K. and continental Europe. "You don't get into a distressed zone that quickly in Europe."

But there are other reasons besides moderate supply that explain why European landlords have been more sheltered from the retail storm. These reasons are now being studied closely by retail investors, developers and lenders as they look for opportunities and risks on both sides of the Atlantic.

One factor buffering European landlords is mall layout. Shopping centers in Europe



The Arenas shopping center in Barcelona. Retail-property investors have favored politically stable countries with growing economies.

are typically anchored by a grocery store, rather than a department store, which tends to be the norm in the U.S. Grocery stores bring in a lot of foot traffic. Department stores have been among the biggest victims of online shopping.

U.S. malls and shopping centers also are being hit harder by a recent spate of retailer contractions and failures. Department stores such as **Macy's**, **J.C. Penney** and **Sears** have announced closures of more than 400 stores across the U.S. since August 2016, hurting many secondary malls that are struggling to find replacement tenants.

Retailers in Europe currently are healthier, in part because many of the weaker ones failed during the financial upheaval between 2008 and 2009 and between 2011 and 2013, said Hemant Kotak, analyst at Green Street Advisors.

"We had a cleansing process in the last downturn and what survived were the better concepts and the ones with the better financial positions,"

said London-based Mr. Kotak.

One of the retailers that filed for bankruptcy in 2012 is fashion chain Peacocks, which was subsequently sold to another retail group that has since expanded Peacocks' stores.

Not every European landlord is doing better than those in the U.S. Some top U.S. mall companies, such as **Simon Property Group** and **GGP Inc.**, are popular with retailers and are recording rent growth and low vacancy rates comparable to the numbers being chalked up by leading European landlords.

Some trends in Europe aren't as promising as in the U.S. For example, Europe's population growth has been lackluster, which doesn't bode well for future increases in retail sales.

Still, investors are keenly aware of the advantages of Europe. In the 12-month period ended in July, the FSTE NAREIT Equity Regional Malls Index, which tracks seven mall REITs in the U.S., skidded 32%.

During that same period,

the Stoxx Europe Total Market Retail REITs, which tracks net returns of seven mall landlords in the region, declined a more-modest 11%.

Sales of U.S. shopping centers also have fallen sharply.

Volume totaled 670 million square feet between 2015 and the end of this June, according to an analysis of deals in excess of \$10 million by data firm Real Capital Analytics. By comparison, some 790 million square feet traded hands between 2012 and 2014, Real Capital said.

In Europe, deal activity increased to 627 million square feet in the 18 months period ended in July, up from 559 million square feet in the previous period, Real Capital said.

Investors are particularly hungry for shopping centers in Germany, Spain, Italy and the Netherlands, which are politically stable and whose economies are still growing.

In March, U.K.-based Intu Properties PLC acquired Xanadu shopping center in Madrid and its management company for €530 million (\$630 mil-

lion).

Klépierre SA, the second-largest pan-European REIT and the largest to specialize in shopping centers, acquired a shopping mall in Spain's Murcia area for €233 million, and is redeveloping Hoog Catharijne, a mall in Utrecht, the Netherlands. In April, Klépierre opened 16,000 square meters (172,250 square feet) of new shops and restaurants in Hoog Catharijne and is scheduled to deliver more space in subsequent phases in November, March and 2019.

Supply has been kept in check in Europe partly because city planners have protected downtown shopping areas from suburban competition. In many places, people prefer to take public transportation, bike or walk, weakening demand for malls with large parking lots.

The one exception in Europe that faces a cloudier outlook is the U.K., which has more online shopping than countries on the Continent and faces uncertainties from Brexit.

## Online Retail Lifts Logistics Properties

By THERESA AGOVINO

While European retail landlords are concerned about the growth of online shopping, another group of landlords and investors are loving it: those that own warehouses and distribution centers.

Consider **Blackstone Group LP**, the world's largest commercial-property owner: Earlier this year, it cut a deal to sell Logicor, the European warehouse business it started in 2012 to sovereign-wealth fund **China Investment Corp.**

That deal is expected to close later this year. But Blackstone already has jumped back into the European logistics space pool.

Last month, it agreed to purchase a portfolio of 129 logistics buildings with 7.8 million square feet in the U.K. from **Brockton Capital** for about £57 million (\$74.3 million). Earlier, Blackstone bought a 1.6-million-square-foot logistics portfolio in the U.K. from **Clearbell Property Partners**.

"I have never seen so much money trying to get into the sector," said Jack Cox, head of European logistics capital markets for CBRE Group Inc.

The European industrial space market, like its counterpart in the U.S., is benefiting from surging demand from online retailers that are scooping up distribution space closer and closer to population centers to get orders to customers quicker.

Online sales accounted for 8% of the retail sales in Eu-

# \$74.3

Sum, in millions, Blackstone agreed to pay for a U.K. portfolio

rope last year, up from 7% in 2015, according to Green Street Advisors. They are expected to hit 9% by the end of this year. The U.K. has the most developed market with e-commerce accounting for 16.8% of total sales last year, an amount projected to increase to 17.8% by December.

Expecting the trend to continue, investors have been bidding up prices. For example, yields of logistics properties in France have fallen to 5%, compared with 5.5% in 2016 and 7.15% in 2011, according to CBRE. Yields generally fall as values rise.

Between 2011 and 2017, yields fell from 6.5% to 4.75% in Germany; from 7.75% to 5.85% in Spain; from 7.6% to 6% in Italy and from 8% to 5.5% in the Czech Republic, said CBRE.

Mr. Cox said the value of logistics deals last year hit €25 billion (\$29.7 billion.)

He predicted volume will surpass €30 billion this year. "It feels like a sustainable proposition."

Investors in industrial real estate have gotten burned in the past. A wide range of forces, including political instability, could put a damper on demand.

There is a big difference in rental growth between countries. It has been particularly strong in the U.K. where online retail is growing the most quickly. In the five-year period ended in 2016, logistics space rents jumped 20%, according to CBRE. In Germany, rents rose only 4% in the same period. Rents in Poland, Belgium, Italy and the Netherlands were largely flat, CBRE said.

"There is a distinction between the United Kingdom and the Continent," said Rogier Quirijns, a senior vice president at Cohen & Steers. "We haven't seen a lot of rental growth on the Continent and we don't expect that to change."

The lack of available land and restrictive development regulations combine to make building new warehouses in the U.K. challenging so rents are increasing at a quicker pace there. "There is just a lot of red tape in the U.K.," said Mr. Quirijns.

## Large Landlord Has a Plan to Fight the Web

By PETER GRANT

At **Unibail-Rodamco SE**, Europe's largest listed commercial-property owner, autumn is the season for thinning its shopping-center herd.

Every October and November, senior management at Europe's largest mall company take a tough look at their far-flung properties to see how they are fitting into their vision for bricks-and-mortar shopping in a world of growing competition from online shopping. That vision is all about concentrating on quality locations and store design instead of quantity.

"This is when we make the decisions: They're big enough, or let's grow them or they don't meet our requirements and therefore we put them on the disposal list," said Christophe Cuvillier, Unibail-Rodamco's chief executive, in an interview with The Wall Street Journal.

Like other big retail landlords in Europe, Unibail is faring better these days than its embattled U.S. counterparts in terms of stock-market performance. Part of this is due to structural differences in Europe, such as the fact that the U.S. is "over-stored," with six times more retail space per capita than Europe and that European shopping centers rely less on department stores and more on supermarkets.

But European retail landlords also are fighting headwinds with operations like Unibail's annual cull of weak performers.

The company, which currently owns 71 shopping centers in almost a dozen European countries, has disposed of more than €3 billion (\$3.6 billion) of retail assets in the



NICOLAS MESYASZ/SIPA/ASSOCIATED PRESS

A Unibail-Rodamco shopping center in France. The landlord rotates 10% of its mall tenants yearly.

past four years, reflecting its "cutthroat" approach to getting its portfolio right, said Mike Prew, a Jefferies analyst.

In a report earlier this year, he said:

The company also is focused on getting its retailer mix right and rotates at least

10% of its tenants in its shopping centers each year. This can be expensive in countries such as France, where tenants have more rights and often have to be bought out by landlords.

But the cost is worth it, analysts say. "The bigger is better streamlined portfolio is outperforming competitor and national metrics," Mr. Prew wrote.

"The eviction costs of decanting tenants to bring in superior retailers [are] paying off."

To be sure, some investor

caution about European retail landlords is merited. The full

impact of online retail is far from clear. For example, a relatively new risk facing Unibail and other European landlords is the growing volume of food being sold online, a threat to their supermarket tenants.

Europe also faces more political uncertainty than the U.S., as demonstrated by the recent terrorist attack in a popular Barcelona shopping district.

But Unibail's financial results this year have been solid. The company's shopping centers are about 95% occupied. Their revenue in the first half of 2017 was €670 million, up 4.1% from the same period last year, according to the company.

Unibail's retail tenants saw sales growth of 2.7% this year through May, more than double the rise of national sales indexes in the countries where

the company's centers are located.

Unibail also has tried to stay in front of changes in the retail and technologies sector. It hosted the first Apple store in Continental Europe close to a decade ago and, more recently, leased space to Tesla outlets in its shopping centers in Sweden and France.

Unibail malls have updated Wi-Fi and charging stations and provide retailers a steady stream of information on shopping activities of visitors. "Customers are walking bar codes," wrote Mr. Prew in the Jefferies report.

At the helm is Mr. Cuvillier, who was brought in as chief operating officer six years ago

by the company, which took on its current form in 2007 when Unibail Holding SA of France purchased Rodamco Europe NV of Holland.

Mr. Cuvillier had been one of France's online-commerce pioneers particularly as the chief executive of FNAC, a retail unit of PPR Group.

Mr. Cuvillier said he sees a bright future for what he calls "experience shopping," an activity that combines shopping with dining and entertainment. Online shopping will never substitute for the social and consumer experience of visiting a store, especially one that is well designed, he said.

"The size of your brand on an iPad or computer is exactly the size of any other brand," he pointed out. "Therefore it's very difficult as a brand to differentiate yourself because you're mixed with everybody else."

Stores also have other advantages: Retailers can interact with customers face to face and get immediate responses to new products. Consumers returning items they bought online are more likely to make additional purchases, something they can't do dropping a package in the mail, he said.

But the cost of designing, building and maintaining an experience store is high. As a result, retailers are becoming increasingly selective about locations, Mr. Cuvillier said.

That is why Unibail has been jettisoning mediocre properties and concentrating on a few locations "where the brands have to be," he said.

That is also why Unibail has an €8.1 billion pipeline of future projects, including expansions and renovations of existing shopping centers and new ones such as an 80,000-square-meter (861,100-square-foot) mall in Wroclaw, Poland, that is scheduled to open later this year. It is already 97% preleased.

At the helm is Mr. Cuvillier, who was brought in as chief operating officer six years ago

by the company, which took on its current form in 2007 when Unibail Holding SA of France purchased Rodamco Europe NV of Holland.

## THE PROPERTY REPORT

## PLOTS &amp; PLOYS

## MORTGAGES

**Market for Backed Securities Heats Up**

Banks and other underwriters of commercial mortgage-backed securities are on track to issue more notes in September than any other month this year, according to a trade publication that tracks the business.

Close to \$16 billion of deals are in the pipeline for September, according to Commercial Mortgage Alert. So far this year, the top month was June, when \$10.7 billion of new securities were issued, the newsletter said.

—Peter Grant

## RETAIL PROPERTY

**Mall Business Model In Need of a Rethink**

The business model driving the U.S. mall industry needs an overhaul, according to a new report. Malls need to shift away from department stores and toward retailers less susceptible to e-commerce, according to a report from CBRE Research.

On average, department stores occupy about 50% of the gross leasable area of malls in the U.S., while beleaguered apparel and accessory retailers take an additional 29%, said the CBRE report. —Esther Fung

## HOTEL REITS

**Storm Bears Down On Florida Properties**

A number of hotel owners with exposure to Florida and the Caribbean islands could be affected by Hurricane Irma.

**Sotherly Hotels Inc., Ashford Hospitality Prime Inc., Hersha Hospitality Trust, DiamondRock Hospitality Co. and RLJ Lodging Trust** have more than 10% of their rooms in areas that could be affected by the storm, according to Wells Fargo Securities analysts.

—Esther Fung

By EMILY NONKO

In May, LaSalle Investment Management paid £55 million (\$71 million) for a historic shopping center in Cardiff, Wales, that includes the former David Morgan department store, which opened in 1879, as well as two Victorian shopping arcades that date to 1858.

The appeal of the 381,000-square-foot property also included a modern feature: Downtown Cardiff is protected from new suburban competition by "town center first" regulations in the U.K. These rules have helped so-called high street retail areas in downtowns flourish, unlike those in many U.S. cities that have been decimated by big-box retailers and shopping centers on the outskirts.

"Cardiff is highly protective of its city center and therefore restricted the type of retail that can be developed outside of the city center," said Tom Rose, a LaSalle fund manager. "Given the limited supply...we felt that Morgan Arcade would be excellently placed to benefit from this investment through significantly greater footfall and a more diverse shopper base."

Regulations protecting European downtowns are among the reasons why retailers in many areas there are faring better than some of their U.S. counterparts against online shopping competition and other pressures. Similar regulations have been passed in other European countries, according to a report by Ken Baar for the Institute for Transportation and Development Policy, a nonprofit that focuses on sustainable development.

"Regulation of the location of new major shopping facilities in order to achieve environmental, social and commercial objectives is standard," the report said. "Great Britain,



Downtown Cardiff is protected from new suburban competition by U.K. zoning regulations.

France, Germany, Netherlands, Ireland, Denmark, Sweden, Norway, and Belgium have adopted legislation which directs the construction of new hypermarkets and shopping malls into central city areas."

Yields of prime "high street" retail fell or were flat in the second quarter of 2017 compared with a year earlier in all 25 downtown areas of Western Europe tracked by CBRE Group Inc.

Generally when commercial real-estate yields, or capitalization rates, fall, that means values are rising.

Meanwhile, high street cap rates generally increased in the U.S. from the second half of 2016 to the first half of this year, CBRE said.

To be sure, downtown retail is hot in many major U.S. cities such as New York, San Francisco, Chicago and Boston that are enjoying building booms and an influx of young

workers. Also, one of the reasons high street values are falling now in these hot U.S. markets is because they rose so much in recent years.

But retail areas in many smaller U.S. cities about the size of Cardiff, which has a population of about 345,000, have been struggling for decades. Some have turned into virtual ghost towns with boarded up stores that couldn't compete against bigger suburban stores with more variety and lower prices.

The Cardiff shopping district, known as the Morgan Quarter, had undergone a multiyear redevelopment by its former owner, investment firm Helical PLC.

"We know retail in Europe and the States has been affected by the internet, but we are still believers in what we call experiential retail, which we think has got room for future growth," Mr. Rose said.

The glass-domed arcades—protected as landmarks by Cardiff—are lined with cafes, fashion boutiques and other shops. The adjacent David Morgan department store was outfitted with offices and apartments on the upper floors. "The arcades are a bit quirky," said Chris Sutton, lead director of the Cardiff office of commercial real-estate firm JLL. "But they really have a vibrancy, with winding streets and a range of local shops."

Other big investors also have a growing appetite for European high street retail. Houston-based Hines, for example, was hired in 2015 by German pension fund BVK to execute a €1.3 billion (\$1.55 billion) program targeting prime high street retail assets across Europe.

Lars Huber, the chief executive of Hines Europe, said European high streets differ from U.S. commercial corridors as

they have much more foot traffic and hold smaller retail units in older buildings. But this raises challenges in outfitting older properties for new tenants, who often require larger floor plans than those available in city centers that often date back centuries.

"Our goal has been to find assets where we can convert and reposition them for bigger and better units," said Mr. Huber. "The flagship stores and big brands who want to have prime spots in the European prime cities aren't really willing to compromise in terms of their unit size or location."

Earlier this year, Hines purchased a six-story bank headquarters in Barcelona's city center. Bank buildings, according to Mr. Huber, have proven to be appealing assets that can be converted to flagship retail stores.

In Leeds, British development firm Hammerson PLC connected the historic Victoria Quarter shopping arcade to a new high-end shopping center that opened last year. The new structure is anchored by a John Lewis department store.

The number of visitors to Cardiff's city center rose by 36% between 2010 and 2016, according to the Cardiff Council. Retailers at the Morgan Arcade include brands such as Fred Perry, Urban Outfitters and Spiller's, one of the world's oldest record stores.

The "town center first" policy was put in place in the U.K. more than 20 years ago. In England and Wales, retail planning must pass a so-called sequential test, according to Trevor Ivory, a partner at global law firm DLA Piper.

Under the test, new retail development should be located within town centers and, if that isn't feasible, as close to town centers as possible. Suburban locations should only be considered if there are no other suitable sites.

## ADVERTISEMENT

## Business Real Estate &amp; Services

To advertise: 800-366-3975 or WSJ.com/classifieds



**IREM** Institute of Real Estate Management

# A PROPERTY MANAGER WITHOUT A CPM® IS LIKE A SKYSCRAPER WITHOUT AN ELEVATOR.

Trust a CERTIFIED PROPERTY MANAGER® to Maximize The Return On Your Investments.

**A CPM® has:**

- Expertise on salvaging, maintaining, and marketing your real estate assets
- Pledged a commitment to the highest ethical standards
- Proven experience in maximizing ROI in any economic climate

**TO FIND A CPM® IN YOUR AREA, VISIT**  
[www.irem.org/FindaCPM](http://www.irem.org/FindaCPM)

OR, CONTACT US:  
Institute of Real Estate Management  
Phone: (800) 837-0706  
Email: [getinfo@irem.org](mailto:getinfo@irem.org)  
Web: [www.irem.org](http://www.irem.org)

## OCEANFRONT ESTATE



Saturday, September 16 at 11am PT

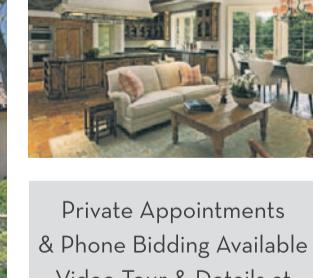
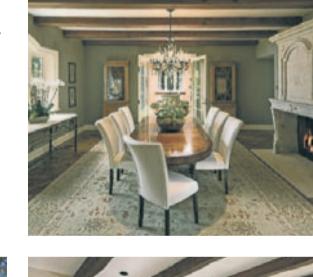
4621 Via Roblada, Santa Barbara/Hope Ranch, CA

**DECARO AUCTIONS INTERNATIONAL**

1 800 332 3767

**OPEN HOUSE THIS WEEKEND**

1 - 4 PM



Private Appointments & Phone Bidding Available  
Video Tour & Details at [DeCaroAuctions.com](http://DeCaroAuctions.com)

**VILLAGE PROPERTIES REALTORS**  
**CHRISTIE'S**  
INTERNATIONAL REAL ESTATE

# Commercial Real Estate

A Platform as Powerful as the People Who Use It.



To Advertise Your Commercial Property call 1-800-366-3975  
For more information visit [wsj.com/classifieds](http://wsj.com/classifieds)

THE WALL STREET JOURNAL.

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

This property is listed for sale by Riskin Partners (CalBRE# 00805720 / 01815307 / 01447045 / 01951069) and Carey Kendall (CalBRE# 00753349) with Village Properties (CalBRE# 01206734). DeCaro Real Estate Auctions, Inc., is a licensed California Auction Firm (CA Bond #71822016) performing auction and auction marketing services as part of this transaction, and is not performing any real estate brokerage services. Neither Riskin Partners, Village Properties, Christie's International Real Estate nor any of their affiliated companies is providing any product or service in connection with this event other than as required by applicable law. Brokers and agents are fully protected and encouraged to participate. Review the Terms and Conditions for further details at DeCaroAuctions.com.

## MANAGEMENT

## WORKAROUNDS

## When It Is OK To Be a Workaholic

For those who love what they do, being a workaholic isn't all that unhealthy, new research suggests.

Workaholism by its very name suggests detriment to one's physical and mental health, and the American psychologist Wayne Oates, who coined the term nearly 50 years ago, likened it to substance abuse. Yet research on workaholism has been inconclusive so far, in part because it is hard to distinguish the consequences of merely working long hours from actual work addiction.

A study published in the current issue of *Academy of Management Discoveries* not only finds health differences among people who work long hours and those who compulsively work to excess. Researchers also found differences between workaholics who enjoyed their work and those who didn't.

In the study, employees at an international financial-consulting firm were asked to fill out questionnaires on their work hours, relationships at home and work, as well as their sense of well-being and any stress-related complaints, such as trouble sleeping or headaches.

They also had to score such statements as "It is hard for me to relax when I am not working on something" and "At my job, I feel strong and vigorous." Afterward, 763 employees took part in medical screenings for risk factors for more serious problems, such as heart disease and diabetes.

Researchers found no indication that simply working long hours led to stress-related ailments or more serious risk factors, such as high blood pressure.

And while the results showed a link between workaholism and stress-related physical complaints, only workaholics who described themselves as unengaged or feeling trapped in their work appeared at risk for more serious health disorders.

—Vanessa Fuhrmans

## Sent Abroad? Plan Your Return Now

A hard landing can await an expatriate manager headed home; some firms help soften the re-entry

By JOANN S. LUBLIN

Taking an overseas assignment can vault your management career into the next level and test your skills in unfamiliar territory. But coming home can be the hardest part.

Companies typically provide expatriates with local housing subsidies, cross-cultural training and other perks. Few employers, though, address what

happens when that expat is ready to return—a fact that partly explains why one-quarter of returning executives jump ship within two years, recruiters and researchers estimate.

People who have successfully made the return trip credit advance planning, disciplined networking and sponsors back home. To better manage the transition, some companies work to plan managers' return roles even before they leave. But some experts warn it's still largely up to the individual.

"So much depends on the executive in question taking ownership for their repatriation," says Daniel R. Smith, a managing director of recruiters Raines International Inc.

Cosmetics giant L'Oréal SA invites repatriated U.S. staffers to go through orientation and integration programs as if they were brand-new hires.

The idea is "to feel reintegrated into the company," says Jacob Bonk, a human-resources executive for its U.S. unit in New York.

Upon returning from four years in China, Mr. Bonk went through the first-day orientation last year alongside about 25 new staffers. Joining the new hires felt "a bit funny,"



ANNIE TRITT FOR THE WALL STREET JOURNAL

*'You're basically a new employee again.'*

Jacob Bonk, a human-resources executive for L'Oréal in New York

Mr. Bonk recalls, but after living outside the U.S. for so long, "you're basically a new employee again."

Mr. Bonk's new boss also urged him to spend time rebuilding his U.S. network; in his first month back, he met face-to-face with 50 colleagues.

Both companies and individuals are advised to give extra thought to their return roles before they fly overseas.

"Begin with the end in mind," says Stewart Black, a professor of management practice at Insead business school and veteran expatriate researcher.

For instance, Mr. Black suggests finding out which leadership skills your employer wants you to develop during a foreign stint. "If your company does not know how they will utilize you or your hard-won international experience

before you leave, the odds they will miraculously discover the answer just before your return are not good," he says.

To ensure that Monsanto Co. will benefit from skills developed abroad, the seed and pesticide maker identifies potential return positions before people move overseas, according to Bridget Walsh, a global talent mobility manager.

Monsanto says its ap-

proach has lowered attrition; some 7% of repatriates leave within two years, down from approximately 13.5% a decade ago, according to the company.

When British drugmaker GlaxoSmithKline PLC hired Marc Speichert in January as global chief digital officer, working in Warren, N.J., interviewers told him to expect a three-year foreign assignment and described possible opportunities after his subsequent return to the U.S. He will relocate to the U.K. in 2018.

Sanket Akerkar, a Microsoft Corp. vice president and one-time expatriate, says he worked hard to keep his U.S. network strong while running its India unit for nearly three years. During his business trips to the U.S., Mr. Akerkar stayed an extra day to meet with important colleagues and discuss what he was learning abroad. He returned to the U.S. in 2013.

Other U.S. executives dispatched abroad get assigned a high-level colleague to champion their careers back at headquarters.

A pair of home-country sponsors boosted prospects for Amit Sood, now head of product and technology for a unit of Asurion LLC, a provider of insurance and support for 300 million phones, electronics and appliances.

Mr. Sood says he worried about repatriation when Tennessee-based Asurion asked the California middle manager to relocate to Hong Kong in 2013. Before his departure, a prior boss and a senior vice president promised to try to find him a suitable Asurion role upon his return. Asurion brought Mr. Sood back to the U.S. in 2015—and promoted him into his first executive role.

## ADVERTISEMENT

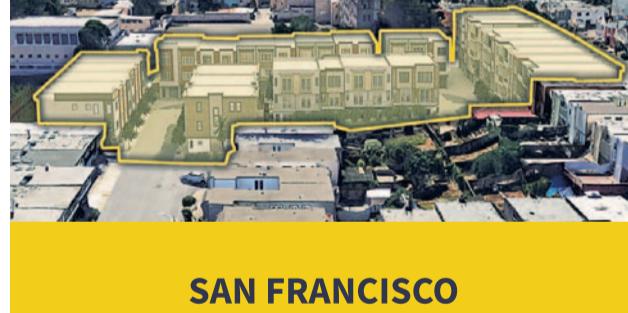
## Business Real Estate &amp; Auctions

To advertise: 800-366-3975 or WSJ.com/classifieds

## CALIFORNIA

## Cambridge Estates

495 CAMBRIDGE STREET,  
SAN FRANCISCO



SAN FRANCISCO  
54 TOWNSHOME DEVELOPMENT

CambridgeEstatesSF.com

Offers due Tuesday, 9/12 by Noon

SHAMROCK  
REAL ESTATE CO.

415-359-2400 shamrocksf.com

Trent Moore  
415-254-4638 Chris Smith  
415-533-3137

BRE# 01852824

THE WALL STREET JOURNAL.

NOTABLE COMMERCIAL PROPERTIES (800) 366-3975 sales.realestate@wsj.com

For more information visit: wsj.com/classifieds

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

## AUCTIONS

## BANKRUPTCY TRUSTEE'S AUCTIONS

## 4 Fully Leased Multi-Family Properties Located in Baltimore City

Auctions to be held on the respective premises and online through our website.

**Tuesday, September 12, 2017**

**12:00 PM** 18-22 W. 27TH ST. • BALTIMORE, MD 21218

Fully Leased 22 Unit Apartment bldg. in the Charles Village neighborhood Known as "The Peabody."

**1:00 PM** 1900 MARYLAND AVE. & 100-102 W. NORTH AVE.

BALTIMORE, MD 21218

Fully Leased 2-Building Apartment Assemblage Totaling 15 Residential Units in the Station North Arts and Entertainment District Known as "The Royalton."

**Thursday, September 14, 2017**

**12:00 PM** 2300-2302 OCALA AVE. &

2900-2904 REISTERSTOWN RD. BALTIMORE, MD 21215

Fully Leased Apartment Complex Containing 36 Units Overlooking Druid Park.

**1:30 PM** 800-818 E. EAGER ST. 1002-1024 HILLMAN ST. &

1003-1025 HOMWOOD AVE. • BALTIMORE, MD 21218

Fully Leased Assemblage Comprising 40 Townhomes and 2 Duplexes (with Individual Tax Accounts) Located in the "Johnston Square" Neighborhood.

Call Nick Luciani at 443-465-4761. Deposits & full terms/conditions available online.

 ALEX COOPER

800-272-3145 • WWW.ALEXCOOPER.COM

## AUCTIONS

## real estate

## auctions

WILLIAMS & WILLIAMS  
worldwide real estate auction

## 80+ Commercial Property Real Estate Auction Many Sell Without Reserve!

**10am Friday Sept 29**

at Embassy Suites, 2410 University Blvd Tuscaloosa, AL

Includes ready to build lots, development land, vacant & leased buildings, Anchor Conference Center, and wooded recreation land.

Auction is open to the public and online bidding is available through auctionnetwork.com

Visit the Auction Information Center, located at 1395 McFarland Blvd East, Tuscaloosa, Fridays & Saturdays from 9-6 and Sundays from 2-5, or by appointment, or go to williamsauction.com for complete due diligence packages.

800.801.8003 • williamsauction.com/SEPortfolio

NAA  \* Property List Subject to Change



Leased & Vacant Buildings & Land  
Pre-Auction Offers Encouraged!

## NEW HAMPSHIRE

## FORECLOSURE SALE AT PUBLIC AUCTION

32,146± SF AUTO SALES & SERVICE FACILITY ON 5.24± ACRES

TUESDAY, SEPTEMBER 26 AT 2:00 PM

766 GOLD STREET, MANCHESTER, NH

ID #16-123 • 32,146± SF former auto dealership on a 5.24± acre corner lot close to I-293 & South Willow St. • Prime site across the street from new Walmart Super Center & near other auto dealerships • 2-story steel frame building constructed in 1974 includes 2 glassed-in showrooms (total of 5,238± SF), 17,508± SF office & 9,400± SF service area • Elevator, gas heat, 28 OH doors & lighted parking for 300+ cars • B-2, General Business/IND, General Industrial zoning • All public utilities • Minutes to Manchester-Boston Regional Airport • Terms: \$25,000 deposit to bid; balance due within 45 days. Other terms may be announced at time of sale. For complete terms & details, please call or visit our website.

James R. St. Jean

AUCTIONEERS

1-800-639-1810 ■ www.jsjauctions.com

NAA

Auctioneers

NAA Auctioneers

## AUCTIONS

## AUCTIONS

tranzon auction

Bankruptcy Auction

.46 +/- ac Redevelopment Opportunity

Online Auction Sept 11 - 14

Check website for bidding details

3751 Andrews Hwy, Odessa

• On highly trafficked Andrews Highway/US-385 (20,000+/ cars per day)

• Improved with an operating full service 5076 +/- sf car wash

Fiske (Tom) Hanley III: TX Auction Lic 11740

TX RE Lic 596629 | 10% BP | Auction #: HN170914

TRANZON.COM 817-332-9905

## real estate auction

## Industrial Complex w/Office Open 11-2pm Friday Sept 8

HOUSTON, TX • 12221 Almeda Road

Single-story manufacturing warehouse, three smaller single-story metal buildings, and a single-story office building totaling 120,000/- sf and situated on 12.2+- acres. Also includes a large stabilized laydown yard to handle scrap and finished product. Multiple crane capacities up to 250 tons and high clear ceiling heights.

Auctions: 12pm, Friday September 22 on site or bid online at auctionnetwork.com

 TX DANIEL SCOTT NELSON RE LIC 618240; KEITH W. BABB AUC LIC 6701

BUYER'S PREMIUM (BUYER'S FEE IN WI) MAY APPLY.



800.801.8003 • williamsauction.com/Houston

## BUSINESS NEWS

# An Evil Clown Is Poised As 'It' Movie For Summer

By BEN FRITZ

Coming off its worst summer in more than a decade, Hollywood is looking to a movie with scarily good buzz to shake off its slump.

"It," a new adaptation of Stephen King's 1986 horror novel, makes its debut Friday and is expected to set records. Prerelease surveys indicate it could make \$70 million or more during its opening weekend in the U.S., people who have seen the data said. The prior record for an opening in September, typically the slowest month of the year at the box office, was \$48.5 million for the animated "Hotel Transylvania 2" in 2015.

Fandango reports "It" is generating the highest pre-sales ever on the online-ticketing service for a horror film or a September release.

Movie studios and cinema chains are eager for a hit after a summer that included several big-budget flops, including "The Mummy," "Transformers: The Last Knight" and an adaptation of Mr. King's "The Dark Tower."

Total box-office receipts in the U.S. and Canada were \$3.84 billion between May and Labor Day, the lowest total since 2006, according to comScore, a media-analytics company.

Based on the average price of \$8.90, the actual number of tickets sold was 431 million, the lowest total since 1992.

Summer ended on a particularly dismal note, as studios didn't release any new movies nationwide over Labor Day weekend for the first time since 1998.

Some in Hollywood thought a turnaround might not come until November's "Justice League" or December's "Star Wars: The Last Jedi."

Few suspected a turnaround would start this week with "It," a story about seven children who are terrorized by a supernatural clown who carries a red balloon.

The movie appears to be benefiting from a widely recognized title, which many know from a 1990 television miniseries also produced by Warner Bros., combined with its distinctiveness from the bigger-budget franchise films of the summer. Some people close to the picture also think it is getting a boost from similarities to last year's Netflix hit "Stranger Things," which was itself inspired by "It."

Confident the movie will be a success, New Line already has a writer working on a follow-up that adapts the rest of the book in which the main characters are adults.

"It" might not be the only hit this month. Prerelease surveys also indicate interest is robust for two movies opening on Sept. 22: action sequel "Kingsman: The Golden Circle" from 21st Century Fox Inc.'s Twentieth Century Fox, and Warner's animated "The Lego Ninjago Movie."



The clown in 'It,' which debuts Friday. The movie could set a U.S. box-office record for an opening weekend in September.

## ADVERTISEMENT

## The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

## ANNOUNCEMENTS

## NICHE MEDICAL CLINIC

Non-doctor partner needed to run small office in your city staffed by local physician providing unique medical service. Net \$4,000 per patient cash, no insurance. Proven track record. FDA registered life-changing treatment. No competition. Exclusive territory. Inv. req. (800) 241-1070

## AUCTION

## LIQUOR LICENSE FOR SALE

The Township of Warren in Somerset County, New Jersey will be offering a new Plenary Retail Distribution Liquor License for sale by sealed bid which must be received before 3:00 P.M. on October 11, 2017.

Minimum bid is \$380,000.

You must be pre-qualified to bid.

Please contact the Warren Township Clerk's Office for a bid packet at 46 Mountain Blvd., Warren, NJ 07059  
908-753-8000 ext. 223 or 222  
creese@warrennj.org

## BUSINESS EQUIPMENT

## Two Complete Buhler PET SSP Lines For Sale

60 and 77 TPD  
Contact Steve Rotenberg  
Louisiana Chemical Equipment Co.  
stephenjr@LCEC.com  
O: 225-923-3602  
www.LCEC.com

## FINANCIAL SERVICES

"We want to focus on what matters most."



If what you know and love doesn't happen to be financial planning, talk to Allegheny Financial Group. With regular face-to-face meetings and our unbiased insight, we will create a clear plan together. A plan uniquely tailored to you. Your personal advisor and support team will work with you and your family over the long term to fully understand, coordinate and optimize every facet of your finances. Give us a call, and let's get started. So you can begin devoting your attention to more important things than money.

## INVEST IN YOUR PEACE OF MIND™

 Allegheny Financial Group

Visit [alleghenyfinancial.com](http://alleghenyfinancial.com) or call 800-899-3880.

Allegheny Financial Group is a Registered Investment Advisor. Securities offered through Allegheny Investments, LTD, a registered broker/dealer. Member FINRA/SIPC.

## THE WALL STREET JOURNAL.

# THE MART

## ADVERTISE TODAY

(800) 366-3975  
[sales.mart@wsj.com](mailto:sales.mart@wsj.com)

For more information visit:  
[wsj.com/classifieds](http://wsj.com/classifieds)

## GET IN BED WITH US

"An investment-worthy e-commerce startup."

// TheStreet



**INVEST IN THE FUTURE OF RETAIL**  
Join DSTLD's Reg A+ Mini-IPO

**LEARN MORE:**  
[dstld.com/wj](http://dstld.com/wj)  
[invest@dstld.la](mailto:invest@dstld.la)

D S T L D

DSTLD, Inc. ("DSTLD") is accepting reservations for an Offering under Rule 144A. No money or other consideration is being solicited, and if sent in response, it will not be accepted. No sales will be made or commitment to purchase accepted until qualification of the offering statement by the Securities and Exchange Commission. This advertisement is not an offer to sell or a solicitation of an offer to buy securities. An offer to sell or a solicitation of an offer to buy may only be made by prospectus. No offer to buy securities can be accepted and no part of the purchase price can be received without an Offering Statement that has been qualified by the Commission. A Preliminary Offering Circular that forms a part of the Offering Statement has been filed with the Commission, a copy of which may be obtained from <http://www.sec.gov/edgarsearch>.



© 2017 Dow Jones & Company, Inc.  
All Rights Reserved.

D | DOW JONES

## FRANCHISE

## NEXT GENERATION PIZZA FRANCHISE Available Nationwide



AVERAGE NET INCOME: 17.43%  
AVG. FOOD COSTS: 21.8% AVG. LABOR COSTS: 25.4%  
AVG. SALES: \$1,020,383

Great Investment & Great Returns  
*A Great Opportunity!*

FOR ITEM 19 INFORMATION, VISIT RUSSOSFRANCHISE.COM / CALL 855.978.7767

## BUSINESS FOR SALE



FSBO World Famous gift shop on Route 66 in Williams, AZ.

Fun Business! High volume steady growth, high net great staff. \$895k.

928-204-2900 - Gary quattroman66@gmail.com

## BUSINESS OPPORTUNITIES

### EARN 22-30% ANNUALLY INVESTING IN NJ WATERFRONT REAL ESTATE PROJECT.

THIS INVESTMENT IS ALMOST FULLY FUNDED SO CALL OR EMAIL FOR DETAILS.

BEN LYONS/  
LYNK CAPITAL  
410-258-3903

[www.LYNKCapital.com](http://www.LYNKCapital.com)

Auliso Associates  
Seeks to License

US Patent No. 9,540,929

Bury Landfill - Recover Methane

571-216-0527

**TRAVEL**

### Save Up To 60% First & Business INTERNATIONAL

Major Airlines, Corporate Travel

Never Fly Coach Again!

[www.cooktravel.net](http://www.cooktravel.net)

(800) 435-8776

## FARM WITH US Red River Valley Farmer

Long term investment in a finite resource with stable returns. Seeking parties interested in investing in North Dakota farmland. Returns gained through cash rent or sharecrop lease.

1031 Exchange options available.

For additional information see:

[www.sproulefarms.com](http://www.sproulefarms.com)

paul@pdsproule.com

## NEW HIGHS AND LOWS

WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.  
% CHG-Daily percentage change from the previous trading session.

Tuesday, September 5, 2017

NYSE highs - 114				NYSE Arca highs - 70				NYSE American highs - 6				Nasdaq highs - 118				Nasdaq lows - 43			
Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg		
AerotRocket	AURD	30.06 -2.8	Kemet	KEM	24.64 ...	AIG Wt	AIG/WS	17.57 -4.0	TransAtlPetrol	TAT	0.68 -2.8	iShLatinAmerica40 ILF	iShMSCIamerica40 ILF	35.40 -0.6	iShGlobalTimber	WOOD	64.14 -0.3		
Allele	ALE	78.06 0.4	KirklandLakeGold	KLG	4.72 4.5	Americas	APU	42.00 -2.4	Versar	VSR	0.71 -4.5	iShMSCIPeruCap EPU	iShMSCIamerica40 EPU	38.10 -0.4	AspenTech	VERS	17.06 2.3		
AmerVanguard	AVD	21.00 -1.5	KoninklijkePhil	PHG	38.98 2.1	AspenTech	AH	41.05 -0.6	iShMSCIBrazilCap EWZ	iShMSCIamerica40 EWZ	45.17 0.9	iShMSCIColombia40 ICL	iShMSCIamerica40 ICL	33.87 0.3	AbeonaTherapWt	ABEOW	10.00 -5.1		
Anthra	ANTM	198.98 -0.1	KnightTransport	KNX	41.10 1.6	AvonProducts	AVP	2.40 0.4	Joint	JVNT	5.07 7.9	iShMSCIColombia40 KBA	iShMSCIamerica40 KBA	33.47 0.1	AbeonaTherapWt	ABEOW	10.00 -5.1		
Atento	ATTO	42.95 -0.1	KnightTransport	KNX	41.10 1.6	Barnes&NobleEduc	BNEQ	5.03 -5.2	AdamasPharm	ADMS	15.25 2.9	KaneBoosterChina40 KBN	KaneBoosterChina40 KBN	33.87 0.3	KeyTechnology	KTEC	17.36 9.8		
BHPBilliton	BHP	44.53 -0.2	LionsGate B	GLFB	29.37 0.9	BlinkerInt	EAT	30.18 -2.2	KratosDefense	KTOS	13.89 3.1	MSMrVecRimbni CNY	MSMrVecRimbni CNY	46.90 -0.7	LamResearch	LAMR	31.75 1.6		
BHPBilliton	BBL	39.06 -0.1	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	MatchGroup	MTC	23.50 4.7	ProShBerkKrln TOLZ	ProShBerkKrln TOLZ	44.09 -0.3	LeMaitreVascular	LMAT	17.90 1.6		
BancoBradescoPf	BBDO	11.04 -0.6	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	MicroGenetics	MGEN	18.00 1.0	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	MonarchCasino	MCR	35.82 1.4		
BancoBradesco	BBDO	10.53 -2.7	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	MonashCare	MNC	18.00 1.0	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Neurogen	NEO	10.60 1.8		
BarColombia	CIB	48.43 0.1	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Novartis	NOV	3.98 -0.5	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Novartis	NOV	3.98 -0.5		
BiophavenPharm	BHVN	38.37 -1.2	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Omnicell	OMCL	52.70 -1.2		
BirkUtility	BUI	21.50 -1.3	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
BroadridgeFinl	BR	78.44 0.4	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CPFLEnergy	CPL	17.40 1.0	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CabotOil	COG	27.14 0.3	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CamdenProperty	CPT	91.80 1.2	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CarMax	KMX	69.12 1.3	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
Catalent	CTL	41.67 1.7	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
Caterpillar	CAT	119.13 ...	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
Centene	CNC	89.23 ...	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
Cigna	C	185.51 1.2	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CommunityHlthcr	CHCT	26.00 -0.6	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
ConstBrands A	DVT	20.10 0.4	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CoreLogic	CLGX	47.49 0.2	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CousinsProperties	CUZ	9.45 -0.9	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
CryoLife	CRY	22.85 1.6	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
DCT Industrial	DCT	58.97 -0.1	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
DTE Energy	DTE	112.80 -0.4	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
DellTechnologies	DVMT	75.10 0.1	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
DelphiAutomotive	DPLH	98.27 -1.1	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
EaglePointNts27	ECCY	25.80 0.5	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
EastGroup	EGP	20.40 -0.2	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
EastmanChem	EMM	87.54 -2.3	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
EnergyMIS Bds	EMM	25.05 -0.4	LionLiqui	LL	39.49 4.2	BrinkerInt	EWI	19.11 -2.5	Orbita	ORBI	12.32 -1.2	SPDRS&PibNetRes GNR	SPDRS&PibNetRes GNR	45.16 -0.3	Orbita	ORBI	10.48 -0.9		
EquityLife</																			

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

**How to Read the Stock Tables** The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. This list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
i-New 52-week high.  
j-New 52-week low.  
d-Indicates loss in the most recent four quarters.  
FD-First day of trading.  
H-Does not meet continued listing standards.  
If-Late filing.  
q-Temporary exemption from Nasdaq requirements.  
t-NYSE bankruptcy.  
v-Trading halted on primary market.  
w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, September 5, 2017

**Net**

**Stock Sym Close Chg**

**NYSE**

**Stock Sym Close Chg**

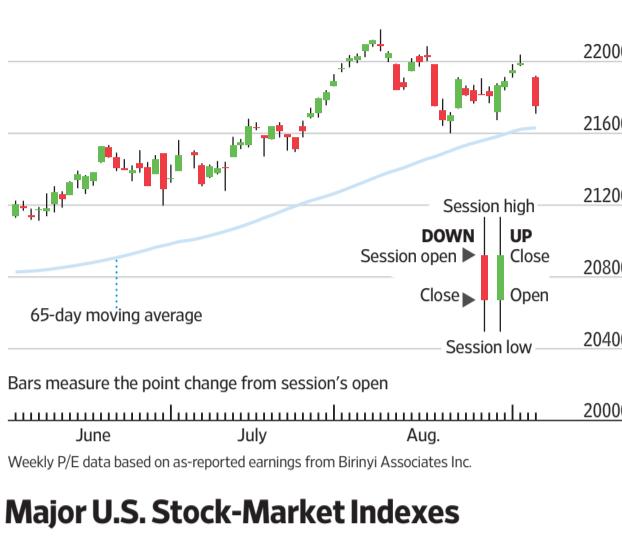
**Stock Sym**

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**21753.31** ▼234.25, or 1.07%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

June July Aug. 20,000

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

#### S&P 500 Index

**2457.85** ▼18.70, or 0.76%

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



June July Aug. 2350

#### Nasdaq Composite Index

**6375.57** ▼59.76, or 0.93%

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



June July Aug. 5900

#### Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	Low	% chg	3-yr. ann.	
<b>Dow Jones</b>								
Industrial Average	21921.09	21709.63	<b>21753.31</b>	-234.25	<b>-1.07</b>		8.3	
Transportation Avg	9336.01	9247.47	<b>9267.39</b>	-88.63	<b>-0.95</b>		2.5	
Utility Average	743.11	738.46	<b>742.81</b>	1.86	<b>0.25</b>		9.3	
Total Stock Market	25582.51	25303.97	<b>25418.33</b>	-206.34	<b>-0.81</b>		6.6	
Barron's 400	646.97	637.80	<b>640.63</b>	-6.77	<b>-1.05</b>		5.9	
<b>Nasdaq Stock Market</b>								
Nasdaq Composite	6426.51	6334.59	<b>6375.57</b>	-59.76	<b>-0.93</b>		11.6	
Nasdaq 100	5980.91	5890.25	<b>5932.73</b>	-55.17	<b>-0.92</b>		13.2	
<b>Standard &amp; Poor's</b>								
500 Index	2471.97	2446.55	<b>2457.85</b>	-18.70	<b>-0.76</b>		7.0	
MidCap 400	1738.72	1711.90	<b>1718.34</b>	-19.45	<b>-1.12</b>		6.1	
SmallCap 600	847.48	835.02	<b>837.93</b>	-9.12	<b>-1.08</b>		7.6	
<b>Other Indexes</b>								
Russell 2000	1414.55	1394.51	<b>1399.66</b>	-13.92	<b>-0.98</b>		6.2	
NYSE Composite	11898.12	11783.87	<b>11827.15</b>	-90.93	<b>-0.76</b>		2.2	
Value Line	518.88	512.21	<b>514.40</b>	-4.48	<b>-0.86</b>		0.7	
NYSE Arca Biotech	4235.99	4162.67	<b>4208.29</b>	-24.61	<b>-0.58</b>		10.9	
NYSE Arca Pharma	528.96	524.07	<b>525.71</b>	-2.91	<b>-0.55</b>		-0.2	
KBW Bank	93.11	91.17	<b>91.38</b>	-2.30	<b>-2.45</b>		8.4	
PHLX® Gold/Silver	92.41	91.09	<b>92.41</b>	1.87	<b>2.06</b>		-1.0	
PHLX® Oil Service	125.72	123.75	<b>125.13</b>	2.67	<b>2.18</b>		-24.3	
PHLX® Semiconductor	1116.73	1094.17	<b>1103.63</b>	-15.71	<b>-1.40</b>		19.2	
CBOE Volatility	14.06	11.41	<b>12.23</b>	2.10	<b>20.73</b>		0.4	

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Micro Focus Intl ADR	MFGP	14,410.7	29.20	...	unch.	29.35	29.05
SPDR S&P 500	SPY	9,488.2	246.21	0.15	<b>0.06</b>	247.96	245.75
Cisco Systems	CSCO	8,956.4	31.67	0.05	<b>0.16</b>	31.79	31.52
Franklin Resources	BEN	8,621.7	41.49	-0.24	<b>-0.58</b>	42.18	41.49
Van Eck Vectors Gold Miner	GDX	7,705.1	25.30	-0.01	<b>-0.04</b>	25.33	25.23
Cnsmr Staples Sel Sector	XLP	4,203.5	55.05	...	unch.	55.10	55.03
Industrial Select Sector	XLI	3,399.7	67.83	...	unch.	67.93	67.81
Halliburton	HAL	3,269.0	39.96	0.13	<b>0.33</b>	40.03	39.83

#### Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Electronics for Imaging	EFII	50.5	38.80	3.55	<b>10.07</b>	39.90	35.25
Duluth Holdings CIB	DLTH	48.1	21.48	1.73	<b>8.76</b>	23.33	19.75
Coupa Software	COUP	43.0	32.18	2.59	<b>8.75</b>	32.65	29.00
HealthEquity	HQY	17.0	45.00	3.05	<b>7.27</b>	45.84	41.91
Acacia Research	ACTG	11.8	3.55	0.20	<b>5.97</b>	3.70	3.35

#### ...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Tractor Supply	TSCO	248.3	55.18	-4.20	<b>-7.07</b>	59.41	55.18
Kratos Defense Sec Sols	KTOS	109.0	13.03	-0.78	<b>-5.65</b>	13.81	12.80
Dave Buster's Ent	PLAY	297.8	54.95	-3.19	<b>-5.49</b>	58.62	52.25
AXIS Capital Holdings	AXS	10.4	52.95	-2.94	<b>-5.26</b>	56.77	52.95
Independence Realty Trust	IRT	6.1	9.87	-0.52	<b>-5.00</b>	10.39	9.87

#### Trading Diary

##### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	906,892,992	10,409,583
<b>Adv. volume*</b>	340,162,200	5,614,151
<b>Decl. volume*</b>	550,174,241	4,665,962
<b>Issues traded</b>	3,082	334
<b>Advances</b>	896	134
<b>Declines</b>	2,074	183
<b>Unchanged</b>	112	17
<b>New highs</b>	114	7
<b>New lows</b>	25	6
<b>Closing tick</b>	81	16
<b>Closing Arms*</b>	0.74	0.52
<b>Block trades*</b>	7,342	133
<b>Nasdaq</b>		
<b>NYSE Arca</b>		

**Total volume\*** 1,857,250,855 299,854,071



## BANKING & FINANCE

# Private Equity Invests in Rehab Centers

Firms are scooping up treatment facilities as demand increases; worries about quality

BY JEANNE WHALEN  
AND LAURA COOPER

Private-equity firms are piling into a new business opportunity: the opioid-addiction crisis.

Drawn by soaring demand, expanded insurance coverage and the chance to consolidate a highly fragmented market, firms plowed \$2.9 billion into treatment facilities last year, up from \$11.4 million in 2011, according to research firm PitchBook Data Inc. The number of private-equity deals rose to 45 from 25.

The firms are acquiring or expanding clinics that provide everything from detox and residential care to outpatient and methadone treatment. In some cases, private-equity firms have approached not-for-profit outfits in an attempt to buy and convert them to for-profit entities, say treatment-center executives.

Private equity has become the "driving force" in growth in methadone clinics over the past 10 years, according to Mark Parrino, head of a clinic

trade association. While a decade ago roughly 60% of the clinics were nonprofits, today nearly 60% are for-profit entities, he said.

Some nonprofit treatment veterans look with skepticism at the new profit-seeking investors.

"There are some very good private, for-profit groups," said Dick Steinberg, president of WestCare Foundation, a nonprofit provider of addiction treatment and other services in 18 states. Others "are going to invest in it, market it, get people in, and I'm not sure the quality of treatment will last," he said.

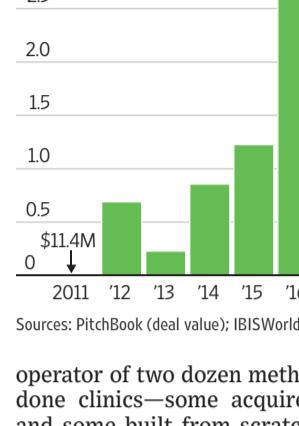
Mr. Steinberg said he has turned down frequent inquiries from private-equity investors interested in buying WestCare facilities. "When you see these health crises happen people see a dollar as opposed to how to really help somebody," he said.

Private-equity firms say they are bringing capital to an industry that badly needs investment, helping increase the number of treatment facilities. Nonprofits "don't have the capital to have the best compliance, services and marketing," said Simon Bachleda, managing partner of Revelstoke Capital Partners, which owns a majority stake in an

### Charging In

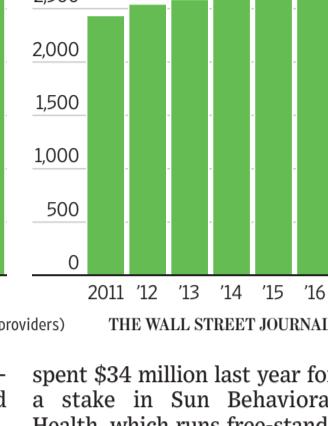
Private-equity firms are boosting investment in U.S. addiction-treatment facilities, drawn by soaring demand. Their spending has helped increase the number of providers.

#### Total private-equity deal value



Sources: PitchBook (deal value); IBISWorld (providers)

#### Number of providers



THE WALL STREET JOURNAL.

operator of two dozen methadone clinics—some acquired and some built from scratch. "Usually we enhance the service offering."

Among recent deals are Kohlberg & Co.'s \$180 million acquisition of the Meadows, a rehab center in Wickenburg, Ariz., best known for treating Olympic swimmer Michael Phelps after his 2014 DUI arrest. Investors including LLR Partners, HealthInvest Equity Partners, NewSpring Capital, Petra Capital Partners and SV Life Sciences

spent \$34 million last year for a stake in Sun Behavioral Health, which runs free-standing psychiatric hospitals that treat addiction and other conditions. Private-equity firm Flexpoint Ford acquired and expanded Summit Behavioral Health and is now considering a sale of the firm, which operates in 10 states.

The demand for treatment is plain. Drug overdose deaths have soared since the late 1990s and now cause more fatalities each year than traffic accidents, according to the

Centers for Disease Control and Prevention. Widespread opioid addiction is largely to blame for the surge, the CDC says.

U.S. drug- and alcohol-addiction clinics generated \$9.5 billion in revenue in 2016, up from \$7.5 billion in 2011, according to Los Angeles-based data provider IBISWorld. There were 2,902 enterprises engaged in drug and alcohol rehabilitation in 2016 compared with 2,435 in 2011, the data firm said.

Investors say legislation has also made the sector more attractive by extending insurance coverage to more Americans. The Mental Health Parity and Addiction Equity Act of 2008 required insurers that provide mental-health benefits to cover them as favorably as they do physical-health benefits.

The 2010 Affordable Care Act also expanded coverage by mandating that ACA insurance plans sold to individuals cover mental-health treatment. The law also stipulated that children could be covered under their parents' insurance until age 26.

"The Affordable Care Act created more insured lives. That, combined with the opioid crisis, has changed the fabric of what we're seeing in

these treatment centers," said Hunter Peterson, a partner at Riverside Co., which recently purchased Florida-based treatment provider Lakeview Health LLC from another private-equity firm, Trinity Hunt Partners, and plans to expand it to Houston and other markets.

Lakeview, like many private-equity-backed treatment providers, doesn't accept Medicaid or Tricare, the taxpayer-financed insurance programs for low-income people and active-duty military members, respectively. Those programs offer reimbursement "below our cost," and the paperwork can be excessive, says Roy Serpa, Lakeview's chief executive. Lakeview's patients are mostly covered by commercial insurance, he said.

Medicaid is the largest source of funding in the U.S. for mental-health care, including substance-abuse treatment, according to the Robert Wood Johnson Foundation.

Private equity's move into rehab "might not necessarily ease access issues for those on Medicaid," says Michael Botticelli, executive director of Boston's Grayken Center for Addiction Medicine, which like many nonprofits does accept Medicaid. "But it does help overall access issues."

## Former Wells Fargo Managers Sue the Bank

BY EMILY GLAZER

Two former managers have sued Wells Fargo & Co., claiming they were unfairly fired over the bank's sales-practices issues.

Reza Razzaghipour and Marla Razzaghipour claimed their dismissals were retaliation for them raising issues with senior managers about the questionable sales practices, such as falsification of bank records, according to a lawsuit filed Aug. 31 in Los Angeles Superior Court.

The former managers, who are husband and wife, were fired in March 2017 from positions overseeing regions in Southern California. Combined, the two managed about 3,500 people, The Wall Street Journal previously reported.

A Wells Fargo spokesman said Tuesday that the bank "denies the allegations of these two former regional presidents. The termination decisions were not retaliatory as alleged in the complaint. The company terminated the employment of these two individuals for legitimate and lawful reasons."

Wells Fargo was ordered to pay a \$185 million fine last year over its sales practices and has since faced public and



The lawsuit is tied to the sales-practices scandal that has rocked the San Francisco-based lender.

political pressure as the scandal erupted. More than 5,300 employees were fired over a five-year period for the behavior. The bank said last week that up to 3.5 million customer accounts may have been unauthorized.

The lawsuit alleges that Mr. Razzaghipour reported one type of employee fraud in 2013 and fired a "significant number of employees involved."

The lawsuit also alleges that Mrs. Razzaghipour, known to some at work as Marla Clemow, "reported the illegal and unethical sales practices

at the highest levels multiple times."

Both former managers "never fired or disciplined anyone for failing to meet the bank's impossible and fraudulent sales goals," the lawsuit claimed.

But some current and former employees and managers have told the Journal that Mr. and Mrs. Razzaghipour pushed them to engage in questionable sales tactics.

"My clients were fired in retaliation for complaining of illegal conduct at Wells Fargo, including the bank's improper

sales practices," said the managers' lawyer, Emanuel Shiriabi, of Los Angeles-based Shiriabi Law Firm. "Despite knowing this, Wells Fargo chose to scapegoat Mr. & Mrs. Razzaghipour." The lawyer didn't comment specifically on the employee allegations.

The Razzaghipours' lawsuit also names several retail-banking executives, some of whom are still employed by the bank and others who were fired, as the real "bad actors."

In the lawsuit, they ask for damages of at least \$50 million.

## Citigroup Targets Payments Sector With Services Unit

BY BEN DUMMETT

Citigroup Inc. has created a separate services group within its investment-banking coverage of the industrial sector and appointed two global co-heads to oversee the new division amid a flurry of deal making in the payments-processing sector in Europe and the U.S.

Jean-Baptiste Petard is expected to join Citigroup in December as global co-head of the independent services division, according to a memo announcing the new structure, and work out of London.

Mr. Petard's appointment and his U.K. base underscore the potential of lucrative advisory work for investment banks amid a consolidation of the payments sector that is under pressure to cut costs and invest in new technologies to address the rise of mobile payments.

A seasoned investment banker, Mr. Petard was most recently at UBS Group AG, where he oversaw the Swiss

bank's investment-banking operations for business services, transportation and logistics in Europe, the Middle East and Africa.

At Citigroup, he will be based in London, focusing on clients in the business and payment-services sectors in Europe, the Middle East and Africa.

Mr. Petard will share global co-head duties for the new services division with Citigroup veteran Chad Hoeft, who will continue his coverage focus on the security, facilities-management and travel-services sectors.

Mr. Hoeft joined Citigroup in 1998, and has spearheaded its coverage of the services sector in North America for the past several years. He remains based in New York.

In one of the more recent cross-border deals in the payments industry, Vantic Inc., a big Ohio-based company, last month agreed to acquire U.K. payments processor Worldpay Group PLC for £8 billion (\$10.4 billion) in cash and stock.

## Dividend Changes

Dividend announcements from September 5.

Amount Payable/

Company Symbol Yld % New/Old Frq Record

Initial

Eaton Vance FR 2022 EFL 4.7 .0396 M Sep29/Sep15

Funds and investment companies

AdvtClymr Convertible II AGC 9.1 .047 M Sep29/Sep15

AdvtClymr Fd AVK 8.4 .114 M Sep29/Sep15

AllianzGI Conv & Inc 2024 CBH .55 .046 M Oct02/Sep11

AllianzGI Conv & Incm NCV 11.2 .065 M Oct02/Sep11

AllianzGI Conv & Incm II NCZ 11.1 .0575 M Oct02/Sep11

AllianzGI Conv & Incm III ACV 9.5 .167 M Oct02/Sep11

AllianzGI MunI Eq & Conv NIE 7.5 .38 Q Sep22/Sep11

AllInzGJ NFJ Div Interest NFJ 9.1 .30 Q Sep22/Sep11

Avenue Incm Cr Strat Fd ACP 9.9 .12 M Sep29/Sep11

BlackRock Rscs Comm Str Tr BCX 7.1 .0516 M Sep29/Sep15

BlackRock 2022 Gbl Incm BGIO 6.0 .05 M Sep29/Sep15

BlackRock CA MunI 2018 BJZ 2.0 .0253 M Oct02/Sep15

BlackRock CA MunI 2018 BJZ 2.0 .0253 M Nov01/Oct16

BlackRock CA MunI 2018 BJZ 2.0 .0253 M Dec01/Nov15

BlackRock CA MunI 2018 BJZ 2.0 .0253 M Dec29/Dec12

BlackRock CA MunI Dltg Quality MTC 5.7 .062 M Sep29/Sep15

BlackRock MunIld Cntral MTC 5.7 .062 M Sep29/Sep15

BlackRock Mun

## MARKETS

# Treasurys Advance Amid Hunt for Havens

BY GUNJAN BANERJI

U.S. government bonds strengthened as investors flocked to assets traditionally considered safe and reassessed the future path of interest-rate increases.

**CREDIT MARKETS** The yield on the benchmark 10-year Treasury

note fell to a 2017 low of 2.072%, compared with 2.157% on Friday, in the largest one-day decline since May. Yields fall as bond prices rise.

The yield on the 10-year note settled at its lowest level since Nov. 9, 2016, the day after the U.S. presidential election. The decline highlights the continuing demand for government debt after the benchmark yield fell in August for a second consecutive month.

Many factors pushed bond yields lower Tuesday, analysts said. U.S. stock declines led investors to assets considered safe, while Federal Reserve governor Lael Brainard made comments perceived as dovish at the Economic Club of New York.

Ms. Brainard noted that inflation hasn't hit the Fed's 2% annual target over the past five years, and that a "persistent shortfall in inflation" could mean that it is "prudent to raise the federal-funds rate more gradually." She also said Hurricane Harvey raised "uncertainties" about the economic outlook in 2017, potentially having an effect on gross domestic product this quarter.

These comments come after the price index for personal-consumption expenditures

*The yield on the benchmark 10-year Treasury note fell to a 2017 low of 2.072%.*

showed last week that inflation remains tepid, highlighting hurdles the Fed might face in sticking to its path of rate increases. Inflation is a threat to long-term government bonds since it erodes the purchasing power of their fixed payments.

Fed-funds futures, used by traders to place bets on central-bank policy, late Tuesday showed a 32% chance of a rate rise by year-end, down from 47% a month ago.

Investors also sought assets perceived as relatively safe after geopolitical stresses that emerged over the weekend, preparing for what could be a month fraught with risks, some analysts said.

Those include tensions between North Korea and the U.S. as well as a difficult stretch for lawmakers, who must prevent default on the nation's debt and keep the government running. The Trump administration is also seeking approval for a \$7.85 billion recovery package for Hurricane Harvey.

In a sign of heightened anxiety over the debt-ceiling deadline, yields on government debt expiring in October remain elevated over notes expiring in November, according to Tradeweb. Bonds with longer maturities typically yield more than those due sooner.

### AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### 13-WEEK AND 26-WEEK BILLS

13-Week 26-Week

Applications \$124,144,298,400 \$101,701,285,900

Accepted bids \$39,000,018,400 \$33,000,280,900

"noncomp" \$503,233,800 \$37,352,900

"foreign noncomp" \$0 \$684,000,000

Auction price (rate) 99.742167 99.436306

(1.020%) (1.115%)

Coupon equivalent 1.037% 1.137%

Bids at clearing yield accepted 87.30% 88.34%

Cusip number 912796L83 912796NU9

Both issues are dated Sept. 7, 2017. The 13-week bills mature on Dec. 7, 2017; the 26-week bills mature on March 8, 2018.

Four-week bills

Applications \$60,836,279,500

Accepted bids \$20,000,002,500

"noncompetitively" \$445,822,500

"foreign noncompetitively" \$0

Auction price (rate) 99.88889 (1.300%)

Coupon equivalent 1.219%

Bids at clearing yield accepted 21.47%

Cusip number 912796LW7

The bills, dated Sept. 7, 2017, mature on Oct. 5, 2017.

# U.S. Stocks Fall as Tensions Flare

North Korea bomb test and approaching storm spook investors as DJIA slides 1.1%

BY MICHAEL WURSTHORN

The Dow Jones Industrial Average fell 234 points Tuesday, as threats from North Korea and another powerful hurricane weighed on major indexes.

**TUESDAY'S MARKETS** Investors headed for assets they consider to be safer stores of value, like U.S. government bonds and gold, after North Korea tested its most powerful nuclear bomb yet.

Hurricane Irma dragged down shares of insurance companies as it churned through the Caribbean.

The blue-chip index ended 1.1% lower at 21,753.31 after declining nearly 278 points earlier in the session. It was the Dow industrials' biggest one-day drop since Aug. 17.

The S&P 500 declined 18.70 points, or 0.8%, to 2,457.85 and



Shares of United Technologies dropped after it announced a purchase of Rockwell Collins, seen here.

the Nasdaq Composite shed 59.76 points, or 0.9%, to 6,375.57. The CBOE Volatility Index, a measure of expected swings in the S&P 500, jumped 21%.

"There is no solid game plan as to what we can do with North Korea," said Larry Adam, Deutsche Bank Wealth Management's chief investment officer. "People are getting nervous about that."

Shares of financial companies in the S&P 500 tumbled 2.2%, making the sector the worst performer out of the broad index's 11 major groups. Recent declines in the 10-year Treasury yield have narrowed the gap between long- and short-term rates, potentially crimping profits for lenders. Goldman Sachs Group fell \$8.10, or 3.6%, to \$217.78, while

Bank of America shed 78 cents, or 3.2%, to 23.31.

The possibility of another major storm hitting the U.S. put insurers among the S&P 500's biggest decliners.

Everest Re Group declined 17.19, or 6.9%, to 231.19; XL Group fell 2.35, or 5.8%, to 38.27; and Travelers lost 4.47, or 3.7%, to 115.43.

Travelers shaved about 31

points off the Dow industrials. United Technologies erased an additional 46 points off the index after the company announced a \$23 billion deal to buy Rockwell Collins.

United Technologies was the worst performer in the Dow industrials, falling 6.71, or 5.7%, to 111.21—the stock's biggest percentage decrease since July 2015. Rockwell Collins rose 39 cents, or 0.3%, to 131.

While market reactions to the continuing tensions between the U.S. and North Korea have been short-lived in recent weeks, some market strategists and investors warn the latest threats have made investors skittish following five consecutive months of gains for both the Dow industr

Markets around the world mostly finished lower. The Stoxx Europe 600 fell 0.1%.

Japan's Nikkei Stock Average closed down 0.6% after a 0.9% fall on Monday, as buying of the yen, a traditional haven asset, accelerated during Asian trade. Early Wednesday, the Nikkei was down an additional 0.4% and Hong Kong's Hang Seng Index was down 0.3%.

—Mike Bird contributed to this article.

# Wall Street Migrates To T+2 For Trades

BY CHRIS DIETERICH

Anybody who sold shares Tuesday is guaranteed to receive cash for their trade by Thursday, a day earlier than any point during the past two decades.

That's because Tuesday marked the first day that trades in most financial products in the U.S. will be required to settle within two business days, rather than the three days in place since 1995.

The settlement process finalizes trades, transferring money from buyers to sellers in exchange for ownership of a security.

In industry jargon, Tuesday is the first day of the "T+2 era," which supplants "T+3."

A large group of financial firms and other market participants have pushed for the shortened settlement cycle for years.

They argue that risk is lessened for brokers and investors alike when money moves more quickly between buyers and sellers. Since the global financial crisis nearly one decade ago, the financial industry and regulators alike aimed to reduce systemic risk within the financial system. Shortening the settlement period would reduce the risk that one party in a trade experiences financial distress and is unable to complete settlement obligations, industry participants say. It also means that investors will receive their money or shares faster after making a transaction.

The Securities and Exchange Commission finalized rule changes to facilitate the shorter settlement cycle in March.

The new settlement timeline applies to stocks, exchange-traded funds, corporate and municipal bonds, among other financial products. Canada also is transitioning from a T+3 world to T+2, aligning markets in North America with others across the Atlantic. Most European Union member states harmonized their settlement cycles to T+2 in 2014.

—Razak Musab Baba contributed to this article.



COLUMBIA PICTURES/EVERETT COLLECTION

A scene from last year's 'Angry Birds Movie.' Rovio Entertainment of Finland launched the mobile-game and film franchise in 2009.

# 'Angry Birds' Maker Hatches IPO

BY DAVID GAUTHIER-VILLARS

Rovio Entertainment Oy, the Finnish company behind the "Angry Birds" mobile-game and film franchise, plans to list shares on the stock market—a litmus test for an industry known for its erratic performance.

Shareholders hope the initial public offering in Helsinki will value Rovio at a premium to rivals and give it a price tag of about €2 billion, or roughly \$2.38 billion, people familiar with the matter said.

The company said in a written statement Monday that its planned IPO would involve a share issue of €30 million, as well as the sale of existing shares by majority owner Kaj Hed, the uncle of Rovio co-founder Niklas Hed, and other shareholders.

Mr. Hed, who owns about 70% of Rovio, intends to remain majority shareholder af-

ter the IPO, the people familiar with the matter said. In 2011, when "Angry Birds" mobile games were among the most popular worldwide, Rovio envisioned listing its shares on the Nasdaq Stock Market in New York. This time, the elder Mr. Hed has opted for Nasdaq's affiliate in Finland because he is eager to keep the company rooted in the Nordics, one of the people said.

Rovio didn't respond to a request for comment.

Rovio said in its statement that the planned listing would enable the company to pursue its growth strategy, including through acquisitions, and gain more flexibility to remunerate its employees.

Mobile games have become a full-fledged industry in the past decade, accounting for about one-third of the larger videogame sector—which generated roughly \$100 billion in revenue last year.

Tech giants have been eager to take control of money-spinners capable of producing hit titles with hundreds of millions of regular users. Tencent Holdings Ltd.'s deal last year for Supercell Oy valued the Finnish mobile-game maker and its staff of about 200 at more than \$10 billion.

But fickle players have caused some hit mobile games to collapse in the charts, making their publishers a hard sell to individual investors.

When Activision Blizzard Inc. bought King Digital Entertainment PLC last year, the maker of Candy Crush was straining to repeat the success of its blockbuster series, and the \$18-a-share offer was well below the company's IPO price of \$22.50.

Rovio itself has been on a roller coaster in recent years, going through several cost-cutting rounds and management changes.

—Razak Musab Baba contributed to this article.

# Nasdaq Sets Data-Business Purchase

BY CARA LOMBARDO

Nasdaq Inc. will buy data provider eVestment for \$705 million in a bid to bulk up its proprietary analytics and technology offerings for institutional clients.

The exchange operator said the deal, expected to close in the fourth quarter, will be funded with cash and debt.

Nasdaq Chief Executive Adena Friedman has pushed for

the company to expand its data business. Information and technology services combined accounted for 22% of Nasdaq's revenue last year, according to Thomson Reuters, with roughly 60% from its core exchange business.

eVestment Chief Executive and co-founder Jim Minnick will remain with the company and report to Björn Sibbern, an executive vice president who runs Nasdaq's information-services segment.

—Cara Lombardo contributed to this article.

In a note to clients, analysts from Jefferies said that while the purchase isn't revolutionary, it is a "positive change in direction" for Nasdaq as it continues to focus on more recurring, nontransactional revenue.

Jefferies said eVestment currently generates roughly \$21 million in revenue a quarter.

Nasdaq shares fell 99 cents, or 1.3%, to \$74.38 on Monday. They are up 11% for the year so far.

# Dollar Falls on Doubts About Outlook for Rates

BY CHELSEY DULANEY

The U.S. dollar fell to its lowest level against a basket of currencies in over a year as comments from a Federal Reserve official revived doubts about the path for higher U.S. interest rates.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, dropped 0.4% to 85.30, its low-

est closing level since August 2016.

In a speech Tuesday, Fed governor Lael Brainard said the U.S. central bank should be cautious about raising interest rates amid the economy's "persistent failure" to reach its 2% inflation target.

Central bankers and investors have been puzzled by the recent slowdown in U.S. inflation, a potential obstacle to the Fed's plans for tightening policy.

Markets are now pricing in just a 37% chance that the Fed

raises rates again this year, down from 44% last week, according to CME Group Inc. data.

Expectations that U.S. rates will remain lower, compounded by political gridlock in Washington, have driven the dollar down 8.2% this year.

"About the only positive things that can be said for the U.S. dollar is that its tumble over the past few months has been severe," Scotiabank analysts said in a research note.

"The U.S. dollar may have to

consolidate or correct before additional, significant losses can follow."

Other Fed officials, including Federal Reserve Bank of New York President William Dudley, are scheduled to speak this week.

The European Central Bank and Bank of Canada also are holding meetings this week.

Investors are searching for clues about the central banks' plans for paring back their stimulus programs.

Meanwhile, investors con-

tinued to assess the impact of the tensions over North Korea's nuclear program.

South Korea warned this week that North Korea appears to be preparing to test another intercontinental ballistic missile, while the U.S. said the regime is "begging for war" after Pyongyang on Sunday set off its most powerful nuclear bomb yet.

# MARKETS

## Hurricane Irma Already Rattles Markets

Insurance stocks drop again; possibility of direct hit on Florida raises futures prices

Traders were bracing for another hurricane to hit the U.S., sending insurance stocks lower and driving up the price of orange-juice futures.

The Category 5 storm, Hurricane Irma, raised severe

By Chris Dieterich,  
Julie Wernau  
and Leslie Scism

threats to islands in the Caribbean on Tuesday as it grew into one of the most powerful storms ever recorded over the Atlantic Ocean.

Insurers, already grappling with the damage from Hurricane Harvey, are now facing the possibility of a direct strike on Florida.

Shares of reinsurers, which provide backup protection to insurance companies to protect them against major disasters, posted some of the biggest declines in the S&P 500 on Tuesday.

Commodities traders, meanwhile, were attempting to assess the potential impact on crops in Florida or the Carolinas.

"We're fresh on the past week's events in Texas, and here's a hurricane that could hit the Carolinas," said Bill Nelson, senior economist at Doane Advisory Services in St. Louis. "No one wants to be caught off guard a second time."

Florida is home to most of the oranges used in U.S. juice. Futures prices for frozen concentrated orange juice for November delivery rose 6.2% to end at \$1.45 a pound, the highest price for a most actively traded contract since May 12.

The industry has already struggled over the past decade with crop damage from an in-

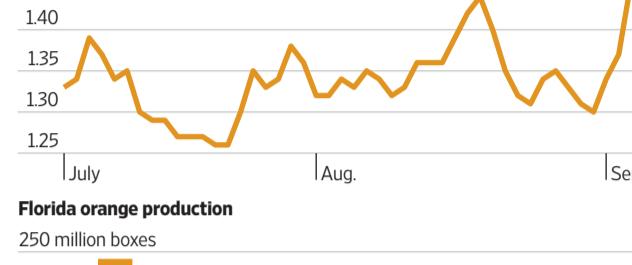
### Storm Clouds

Orange-juice futures soared and shares of reinsurance companies slumped as Hurricane Irma gained strength in the Caribbean, potentially taking aim at the continental U.S.

Irma threatens to further damage the orange crop in Florida, which has struggled from years of decline due to diseased groves.

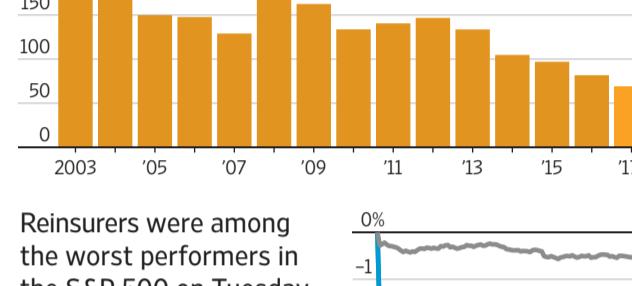
#### Frozen concentrated orange-juice price

Most-active contracts



#### Florida orange production

250 million boxes



Reinsurers were among the worst performers in the S&P 500 on Tuesday.

#### Stock and index performance

S&P 500

Everest Re Group

XL Group

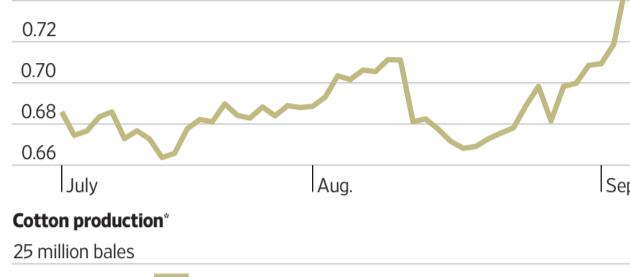
\*Twelve months ending July 31 †Estimate

Sources: CQG (prices); U.S. Agriculture Department (production); FactSet (reinsurers, S&P)

This year's cotton crop was expected to be the largest in 11 years before Hurricane Harvey flooded harvested crops in Texas. Traders are concerned that Irma could damage crops in the Carolinas.

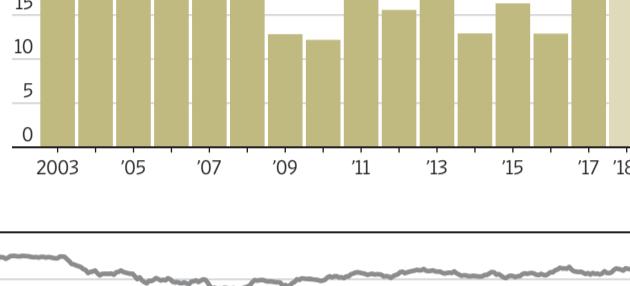
#### Cotton price

Most-active contracts



#### Cotton production\*

25 million bales

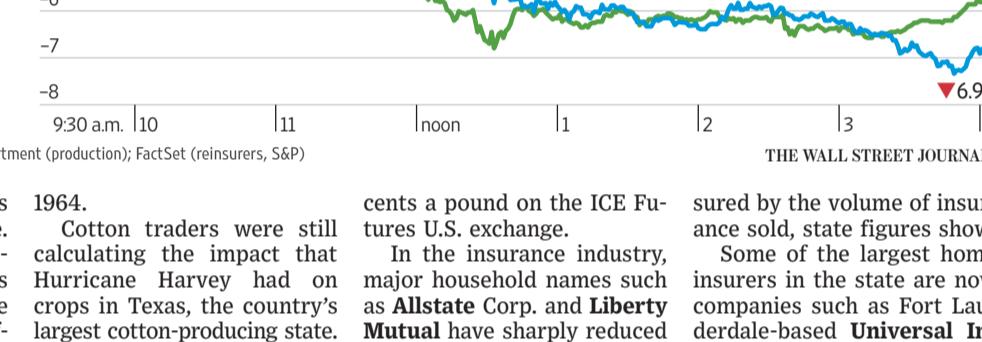


#### Stock and index performance

S&P 500

Everest Re Group

XL Group



1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sured by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by the volume of insurance sold, state figures show.

Some of the largest home insurers in the state are now companies such as Fort Lauderdale-based Universal Insurance Holdings Inc., whose shares fell 15% Tuesday, and

1964.

Cotton traders were still calculating the impact that Hurricane Harvey had on crops in Texas, the country's largest cotton-producing state. Cotton for December delivery rose 4.2% to close at 74.88

cents a pound on the ICE Futures U.S. exchange.

In the insurance industry, major household names such as Allstate Corp. and Liberty Mutual have sharply reduced their market shares in Florida over the past 15 years, as mea-

sed by