

# THE WALL STREET JOURNAL.

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THURSDAY, SEPTEMBER 27, 2018 ~ VOL. CCLXXII NO. 74

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## What's News

### Business & Finance

**T**he Fed said it would raise short-term interest rates by another quarter-percentage point, and officials signaled they expected to lift them again later this year and through 2019. **A1**

◆ U.S. stocks fell after the central bank's announcement. The Dow slid 106.93 points to 26385.28. **B12**

◆ 21st Century Fox said it would sell its 39% stake in Sky valued at roughly \$15 billion to Comcast after losing an auction for full control of the pay-TV giant. **B1**

◆ GM is moving its Cadillac headquarters back to Detroit, nearly four years after relocating the luxury brand's base to New York City. **B1**

◆ Mercedes-Benz owner Daimler said CEO Dieter Zetsche would stand down next year and be replaced by its R&D chief. **B4**

◆ European efforts to import more liquefied natural gas are starting to pay off, distancing the region further from Russia's energy orbit. **B1**

◆ WPP is merging its Young & Rubicam creative agency with its digital-advertising firm VML. **B3**

◆ Canada's government pension plan is investing \$285 million in the riskiest securities of collateralized loan obligations. **B11**

◆ Shares of SVMK, the parent company of SurveyMonkey, soared in their first day of trading. **B4**

◆ Stripe said that a new fundraising round values the fintech startup at roughly \$20 billion. **B12**

### World-Wide

◆ A third woman came forward with allegations of sexual misconduct by Kavanaugh on the eve of a hearing that could decide the fate of the Supreme Court nominee. **A1**

◆ Trump accused China of trying to interfere in the midterm U.S. elections, opening an unexpected front in his administration's conflict with Beijing. **A1**

◆ The administration plans to step up pressure on Canada by publishing the draft of a new Nafta that includes only the U.S. and Mexico. **A10**

◆ The Justice and Education departments opened an investigation into whether Yale University illegally discriminates against Asian-American applicants. **A3**

◆ The House passed an appropriations bill that increases military spending for the next fiscal year and keeps the government open through Dec. 7. **A4**

◆ Lawmakers said there is growing consensus on the need for legislation to protect online users' privacy, but big differences over how to do so. **A4**

◆ Trump said he backs a two-state solution to the Israeli-Palestinian conflict, a shift from his earlier stance. **A9**

◆ The Pentagon will remove some U.S. missile systems from the Middle East in October. **A9**

◆ Plans for a Trump-Kim summit advanced after Pompeo said he had "very positive" talks with North Korea's foreign minister. **A10**

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THURSDAY, SEPTEMBER 27, 2018 ~ VOL. CCLXXII NO. 74

## New Claims Add Fuel to Showdown

On eve of high-profile hearing, third woman accuses Kavanaugh of sexual misconduct

By REBECCA BALHAUS  
AND ARUNA VISWANATHA

WASHINGTON—On the eve of a critical Senate hearing that could decide the fate of Supreme Court nominee Brett Kavanaugh, a third woman came forward to accuse him of sexual misconduct in the early 1980s as partisan anger deepened on both sides.

The revelations shocked

Capitol Hill, where Republican lawmakers are seeking to advance a nomination that legal scholars and lawmakers have said could cement a conservative majority.

Judge Kavanaugh's judicial elevation, once expected to move smoothly through the Senate, now hangs on the votes of a handful of GOP senators who said they were troubled by the late-breaking claims. Sens. Jeff Flake of Arizona, Susan Collins of Maine and Lisa Murkowski of Alaska all said they would determine their votes after Thursday's Senate Judiciary Committee hearing.

With a 51-49 advantage, Republicans can't afford more than one defection, assuming no Democrat votes for him.

At the hearing, Judge Kavanaugh and Christine Blasey Ford, who has accused him of sexually assaulting her when they were teenagers, are scheduled to testify separately about the alleged incident. The judge has denied Dr. Ford's claims.

Committee aides also were seeking on Wednesday to speak with the judge's latest

Please turn to page A6

◆ Gerald F. Seib: Fury unleashed over Kavanaugh..... A6

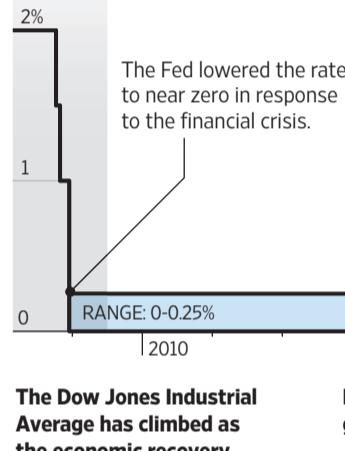


Brett Kavanaugh faced new sexual-misconduct allegations Wednesday, as he prepared for a hearing on his nomination.

MARK WILSON/GETTY IMAGES

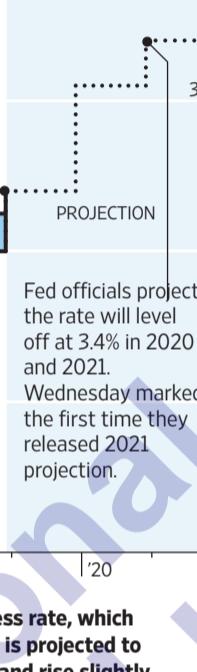
## Rate Rise Keeps Fed on Track, With More to Come

The Fed has been slowly raising its federal-funds rate since December 2015. Fed officials expect to keep gradually raising the rate through 2020.



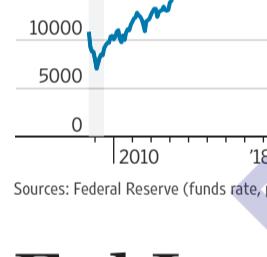
**WEDNESDAY** Fed officials raised the rate to a range between 2% and 2.25%, and projected lifting it by another quarter percentage point by year's end.

The Fed raised the rate in December 2015 after holding it near zero for seven years.



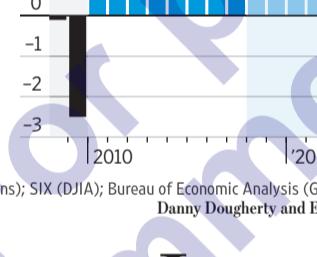
Fed officials project the rate will level off at 3.4% in 2020 and 2021. Wednesday marked the first time they released 2021 projection.

The Dow Jones Industrial Average has climbed as the economic recovery gained strength.

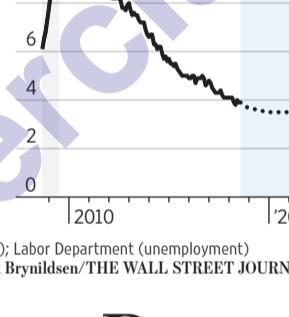


Fed officials project GDP growth to slow in coming years.

Annual change in GDP



The jobless rate, which declined, is projected to level off and rise slightly.



Sources: Federal Reserve (funds rate, projections); SIX (DJA); Bureau of Economic Analysis (GDP); Labor Department (unemployment)

Danny Dougherty and Erik Brynildsen/THE WALL STREET JOURNAL

## Fed Increases Interest Rates, Signals One More Bump in '18

By NICK TIMIRASOS

and 2.25%. Most Fed officials expected to raise rates one more time this year, according to new projections released after the conclusion of their two-day rate-setting meeting.

The increase, which drew a rebuke from President Trump, is the third this year and the eighth since the Fed began to lift rates in late 2015 after keeping them pinned close to zero after the 2008 financial crisis. The Fed's action marks the first time it has lifted its

benchmark rate above 2% since 2008.

It also is the first time in a decade the fed-funds rate will rise above inflation, measured by the Fed's preferred gauge, which excludes volatile energy and food categories. So-called core prices rose 2% in July.

Please turn to page A4

◆ Lawsuit against New York Fed seen as policy threat..... B11

◆ Stocks drop after interest-rate increase..... B12

## Road Trip Redefined: 6,000 Miles, an 18-Wheeler and a Spouse

\* \* \*

With truck drivers in heavy demand, married couples take on team gigs

By HARRIET TORRY

INTERSTATE 80, Nev.—Many couples and empty-nesters dream about traveling the world together. Some are making it a reality—in the cabs of 18-wheel freight trucks.

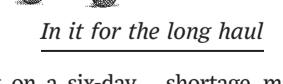
On a recent Monday night, Karen and Paul Lucey and their dogs, Sammie and Earl, left home in the Bay Area to pick up a load in Hayward, Calif. Then, as

they do almost every week, they started out on a six-day, 6,000-mile trip to New Jersey and back.

Mr. Lucey, 56 years old, an Army veteran, drives the first of five 11-hour shifts, listening to

Pompeo said he had "very positive" talks with North

Korea's foreign minister. A10

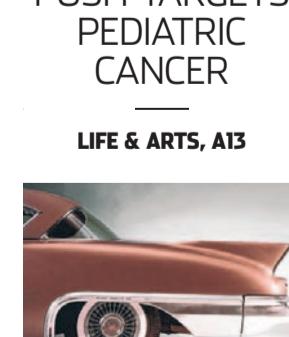


In it for the long haul

## INSIDE

### PUSH TARGETS PEDIATRIC CANCER

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CADILLAC HEADS BACK TO DETROIT

BUSINESS & FINANCE, B1

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## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## New Cold War Brews Over Trade



A decade ago, the growing mutual dependence of the U.S. and Chinese economies earned them the nickname "Chimerica."

Now, as both dig in on their trade dispute, some see an economic cold war looming in which the U.S. and China seek to lead competing economic blocs. "Neither China nor America wants to be part of Chimerica anymore," says Brad Setser, a China expert at the Council on Foreign Relations. "The Chinese don't want the technological dependence, and the U.S. doesn't want the persistent trade deficits."

Officially, the U.S. is imposing tariffs on Chinese imports as a hard-nosed but hopefully temporary tactic to force China to treat U.S. companies and goods more fairly. Yet, Beijing has shown no sign of caving to U.S. demands that, in totality, entail a wholesale end of the industrial policy that has long guided Chinese economic development. Some suspect the U.S. goal isn't a negotiated solution, but to disentangle the two economies permanently.

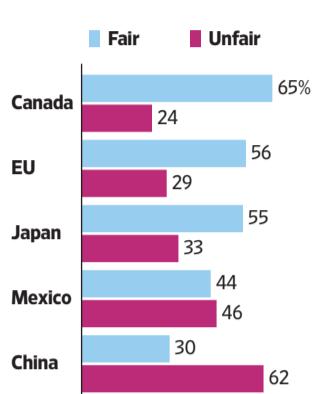
"The U.S. and China are in for a long and acrimonious confrontation," Arthur Kroeber of Gavekal Dragonomics, a China-based research firm, wrote last week. This isn't driven by President Trump alone, he wrote, but "by a powerful coalition of security and economic officials who believe the U.S. is entering an existential conflict with China for global economic, technological and geopolitical dominance."

The situation has no precedent in postwar history. The U.S. had few economic ties to the Soviet Union, so

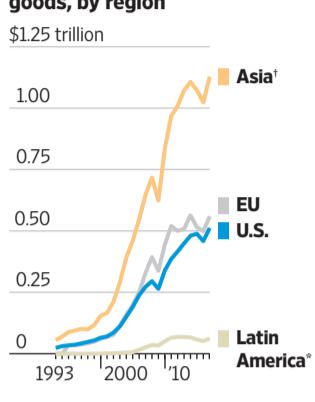
## Picking Sides

Americans don't trust China on trade, and China is expanding its trade relationships outside the U.S.

## Americans' views of fairness of trade policies



## China's exports and imports of intermediate and manufactured goods, by region



<sup>a</sup>Chile, Brazil and Argentina   <sup>b</sup>Japan, Korea, Taiwan, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

Sources: Gallup telephone poll of 1,505 adults conducted June 18-24; margin of error: +/- 3 percentage points (views); TS Lombard (China's trade)

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still depends heavily on the U.S. for intellectual property, know-how and investment, and as a market for exports.

Yet over time, China could overcome those disadvantages. It "has all the necessary prerequisites to make an Asian-based trading bloc work without the U.S.: a large domestic market, political support for open markets and manufacturing expertise," writes Larry Brainard of TS Lombard, an investment advisory.

Last year, **Huawei Technologies** Co. became the world's top supplier of telecommunications equipment, according to IHS Markit, despite being effectively barred from the U.S. over concerns its equipment could be used by China to spy on Americans. Chinese auto maker **Zhejiang Geely Holding Group**, which owns Volvo Cars, last year bought a stake in Malaysia's struggling car maker Proton, which it hopes to make a platform for exports to Southeast Asia and the Mideast.

China still lacks the U.S.'s most potent competitive advantages: deep, open and transparent markets overseen by trustworthy institutions and the rule of law, and a web of alliances underwritten by American military power. If forced to pick sides, the vast majority of companies and countries will pick the U.S.

That choice becomes a bit less one-sided if the U.S. becomes more isolationist. Shinzo Abe, Japan's prime minister, had seen the 12-nation Trans-Pacific Partnership as a counterweight to China's growing economic clout. With the U.S. abandoning that treaty, Mr. Abe is now hedging his bets, reaching out to Chinese President Xi Jinping for warmer economic relations.

## CORRECTIONS &amp; AMPLIFICATIONS

The European Union in some cases will allow the use of behavioral biometrics as proof of a consumer's identity in authenticating a transaction when new rules take effect next year, according to a European Banking Authority representative. A Journal Report article Monday about credit-card ID verification incorrectly said that behavioral biometrics couldn't be used as proof under the EU regulations. Also, biometrics company Veridium is

based in Boston, and its authentication technology is called 4 Fingers TouchlessID. The article incorrectly said the company is in New York and referred to the technology as 4F.

A graphic with a Page One article Friday about death rates in Latin America showed 2016 violent deaths by firearms in various countries per 100,000 people. In some editions, the graphic failed to provide a key.

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.

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## U.S. NEWS

**Florence Flooding Keeps Carolinas on Edge**

RANDALL HILL/REUTERS  
In one bright spot 12 days after Florence hit the Carolinas, the Waccamaw River spent more than a day at just over 21 feet, some 6 inches under the predicted crest.

That averted a potential environmental problem in Conway, S.C., where the river stayed a foot below a coal ash pond at a closed power plant, according to

the state-owned utility Santee Cooper.

Santee Cooper workers, seen above, checked water levels Wednesday around a 6,000-foot-long dam built to keep sediment from the coal ash retention pond from going into the Waccamaw River.

The floodwater from the river also didn't make it over a tem-

porary barrier quickly built on U.S. Highway 501, the main link to Myrtle Beach. Water is touching the barrier of sand and plastic, but is still well below the top of it, according to the state Transportation Department.

In many places in the Carolinas, the damage is already done. North Carolina agriculture officials estimate \$1.1 billion in

losses from Florence, most of it done to crops in the field. This was nearly three times the damage reported by farmers from Hurricane Matthew in 2016.

Agriculture Commissioner Steve Troxler said the losses this year were greater because harvests were under way or just getting started.

—Associated Press

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**DAVID YURMAN**  
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**Yale Faces Race-Bias Probe**

BY NICOLE HONG  
AND MELISSA KORN

The Justice Department and Education Department opened an investigation into whether Yale University illegally discriminates against Asian-American applicants, according to people familiar with the matter.

The investigation marks an escalation of the Trump administration's efforts to challenge the longstanding consideration of race in the admissions decisions of elite colleges. Last year, the Justice Department opened a similar civil-rights investigation into whether Harvard University discriminates against Asian-American applicants.

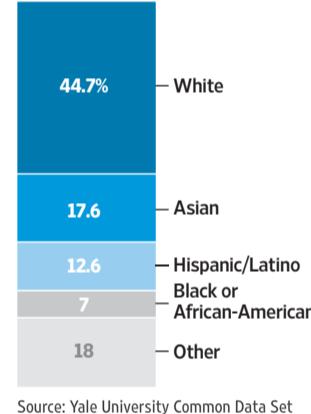
The new probe into Yale is based on a complaint filed in 2016 with the Justice and Education departments by a group of Asian-American organizations, led by the Asian American Coalition for Education.

The complaint alleged Yale, Brown University and Dartmouth College were illegally discriminating against Asian-American applicants by treating them differently during the admissions process based on their race.

The complaint said Ivy League universities hold Asian-American applicants to a higher standard than stu-

**Campus Tally**

Racial breakdown for all undergraduates at Yale, as of October 2017:



Source: Yale University Common Data Set

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jointly by the Education Department's Office for Civil Rights and the Justice Department's Civil Rights Division, which opened its investigation into the matter in April, according to a copy of the letter reviewed by The Wall Street Journal.

Yale President Peter Salovey said in a message to the school community Wednesday that Yale would cooperate with the inquiries but also "vigorously defend our ability to create a diverse and excellent academic community."

He noted that the student body has grown more diverse in a number of ways, including an increase in the number of low-income and first-generation college students. At the same time, over the past 15 years, he said, Asian-American students increased to 21.7% of the incoming first-year class, from less than 14%.

The Education Department said in the letter it was dismissing the complaints against Brown and Dartmouth because they hadn't provided sufficient detail about any alleged discrimination at those schools.

Representatives from Brown and Dartmouth both said those schools had never received notice from the Education Department about the initial complaint or the more recent decision not to investigate.

Over the past 40 years, Supreme Court precedents have allowed universities to consider race as a factor in admissions to obtain the benefits of a diverse student body.

In the summer of 2017, the Justice and Education departments rescinded Obama-era guidance on use of race in admissions decisions, encouraging schools to instead pursue race-neutral efforts to diversify classes.

The Justice Department opened an investigation that fall into allegations of anti-Asian discrimination in Harvard's admissions, based on a 2015 complaint by Asian-American organizations. That investigation is continuing, officials have said.

The Education Department had declined to pursue the Harvard complaint because the same issues were already pending before a federal judge in a 2014 lawsuit against Harvard by a nonprofit called Students for Fair Admission.

The suit is expected to go to trial next month in Boston, where a judge will decide whether Harvard's admissions practices violate federal civil rights law. The plaintiffs have said their goal is to reach the Supreme Court and overturn racial preferences in university admissions.

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## U.S. NEWS

# Regulatory Push Confronts Online Firms

By JOHN D. MCKINNON  
AND DOUGLAS MACMILLAN

**WASHINGTON**—Lawmakers said there is growing consensus on the need for legislation to strengthen online users' privacy, but a hearing Wednesday highlighted potential disagreements on what exactly a bill should aim to do.

The emerging disputes underscore the difficulty of the job ahead for lawmakers—as well as the big risks that legislation could entail, particularly for some internet companies that depend heavily on monetizing the massive amounts of data they gather.

Executives from tech giants including **Amazon.com** Inc. and **Alphabet** Inc.'s Google unit warned in the hearing that certain types of regulation could limit the services they offer to consumers.

The battles that lie ahead could require months or even years to resolve.

At Wednesday's Commerce Committee hearing, Sen. John Thune (R., S.D.), the commit-

## Election Systems Vulnerable to Attack

Election machines used in more than half of U.S. states carry a flaw disclosed more than a decade ago that makes them vulnerable to a cyberattack, according to a report to be delivered Thursday on Capitol Hill.

The issue was found in the widely used Model 650 high-speed ballot-counting machine made by **Election Systems & Software** LLC, the nation's leading manufacturer of election

equipment. It is one of about seven security problems in several models of voting equipment described in the report, which is based on research conducted last month at the Def Con hacker conference.

The flaw in the ES&S machine stood out because it was detailed in a security report commissioned by Ohio's secretary of state in 2007, said Harri Hursti, an election-security researcher who co-wrote both the Ohio and Def Con reports. "There has been more than plenty of time to fix it," he said.

While the Model 650 is still

being sold on the ES&S website, a company spokeswoman said it stopped manufacturing the system in 2008. The machine doesn't have the advanced security features of more-modern systems, but ES&S believes "the security protections on the M650 are strong enough to make it extraordinarily difficult to hack in a real world environment," the spokeswoman said via email. The machines process paper ballots and can therefore be reliably audited, she said.

The Def Con report is the latest warning from researchers, academics and government offi-

cials who say election systems in the U.S. are at risk to tampering.

ES&S has said it considers cybersecurity a top priority and has never experienced a breach. However, the company didn't employ a senior cybersecurity official until April.

Many flaws listed in the report can be exploited only when an attacker gets physical access to machines. However, the report describes two techniques hackers could leverage to get remote access and, for example, change a vote count.

—Robert McMillan  
and Dustin Volz

tee's chairman, said he sees growing bipartisan agreement on the need for legislation.

"We have arrived at a moment where, I believe, there is a strong desire by both Republicans and Democrats, and by both industry and public interest groups, to work in good faith to reach a consensus on a national consumer data privacy law," Mr. Thune said in his

opening statement.

Sen. Bill Nelson of Florida, the committee's top Democrat, added that recent revelations about online data abuses have undermined people's trust in the internet environment.

But many companies are already worrying about the risks of overregulation. Amazon's representative, Vice President Andrew DeVore, urged lawmak-

ers to "ensure that additional overhead and administration demands any legislation might require actually produce commensurate privacy benefits."

Another issue likely to perplex lawmakers is how to legislate for potentially sensitive information that can be obtained through smartphones, such as user location data. Its treatment under current federal reg-

ulations varies depending on how it is used by businesses. Telecommunications providers are urging more uniform treatment across sectors, a move that could reduce internet companies' advantages.

Another looming fight is over whether federal legislation would block state privacy laws like the one that California recently passed. Other states are

expected to follow California's example, leading to what the industry views as an unworkable patchwork of different legal standards.

Google has been in Washington's crosshairs, in part because of concerns over its privacy practices pertaining to Gmail.

"We acknowledge that we have made mistakes in the past, from which we have learned, and improved our robust privacy program," said Keith Enright, Google's chief privacy officer. But he urged lawmakers "to take into consideration the impacts on service functionality, the consumer benefits of free and low-cost products, the future of the open web and app ecosystem" and other potential effects on the market.

Google also was grilled Wednesday on reports it plans to develop a search engine adhering to China's internet censors. "My understanding is that we are not close to launching a search product in China and whether we eventually would or could remains unclear," Mr. Enright said.

# House Passes Spending Bill, Sending It to President

By ANDREW DUEHREN

**WASHINGTON**—The House passed an appropriations bill that increases military spending for the next fiscal year and keeps the government open through Dec. 7, leaving the legislation in President Trump's hands days before funding expires on Oct. 1.

The president dismissed concerns that a budget dispute would lead to a shutdown. "We're going to keep the government open," Mr. Trump said Wednesday.

The bill, which passed 361-61, funds the Defense, Education, Labor and Health and Human Services departments and is the second in a set of so-called minibus appropriations bills Congress passed before the end of the federal fiscal year. The Senate already voted 93-7 to approve the measure, which boosts funding for the Defense Department by almost \$20 billion, provides a 2.6% pay raise for members of the military, and \$3.8 billion to fight the opioid epidemic, an increase of \$2.7 billion from this year.

Absent from the legislation is funding for Mr. Trump's proposed wall along the border with the Mexico. Instead, the bill funds many departments and agencies, including the Department of Homeland Security, until Dec. 7 through a "continuing resolution," postponing a legislative battle about one of Mr. Trump's central campaign promises until after the midterm elections on Nov. 6.



The bill boosts funding for the Defense Department by almost \$20 billion and provides a 2.6% pay raise for members of the military. Above, the destroyer USS Carney.

Mr. Trump had previously raised the possibility that he could refuse to sign the spending bill and shut down the government if it doesn't provide money for the proposed wall. "I want to know, where is the money for Border Security and the WALL in this ridiculous Spending Bill, and where will it come from after the

Midterms?" the president tweeted last week.

House Speaker Paul Ryan (R., Wis.) said Wednesday that Mr. Trump has told him that he will sign the spending bill before the government runs out of money at the end of the month. A government shutdown weeks before the election could create a fresh set of

political difficulties for congressional Republicans, who already face an uphill battle to maintain their majority in the House after the November election.

"I'm confident he'll sign it," Mr. Ryan said. "As you saw, it passed the Senate 93-7. This funds our military, this funds opioids, this does a lot of the

things that we all want to accomplish together, and I've had very good conversations with the president."

The bill also raises spending for the National Institutes of Health to \$39 billion, a \$2 billion increase, and provides a 1.6% bump in the maximum Pell grant award for college students with financial need.

Rep. Tom Cole (R., Okla.), a member of the appropriations committee, said it was a "very good bill" that he expects the president to sign.

Mr. Trump has already signed an earlier "minibus" spending bill that funds the Energy and Veterans Affairs departments through the next fiscal year.

## Fed Plans To Raise Rates

*Continued from Page One*

"These rates remain low," Fed Chairman Jerome Powell said at a news conference. "This gradual return to normal is helping to sustain this strong economy for the longer-run benefit of all Americans."

Mr. Trump, at a news conference later Wednesday, said he was "not happy" about the Fed raising rates. But he said, "They are raising them because we are doing so well." And he said higher rates weren't all bad because they could help people who rely on interest savings for income.

Mr. Powell said the central bank decision was guided by economic theory and evidence—not politics: "That's who we are. That's what we do. And that's just the way it's always going to be for us," he said.

Stocks erased gains and closed lower Wednesday. The S&P 500 fell 0.3%. The yield on the benchmark 10-year U.S. Treasury note fell 3.059% from 3.102%. Yields fall as bond prices rise, and Treasury yields are near their highest levels in seven years.

The Fed's actions ripple through the economy over time by raising borrowing



Fed Chairman Jerome Powell said the central bank's decision was guided by economic theory and evidence, not politics.

costs for businesses and consumers. Rising mortgage rates appear to have contributed to a somewhat slower pace of home sales this year.

Even if the Fed raises its benchmark rate to 3% next year, "we don't think that's a hindrance to the economy," said John Augustine, chief investment officer at Huntington Private Bank in Columbus, Ohio. "We don't see that lifting mortgage rates substantially. We don't see that as a threat to credit line borrowing."

The big question now is how much higher officials think they need to raise rates to keep the economy from overheating. The Fed targets a 2% inflation rate, which it sees as a sign of healthy demand. It wants to avoid economic growth that becomes unsustainable, leading to a boom and then bust.

Projections released after

Wednesday's meeting show that most Fed officials expect they will raise rates by 1 percentage point through next year, and most officials penciled in at least one more quarter-point increase for 2020.

That would leave the benchmark rate slightly higher than 3.25%. Because this is modestly above the so-called neutral rate most officials project is required to balance supply and demand over the long run, such a setting would deliberately restrict growth.

Mr. Powell has stressed the uncertainty of estimating this neutral setting. To that end, the Fed dropped from its post-meeting statement on Wednesday a sentence that for years had described its rate stance as "accommodative," meaning officials were pressing on the gas pedal to spur more growth.

Economic projections re-

leased after the meeting envision an unusually favorable set of conditions in which the unemployment rate holds below 4% over the next three years but inflation never rises far beyond the Fed's 2% target.

Whether the Fed realizes this "Goldilocks" economy that is neither too hot nor too cold could depend on whether inflation behaves as expected.

The risk that inflation climbs higher and faster than anticipated could require the Fed to raise rates "a little bit quicker," Mr. Powell said. He quickly added, "We don't see that. We really don't see that."

Wednesday's interest-rate projections show two different schools of thought about how the Fed might proceed.

One camp of officials said so long as unemployment keeps falling farther below the level they project is consistent with low and stable inflation, the Fed will need to raise rates to prevent the economy from overheating. This is an uncontroversial strategy because it is what the central bank always does at this point in an expansion.

Another camp argues for a relatively radical departure from this norm. These officials have said if inflation doesn't appear to be accelerating beyond 2%, the Fed could stop raising rates after reaching a neutral setting that neither spurs nor slows growth.

The Fed's projection that the economy could stay in a sweet spot for years also depends on forces outside of its control, including trade policy.

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## U.S. NEWS

# New Kind of Fury in Kavanaugh Fight



## CAPITAL JOURNAL

By Gerald F. Seib

Sen. Jeff Flake took to the Senate floor Wednesday morning and spoke for many in a capital that seems to have veered down a new and dark alley of partisan bitterness:

"We have lit a match, my colleagues," he said. "The question is, do we appreciate how close the powder keg is?"

Mr. Flake was referring, of course, to the battle over the Supreme Court nomination of Brett Kavanaugh, which has now equaled and surpassed the epic drama of Justice Clarence Thomas's confirmation 27 years ago. It reaches some kind of climax Thursday, when both Mr. Kavanaugh and a woman who has accused him of sexual assault appear before the Senate Judiciary Committee.

But there is no chance that the debate ends with that hearing, or with a committee vote, or with a vote of the full Senate—or even with a Kavanaugh withdrawal, if one were to occur. The ramifica-

tions of this mess will live on for years to come, regardless of its outcome.

The question is, why this fight? Washington, after all, has been the locus of loud, angry, even anguished debate on a daily basis since the earthquake of the 2016 presidential election. Yet this debate has taken all that to a new level, and made what is left of the conventional political system go haywire in the process.

Here's why: The Kavanaugh fight takes every raw divide in American society today—partisan, ideological, gender, class, generational—and rolls them all into one. It then folds in the anger of the #MeToo movement, the bitterness between President Trump's supporters and Trump haters, and the profound concern that liberals and conservatives alike feel about the impact the Supreme Court will have on society for decades to come.

**B**eyond that, Democrats remain furious that President Obama's last Supreme Court pick, Merrick Garland, was refused a hearing by a Republican Senate, which has helped supercharge the current debate. And both parties have come to believe that the Kavanaugh fight will play directly into the outcome of the 2018 midterm elections. They are convinced that if they show their base voters they are fighting as hard as possible for or against Brett Kavanaugh, they



Preparations for Thursday's Senate committee hearing

will be rewarded at the polls. And the November election will, in turn, decide both control of Congress and the arc of the Trump administration for the next two years.

Both the emotions and the stakes, in other words, are enormous.

All that is inflamed further by a social-media environment in which fury is the norm and facts are elusive, if not superfluous. In this environment, the one thing that used to keep even heated Washington debates under some kind of control—a willingness to at least consider the possibility that those on the other side are acting in good faith—has all but evaporated.

It would be hard to overstate the fevered atmosphere all this has produced in Washington in recent days. Many of those in the fore-

front of the debate—Mr. Kavanaugh, the women accusing him, key senators—report that they and their families have been threatened with violence, sometimes with death.

Some participants in the drama have gone into hiding; others have security details with them. Sen. Ted Cruz and his wife were chased out of a Washington restaurant a few days ago by a group of anti-Kavanaugh protesters. A journalist's email inbox suddenly is receiving messages previously unheard of: results of a lie-detector test, a sworn statement about gang rape, a subject line reading, "Is Kavanaugh a War Criminal?"

By late Wednesday, the mix had expanded to include: sworn statements from four people backing up the woman who first accused Mr. Kavanaugh of sexual assault

more than three decades ago; celebrity lawyer Michael Avenatti, himself a putative Democratic presidential candidate, with a sworn statement from a woman who alleged Mr. Kavanaugh was party to using alcohol and drugs to open the door to sexual assault during the same period; and sworn statements from Mr. Kavanaugh denying the charges.

Amidst it all, Mr. Kavanaugh has done something utterly unprecedented for a judicial nominee: Gone on national television to defend himself.

**N**obody doubts the gravity of the issues—potential sexual assaults and the potential character assassination of an innocent man for political purposes. Yet in their quieter moments, even some committed partisans are starting to ask how some civility might be restored. "We have lost our norms," says Donna Brazile, a longtime Democratic activist and former head of the national party.

So how to restore those norms? Nobody quite knows. If the system appears to have blown a fuse, it's because it's trying to handle high-voltage claims on subjects never before discussed this way.

That path forward for the Kavanaugh nomination will become clear, one way or the other, in the next few days. It may take a lot longer to figure out the path forward for the political system.

## FCC

## Regulators Endorse Plan to Expedite 5G

Federal regulators approved a plan to speed deployment of next-generation 5G wireless networks around the U.S. by overriding some local rules that could delay the process.

Supporters say Wednesday's vote by the Federal Communications Commission boosts U.S. chances of taking the lead in 5G technology, and could help accelerate deployment in harder-to-serve rural areas. The action cuts local red tape around permitting for small cells, the backpack-sized wireless devices that will be a key part of 5G infrastructure.

"Today's order streamlines the approval process for 5G small cells and helps ensure that our country will continue to be the innovation hub of the world," said Brendan Carr, the Republican FCC commissioner who developed the order.

The order limits fees that regulators can charge for reviewing small cells, sets time limits for applications that are under review, and affirms that local governments can apply reasonable aesthetic considerations.

Jessica Rosenworcel, a Democratic FCC commissioner who dissented from part of the order, criticized the move as "extraordinary federal overreach."

—John D. McKinnon

## EDUCATION

## U.S. Trails U.K. at Top Of University Ranking

The U.K.'s University of Oxford and University of Cambridge took the top two spots for a second time in a global university ranking, with long-dominant U.S. schools mostly stagnating against international competitors.

The California Institute of Technology, which placed first in recent years, slipped to fifth from third last year, according to Times Higher Education's 2019 global university rankings released Wednesday. American schools claimed seven of the top 10 spots in the rankings that rely partly on academic citations and perceptions of reputation by other scholars, with Stanford University and the Massachusetts Institute of Technology ranking third and fourth, respectively.

Sixty American institutions dotted the top 200, declining from 62 last year, followed by 29 schools in the U.K. Seven Chinese schools cracked the top 200, the same number as last year.

Times Higher Education was sold in 2005 by News Corp., the parent of The Wall Street Journal owner Dow Jones & Co. Times Higher Education has a business relationship with The Wall Street Journal to develop college rankings.

—Erica Snow

## ECONOMY

## New-Home Sales Turned Up in August

Sales of new homes in the U.S. rebounded in August, following two months of declines.

Purchases of newly built single-family homes—a relatively narrow slice of all U.S. home sales—rose 3.5% from the previous month to a seasonally adjusted annual rate of 629,000, the Commerce Department said Wednesday.

The South was the only region in the U.S. to see new-home sales declines in August.

Sales grew 12.7% in August from the prior year. Still, the pace of new-home sales remains well below the elevated levels seen before the 2007-09 financial crisis and recession.

—Sharon Nunn

## PUBLIC HEALTH

## CDC Puts Flu Deaths At 80,000 Last Winter

An estimated 80,000 Americans died of flu and its complications last winter, the highest number in at least four decades, according to Robert Redfield, director of the Centers for Disease Control and Prevention.

The tally was nearly twice as much as what health officials previously considered a bad year, said Dr. William Schaffner, a Vanderbilt University vaccine expert.

CDC officials don't have exact counts of how many people die from flu each year. Flu is so common that not all cases are reported, and flu isn't always listed on death certificates. So the CDC uses statistical models, which are periodically revised, to make estimates.

In recent years, flu-related deaths have ranged from about 12,000 to 60,000, according to the CDC.

—Associated Press

## Nominee Faces More Allegations

Continued from Page One

accuser, Julie Swetnick, who alleged that Judge Kavanaugh was at a party in the early 1980s when she was gang-raped and that he tried to get women drunk at several gatherings. She wasn't scheduled to appear at the hearing.

Mr. Kavanaugh has forcefully denied all of the allegations against him, saying at one point he felt like he was in the Twilight Zone. "This is crazy town—it's a smear campaign," Mr. Kavanaugh told committee aides.

Senate Judiciary Committee staff in a statement late Wednesday laid out the committee's actions to investigate the allegations against Judge Kavanaugh, including witnesses they had contacted to attempt to corroborate the claims. They also noted that since Dr. Ford made her allegations public, committee staffers have spoken to two men—one of whom has been interviewed twice and has submitted a written statement—who believe that they, not Judge Kavanaugh, committed the assault Dr. Ford described.

A spokesman for Dr. Ford's lawyer didn't immediately respond to a request for comment.

During a news conference Wednesday, President Trump said the allegations against Judge Kavanaugh are "all false to me," but he left open the possibility that he could be persuaded otherwise after Thursday's hearing.

"I'm going to see what happens tomorrow. I'm going to be watching," Mr. Trump said. "Believe it or not I'm going to see what's said. It's possible that they will be convincing."

Both Dr. Ford and Judge Kavanaugh released testimony they plan to deliver at Thursday's hearing, giving a glimpse of the conflicting stories they intend to tell. Judge Kavanaugh addressed more directly than he has in the past the issue of his drinking in high school.

"I was not perfect in those days, just as I am not perfect today," he intends to tell senators. "I drank beer with my friends, usually on weekends. Sometimes I had too many. In retrospect, I said and did things in high school that make me cringe now. But...I never did anything remotely resembling what Dr. Ford describes."

Dr. Ford plans to deliver a detailed description of the alleged attack, when she has said Judge Kavanaugh, at a party, groped her and tried to take off her clothes. "I tried to yell for help," her statement



Supreme Court nominee Judge Brett Kavanaugh released his calendar from the summer of 1982.

### Lawyer Has Handled Many Abuse Cases

Rachel Mitchell, the lawyer Republicans hired to question Supreme Court nominee Brett Kavanaugh and a woman accusing him of sexual assault, has served as an Arizona sex-crimes prosecutor for more than two decades and built her career by investigating clergy abuse.

Ms. Mitchell, a prosecutor since 1993, is on leave from her position as deputy county attorney and division chief of the Special Victims Division in the Maricopa County Attorney's Office in Phoenix, said Senate Judiciary Committee Chairman Chuck Grassley (R, Iowa).

Ms. Mitchell, 50 years old, didn't respond to a request

to comment.

On Thursday, she is to question Judge Kavanaugh and Christine Blasey Ford, a California college professor who has accused the judge of attempting to rape her when they were teenagers. Judge Kavanaugh

has denied the allegations.

Those who have known Ms. Mitchell describe her as caring, competent and fair. A Republican, she isn't known for being visibly political, say people who

know her professionally.

"You're not going to have a Perry Mason moment," said Maricopa County Attorney Bill Montgomery, referring to the fictional attorney. "Rachel is not going to pound away on people trying to break them down."

Ms. Mitchell's most extensive experience is dealing with clergy abuse. She has toured the country giving talks to evangelistic congregations about how to guard against sexual predators.

"I care about these cases and I care about how they impact people within the church because I'm also a Christian and I am a Southern Baptist," Ms. Mitchell said in a video of a presentation about sex-abuse cases within the church.

—Corinne Ramey

and Jacob Gershman

says. "When I did, Brett put his hand over my mouth to stop me from screaming. This was what terrified me the most, and has had the most impact on my life."

The accusations have emerged as a test of how Congress handles sexual-misconduct issues in the age of the "#Me Too" movement, which could influence the midterm elections. Republicans lawmakers, concerned about the optics of their 11-man judiciary committee roster, hired a female outside counsel to do most of their questioning of Dr. Ford.

The committee is tenta-

tively scheduled to vote on Judge Kavanaugh's nomination on Friday, and the full Senate could act on it early next week.

On Wednesday, Ms. Swetnick issued a sworn statement, made public in a tweet by attorney Michael Avenatti, alleging that between 1981 and 1982, she became aware of efforts by Judge Kavanaugh and his high-school friend, Mark Judge, to "spike" the "punch" at house parties she attended with drugs "and/or grain alcohol" and "target" women.

In a statement released by the White House on Wednesday, Judge Kavanaugh called

the allegations "ridiculous and from the Twilight Zone." Of Ms. Swetnick, he said: "I don't know who this is and this never happened." Mr. Judge's lawyer denied the allegations.

Ms. Swetnick claimed she attended more than 10 house parties in the Washington area between 1981 and 1983 with Judge Kavanaugh and Mr. Judge, and saw them "drink excessively and engage in highly inappropriate conduct, including being overly aggressive with girls" and grabbing them "without their consent."

She said that in 1982, she was drugged and raped by a group of boys, and said

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## We want to help people — including young people — understand the risks of misusing prescription medications, including opioids.

Every day our nation faces tragic stories of struggles with opioid addiction and lives lost to prescription and illicit opioid overdose. We are deeply concerned about the toll the opioid crisis is having on individuals and communities across the nation. As a manufacturer of prescription opioid medications, Purdue Pharma is committed to supporting meaningful solutions to address this crisis.

We want to help people — including young people — understand the risks of misusing prescription medications, including opioids. The National Institute on Drug Abuse, part of the National Institutes of Health, states, “after alcohol, marijuana, and tobacco, prescription drugs (taken nonmedically) are among the most commonly used drugs by 12th graders.”<sup>1</sup>

That’s why we support school-based prevention education efforts, including being a member of the Prescription Drug Safety Network, a public-private initiative created by EVERFI, a leading prevention education innovator. The potential benefits of high school prevention education are significant, with school-based programs shown to save an estimated \$18 in substance-abuse-related medical care, state and local government costs, and lost productivity over a lifetime for every \$1 spent.<sup>2,3</sup> Founded in collaboration with educators and prevention experts, and launched with support from members of the healthcare industry, as well as community and state leaders, this national coalition brings an innovative digital experience into the classroom that is designed to empower students with knowledge, skills, and strategies to help prevent prescription drug misuse and abuse. Real-world scenarios drive home the lessons and provide students with tips on how to spot and help a friend in trouble.

More than 57,000 students at more than 800 high schools nationwide accessed the digital Prescription Drug Safety prevention curriculum in the 2017-2018 academic year and increased their knowledge on six different learning modules — including the science of addiction, safe use, refusal skills, and supporting a friend — by an average of 49 percent.<sup>4</sup>

Nearly 100,000 students have already participated in this course in schools across the country through the efforts of the Network. We look forward to seeing the Network’s impact grow and to helping more students learn these valuable skills in the coming school year, and beyond.

We hope that others will embrace the importance of prevention-focused education. We urge you to learn more about the national initiative and help broaden the reach of the Prescription Drug Safety Network.

While no one intervention alone will solve this crisis, partnerships, determination, and innovative approaches are steps in the right direction.



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<sup>1</sup>National Institute on Drug Abuse. Misuse of Prescription Drugs. January 2018. Retrieved from <https://www.drugabuse.gov/publications/research-reports/misuse-prescription-drugs/summary>. Accessed August 21, 2018.

<sup>2</sup>Substance Abuse and Mental Health Services Administration. Substance Abuse Prevention Dollars and Cents: A Cost-Benefit Analysis. Retrieved from <https://www.samhsa.gov/sites/default/files/cost-benefits-prevention.pdf>. Accessed August 21, 2018.

<sup>3</sup>Prescription Drug Safety Network. The Case for Prescription Drug Education. Retrieved from [http://info.everfi.com/rs/410-YCZ-984/images/White%20Paper\\_Case%20for%20Rx%20Drug%20Education.pdf](http://info.everfi.com/rs/410-YCZ-984/images/White%20Paper_Case%20for%20Rx%20Drug%20Education.pdf). Accessed August 21, 2018.

<sup>4</sup>Prescription Drug Safety Network. Prescription Drug Safety Course. K-12 Impact Report 2017-2018. Retrieved from <https://everfi.com/networks/prescription-drug-safety-network/impact/>. Accessed August 21, 2018.

## U.S. NEWS

# Farmer Aid Won't Cover Tariff Losses

By JESSE NEWMAN

The Trump administration has started compensating U.S. farmers for damage tariffs are doing to their business.

Many farmers say the payments won't make up for lost sales to China and other foreign markets they were counting on to buy the huge amounts of crops and meat being produced across the Farm Belt.

Bumper corn and soybean harvests and record pork production have pushed down prices for agricultural commodities. U.S. farm income is expected to drop 13% this year to \$66 billion, according to the Department of Agriculture, extending a yearslong slump in the agricultural economy.

The USDA in August said it would pay farmers nearly \$5 billion to offset losses from global trade disputes. Major U.S. trade partners including China, Canada and Mexico have applied tariffs to billions of dollars' worth of U.S. agricultural exports in retaliation for tariffs imposed by Washington. The U.S. and China vowed last week to put more tariffs on each other's goods.

The USDA said it has paid \$35 million to farmers so far, especially in Iowa, Kansas, Illinois, Indiana and Wisconsin. Nearly 49,000 farmers have applied for the aid.

Mike Paustian, an Iowa pork producer who sells some 30,000 pigs annually, expects to receive about \$40,000. Depending on the size of his crops, Mr. Paustian said he could receive an additional \$20,000 for his 1,400 acres of corn and soybeans. In recent years, a farm of that size could make some \$4 million in annual sales on

the livestock alone.

Mr. Paustian said he appreciates what he sees as a goodwill gesture from the Trump administration. But he said he worries the trade fights will close doors to American pork and other farm goods while the world's appetite for meat is growing. "This payment isn't going to save anybody's life," Mr. Paustian said. "It'll soften the blow a little bit."

Prices for lean hogs have fallen 19% since the end of May. Mike Haag, an Illinois hog farmer who raises roughly 17,000 pigs each year, estimates he is eligible for roughly \$32,000 in aid, enough to pay for a few weeks of animal feed, he says. An additional \$20,000 he expects to get for his corn and soybeans will cover a tractor payment.

"I think most farmers are trying to support the president and what he's doing but it is painful," Mr. Haag said. "There's a lot of extra pork out there."

Trade-related losses to the U.S. pork industry are expected to total more than \$2 billion this year, said Iowa State University economist Dermot Hayes.

The USDA has pledged direct payments of \$290 million to pork producers to offset those losses. The agency has also promised to purchase \$559 million worth of pork under a related program that farmers and economists say could boost prices in the pork market. USDA officials have said a second wave of payments to farmers could be announced in December if trade disruptions persist.

The White House referred a request to comment to USDA, which has said the aid isn't in-



**'This payment isn't going to save anybody's life,' said Mike Paustian about aid offered by the USDA. Above, his farm in Walcott, Iowa.**

## Pain Relief

The Trump administration is making payments to U.S. farmers to help soften the blow of damaging tariffs.

**In 2017, China imported \$13.96 billion of soybeans from the U.S.**

### Soybeans

China imports from the U.S.



**With an additional 25% tariff, China is estimated to import less than half that amount: \$6.7 billion...**

**...for an estimated gross trade damage of \$7.26 billion.**

**The government will reimburse farmers based on the Market Facilitation Program (MFP) rate.**

**How the MFP rate is determined:**

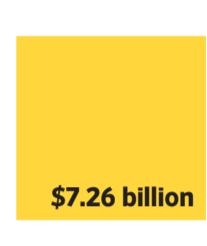
**Est. damage from 25% tariff  
2017 production**

### For soybeans...

**Est. tariff damage: \$7.26B**

**2017 production: 4.39 bushels**

**Initial MFP rate: \$1.65/bushel**



To mitigate the trade damage on some commodities, the U.S. will make purchases using the Food Purchase and Distribution Program (FPDP).

### Pork

China and Mexico imports from U.S., in billions

**2017 imports: \$2.52 billion**

**Est. after 25% tariff: \$1.38B**



**Est. gross trade damage: \$1.14B**

**FPDP purchase: \$559 million**

**Trade damage less FPDP: \$581 million**

**Pork initial MFP rate\*: \$8/head (\$581 million / 72.6 million head)**

### Dairy

China, Mexico and Canada imports from U.S., in millions

**2017 imports: \$812 million**

**Est. after 25% tariff: \$472M**

**FPDP purchase: \$85M\***



**Dairy initial MFP rate\*: \$0.12/hundredweight (\$255 million / 2.16 billion hundredweight)**

Notes: MFP rates are rounded. Multiplying the rate by the production may not equal the total payments.

\*For pork and dairy the initial MFP rate is calculated by subtracting FPDP purchases from the estimated tariff damage.

Source: Agriculture Department

tended to make farmers whole, but rather to provide short-term relief while the Trump administration works to secure long-term trade deals that benefit the entire econ-

omy, including agriculture.

U.S. dairy farmers will see their incomes slide \$1.5 billion this year due to tariffs from China and Mexico, according to a forecast by Informa Eco-

nomics.

Milk prices are lower than production costs for many farmers, said Jim Briggs, who milks 60 Jersey cows in Wisconsin. Mr. Briggs said the

\$700 check he is expecting from the USDA will pay one month's electricity bill for his dairy barn. He is struggling to keep up with bills for feed and veterinary services.

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# WORLD NEWS

## Trump, Changing Tack, Backs Two-State Solution

President says alongside Netanyahu that Israeli-Palestinian peace plan is coming

By FELICIA SCHWARTZ

UNITED NATIONS—President Trump said he backs a two-state solution to the Israeli-Palestinian conflict, in a shift from his previous stance, and promised to present his long-awaited peace plan in the next four months.

Mr. Trump, speaking ahead of a meeting with Israel's Prime Minister Benjamin Netanyahu, previously has said he would back either one or two states, whichever the two sides decided between themselves.

On Wednesday, he changed tack. His support for the concept is the most concrete detail available about his administration's peace plan.

"I like two-state solution," Mr. Trump told reporters Wednesday alongside Mr. Netanyahu. "That's what I think works best." He turned to the Israeli leader and added, "You may have a different feeling. I don't think so."

Mr. Trump said he expects to have something in the next "two to three to four months," adding, "I really believe something will happen. It is a dream of mine to be able to get that done prior to the end of my first term."

Mr. Trump's comments forced Mr. Netanyahu to be more specific about his own stance on two states. After endorsing two states in 2009, he has since tried to keep his stance vague.

Mr. Netanyahu said in a briefing with reporters he would back a Palestinian state, but that it must be under Israeli security control. "I am willing for the Palestinians to have the authority to rule themselves without the authority to harm us," Mr. Netanyahu said, adding, "I am sure that any U.S. peace plan



Prime Minister Benjamin Netanyahu speaking on Wednesday.

CARLOS BARRIA/REUTERS

will reflect that principle to a great extent, maybe even entirely."

Palestinian leaders say the Trump administration isn't an honest peace mediator, saying it is biased toward Israel. They have refused contact with the Trump administration since December, when Mr. Trump recognized Jerusalem as Israel's capital and announced the U.S. would move its embassy there, a city which the Palestinians claim as their own future capital.

Since then the U.S. has taken a series of punitive measures aimed at pressuring the Palestinians to return to discussions, including slashing \$250 million in bilateral assistance, cutting off aid to the U.N. Palestinian refugee agency and closing the Palestine Liberation Organization's office in Washington.

Palestinian Authority President Mahmoud Abbas on Wednesday cited those actions and rejected the U.S. as a mediator to the conflict. "It has become important to convene an international peace conference that would lead to the formation of an international mechanism to sponsor the peace process," he said, according to the Palestinian official news agency.

Mr. Trump's son-in-law and senior adviser Jared Kushner, chief negotiator Jason Greenblatt and U.S. Ambassador to Israel David Friedman have been formulating a plan for more than a year. But they haven't revealed any details.

American officials said the plan is near completion, and includes political and economic components. One important consideration on when to present the plan will be the timing of Israeli elections, which are expected at some point in the next year.

The comments come a day ahead of what are expected to be dueling speeches at the U.N. from Mr. Netanyahu and Mr. Abbas.

## U.S. to Pull Missile Systems From Middle East Next Month

By GORDON LUBOLD

WASHINGTON—The Pentagon is removing some U.S. missile systems from the Middle East in October, U.S. military officials said, a move that will leave American allies with fewer defenses as the White House ramps up its rhetoric against what it says are threats posed by Iran.

Defense Secretary Jim Mattis is pulling four Patriot missile systems out of Jordan, Kuwait and Bahrain next month in a realignment of forces and capabilities as the military steps up its focus on threats from China and Russia, multiple senior military officials said.

The relocation of the systems out of the Middle East, which hasn't been previously disclosed, is one of the most tangible signs of the Pentagon's new focus on threats from Russia and China and away from the long-running conflicts in the Middle East and Afghanistan.

Two Patriot missile systems will be redeployed from Kuwait, and one each from Jordan and Bahrain, officials said. Patriots are mobile missile systems capable of shooting down missiles and planes.

The four systems have been taken offline and will be redeployed by next month, officials said. There are no plans for any of them to be replaced, and they are being returned to the U.S. for refurbishing and upgrades, an official said.

Although some Patriot systems will remain in the region, officials said the removal of the four batteries amounts to a major drawdown of the capability Patriots provide in the region.

Patriots are designed as a missile-defense system, but can be used offensively if needed to protect not only U.S. bases and installations in those countries but also as an effective defense for allies. Their removal comes as the White House intensifies its rhetoric against Iran and



Jordanian soldiers training on a Patriot missile system in 2003.

GETTY IMAGES

amid an increasingly complex battlefield in Syria.

The State Department on Tuesday issued a 48-page report that detailed threats posed by Iran, including its missile programs. The report said Iran maintains "a stockpile of hundreds of missiles that threaten its neighbors in the region."

Bahrain is home to a large naval base and the Pentagon's Fifth Fleet, which conducts

*The removal comes as the White House intensifies its rhetoric against Iran.*

operations around the Persian Gulf and Middle East. Thousands of American military personnel are based in Kuwait, and special forces and other forces operate inside Jordan.

"U.S. Central Command is strongly committed to working with our allies and partners to promote and provide regional security and stability," said Capt. Bill Urban, a spokesman for the command in Tampa, Fla. "U.S. Forces remain positioned to conduct operations throughout the region and to

respond to any contingency." He said that "due to operational security concerns, we're not going to discuss the movement of specific capabilities into and out of the U.S. Central Command area of responsibility."

The Kuwaiti government

said the removal of the system

is "merely an interior routine procedure" that was done in coordination with the Kuwaiti

government, KUNA, the state

news agency, reported.

Patriot systems provide

what is known as point defense, meaning they provide defensive capabilities for a smaller radius to shoot down aircraft. With a range of only dozens of miles, they are typically located near the base or location they are intended to protect, officials said.

Patriot systems owned by Saudi Arabia are used there frequently, for example, regularly shooting down missiles fired from Yemen, where a civil war has raged since 2015.

American allies in the region have depended on such missile-defense systems for years. The systems play both a real and symbolic role in countering the threat posed by nearby Iran. Bahrain, in particular, has grown concerned about Iran-backed groups and other Shiite militias destabilizing the small island nation.



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## WORLD NEWS

# U.S. Seeks to Raise Pressure on Canada

Trump administration to release new Nafta draft that includes just the U.S., Mexico

BY JACOB M. SCHLESINGER AND WILLIAM MAULDIN

**WASHINGTON**—The Trump administration plans to step up pressure on Canada by publishing this week the draft of a new North American Free Trade Agreement that includes only the U.S. and Mexico, while telling Congress the move is part of a broader strategy involving new trade talks with a list likely to include Japan, Europe, the Philippines, and the U.K., according to people familiar with the plans.

The expected release of a new Nafta agreement excluding Canada doesn't necessarily signal that President Trump is ready to tear apart the quarter-century-old commercial bloc.

People familiar with the deliberations say the administration is still open to continuing negotiations with Canada and finding ways to maintain Nafta's basic framework.

But the move underscores the Trump administration's desire to raise the pressure on Ottawa by signaling a willingness to move forward just with Mexico. It also shows that, despite three weeks of intensive negotiations between the two countries, the U.S. has given up on reaching a deal with the Canadians by the self-imposed Sept. 30 deadline.

Mr. Trump told reporters Wednesday he had refused to meet Canadian Prime Minister Justin Trudeau during United Nations sessions in New York this week, because "we're very unhappy with his negotiations."

A Trudeau spokesman said



President Trump said Wednesday he is 'very unhappy' about trade negotiations with Canadian Prime Minister Justin Trudeau.

the prime minister hadn't sought a meeting with the president in New York.

While U.S.-Canada talks have hit a rough patch, Mr. Trump is eager to show that he is making progress in striking new deals with a long list of trading partners after an aggressive policy rolled out this year of placing tariffs on China and other countries.

After Mr. Trump's summit Wednesday with Japanese Prime Minister Shinzo Abe, the two governments announced plans to open talks aiming to reach a new trade deal.

U.S. Trade Representative Robert Lighthizer plans to tell members of Congress on Thursday that the coming

Japan talks are just one item on a list of new trade negotiations he will soon open formally, with the goal of reaching bilateral pacts in the coming months, said people familiar with the matter.

In addition to Japan, Mr. Lighthizer will tell Congress he wants to submit notification for negotiations with the European Union, formalizing a process that had been first announced in July.

He may also disclose official plans to start talks with the Philippines, and for the U.K. to have a trade pact in place after Brexit removes Britain from the EU, these people said.

That all follows the signing ceremony Mr. Trump held

Monday with South Korean President Moon Jae-in on a revised free-trade pact between their two nations.

The moves all reflect Mr.

Trump's longstanding strategy of favoring bilateral trade agreements over multilateral deals, which he believes hamper the American negotiating position. He has said he prefers, for example, a focused deal with Japan instead of the 12-nation Trans-Pacific Partnership negotiated by President Obama, which had included both nations. Mr. Trump pulled the U.S. out of the TPP.

But lawmakers are likely to be much more focused on the fragile state of Nafta.

Republican and Democratic

lawmakers, as well as business and labor leaders, have made clear they are unlikely to support a Nafta pact that excludes Canada.

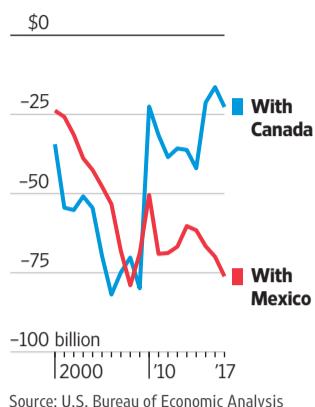
Three Democratic members of Congress from states bordering Canada asked Mr. Lighthizer on Wednesday to "stop rushing the Nafta renegotiation process, and focus on getting the best deal possible with both Canada and Mexico," said Reps. Ron Kind of Wisconsin, Suzan DelBene of Washington and Brian Higgins of New York.

The reason Trump aides plan to publish the Mexico text this week is that U.S. rules require publication of a text 60 days before the president can sign a deal. Mexico has said it wants a Nafta deal

## Different Directions

The U.S. runs a trade deficit in goods with both of its neighbors.

### U.S. merchandise trade balance



Source: U.S. Bureau of Economic Analysis

THE WALL STREET JOURNAL.

signed by Nov. 30, the last day in office for President Enrique Peña Nieto, to avoid the risk of his left-leaning successor re-opening the deal.

While expressing frustration with Mr. Trudeau, Mr. Trump Wednesday hailed the agreement reached with Japan's Mr. Abe to open new trade talks.

That appears similar to one Mr. Trump announced in July with the EU in which both sides agreed in general terms to reduce trade barriers in a limited number of sectors, but avoided an official free-trade agreement covering a broader portion of their economies.

As part of those talks, the U.S. also promised to forgo new tariffs on Japanese auto-makers while negotiations are ongoing, a pledge similar to one made to Europe.

Mr. Trump in May said he was considering tariffs on car imports from around the world in the name of national security, a threat that he credits for having forced the Europeans and Japanese to become more open to trade negotiations.

President Xi Jinping, right, visiting a farm in China's Heilongjiang province on Tuesday. Chinese tariffs have hit U.S. agricultural goods, like soybeans and pork.

# Trump Backs Off Pyongyang Timetable

BY MICHAEL R. GORDON

**UNITED NATIONS**—Plans for a summit between President Trump and North Korean leader Kim Jong Un advanced as the president said the U.S. would no longer insist that Pyongyang move to rapidly dismantle its nuclear arsenal.

Mr. Trump told a press conference on Wednesday that he had instructed Secretary of State Mike Pompeo not to get into a "time game" in his negotiations with North Korea.

"If it takes two years, three years or five months, doesn't matter," Mr. Trump said.

Those comments differed markedly from earlier administration positions.

Mr. Pompeo said in June that the administration hoped to achieve "major disarmament" of North Korea's nuclear arsenal during Mr. Trump's first term in office. Mr. Pompeo repeated that point earlier this month, saying the process of "rapid de-nuclearization" should be completed by January 2021.

While stating that he no longer had a timeline for denuclearization, Mr. Trump didn't retreat from the U.S. stance that economic sanctions must stay in place until an agreement is sealed and Pyongyang has taken irreversible steps to dismantle much or all of its arsenal. Mr. Pompeo is scheduled to chair a meeting of the United Nations Security Council on North Korea on Thursday.

The prospects for Mr. Trump's second summit with Mr. Kim appeared to have improved after Mr. Pompeo said he had "very positive" talks with his North Korean counterpart while attending the annual U.N. General Assembly meeting.

Mr. Pompeo indicated that he plans to leave soon for Pyongyang to prepare for the summit—an event that is expected to occur this year.

South Korean President Moon Jae-in has been urging the U.S. to support a political declaration that hostilities on the Korean Peninsula have come to an end.



President Xi Jinping, right, visiting a farm in China's Heilongjiang province on Tuesday. Chinese tariffs have hit U.S. agricultural goods, like soybeans and pork.

## China Accused of Interference

Continued from Page One

Chinese election interference is a new area of conflict. He said China was trying to hurt him and the Republican Party in part by using newspaper ads to target voters in areas most affected by retaliatory Chinese tariffs.

"Regrettably, we've found that China has been attempting to interfere in our upcoming 2018 election coming up in November against my administration," Mr. Trump said in his opening remarks earlier Wednesday while chairing the United Nations Security Council as other countries sought to focus on issues related to nuclear nonproliferation. "They do not want me—or us—to win because I am the first president ever to challenge China on trade," Mr. Trump said.

A senior administration official said during a press call that China's behavior had "reached an unacceptable level" that went "well beyond how most

other countries interact with each other."

The official added China's practices included "cyber" activities but the official didn't elaborate. Neither Mr. Trump nor the official provided any evidence that China was seeking to influence U.S. politics to the level of Russia's covert campaign during the 2016 presidential election.

Chinese Foreign Minister Wang Yi, who attended the Security Council meeting, denied any intervention by China in elections in the U.S. or elsewhere.

"China has all along followed the policy of noninterference in other countries' affairs," Mr. Wang said. "We did not and will not interfere in any other countries' affairs. We refuse to accept any unwarranted accusations against China."

The Chinese government this week denied a U.S. Navy ship permission for a port visit to Hong Kong next month, retaliating for sanctions slapped on a Chinese military agency that had purchased Russian combat aircraft and a surface-to-air missile system. China also formally complained to the U.S. ambassador, Terry Branstad, and the acting defense attaché about the issue.

Additionally, a growing num-

ber of Chinese espionage cases—involving Chinese nationals or former U.S. officials recruited by Beijing's intelligence services—have been brought to public trial in recent months, as the Justice Department has sought to deter the theft of intellectual property or national-security secrets.

On Tuesday, prosecutors said they had arrested a 27-year-old Chinese national who attended college in the U.S. and enlisted in the Army for allegedly spying

on U.S. engineers.

Also in recent weeks, the Justice Department ordered Xinhua News Agency and China Global Television Network, two leading Chinese state-run media organizations, to register as foreign agents.

On Twitter later Wednesday, Mr. Trump accused China of "placing propaganda ads in the Des Moines Register and other papers, made to look like news."

"That's because we are beating them on Trade, opening markets, and the farmers will make a fortune when this is over!" he wrote.

Chinese state media bought a four-page advertising insert in the Des Moines Register this week. The advertisement said Chinese President Xi Jinping studied in the state on a college exchange and said Beijing could "be an example for the world."

Such foreign media advertising in U.S. newspapers are relatively common, for other countries as well as China.

Vice President Mike Pence will deliver a speech next week laying out more specific detail about China's malign influence activities, the official said.

Mr. Trump's accusation of election meddling followed increased tit-for-tat disputes with Beijing over trade and military affairs.

The U.S. has alleged that China forces U.S. firms to transfer technology to their Chinese partners. On Monday, the U.S. levied 10% tariffs on \$200 billion of Chinese goods, bringing the total Chinese imports hit by U.S. levies to \$250 billion, or about half of Chinese imports to the U.S.

China has matched the U.S. actions with its own tariffs on \$110 billion on U.S. imports into

China, which is about 85% of what the U.S. exports to Beijing. Much of those Chinese tariffs hit U.S. agricultural goods, like soybeans and pork, produced in counties that voted overwhelmingly for Mr. Trump in the 2016 election.

Mr. Trump and his advisers point to the Chinese tariffs as evidence that Beijing is targeting the Republican base in an effort to affect the midterm elections. Last week Mr. Trump tweeted that "China has openly stated that they are actively trying to affect and change our election by attacking our farmers, ranchers and industrial workers because of their loyalty to me."

But given the scale of the Chinese tariffs, it was inevitable they would hit a big export item like agriculture. Also Beijing is far from the only country to look to sway Congress through tariffs when it is in a trade battle with the U.S.

Still, Mr. Trump has repeatedly praised Mr. Xi, repeating in a speech to the U.N. General Assembly on Tuesday that it had been "a pleasure and an honor" to work with the Chinese leader.

*Farnaz Fassihi at the United Nations and Bob Davis in Washington contributed to this article.*

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## WORLD WATCH

INDIA

**Court Says Biometric Database Is Legal**

India's highest court ruled that the world's largest biometric identification database doesn't infringe on citizens' privacy rights—but needs some new limitations.

The country's Aadhaar program uses photos, finger and eye scans and has signed up more than one billion people.

The Supreme Court ruled in a 4-1 decision Wednesday the program, launched in 2010, was constitutional.

Being in the database, however, shouldn't be required for using mobile phones, opening bank accounts or for school admissions, according to the 1,448-page document outlining the court's decision.

—Newley Purnell

MEXICO

**Independent to Join Central Bank Board**

Mexican President-elect Andrés Manuel López Obrador intends to nominate independent economist Jonathan Heath to the Bank of Mexico's board of governors, according to people with knowledge of the plan.

The 63-year-old Mr. Heath, who has a doctorate in economics from the University of Pennsylvania, would be the first person from the private sector to be named to the board since 2009. The nomination is expected to be made after Mr. López Obrador takes office on Dec. 1.

—Juan Montes

ARGENTINA

**IMF Increases Size Of Nation's Bailout**

The International Monetary Fund agreed to boost its bailout package signed with Argentina in June.

Argentina's Finance Minister Nicolas Dujovne and IMF Managing Director Christine Lagarde said Wednesday the new agreement will increase the bailout by almost 15% to \$57.1 billion, providing an extra \$19 billion in financing through 2019.

—Jeffrey T. Lewis

## WORLD NEWS

**South African Leader Vows Upturn**

By JOE PARKINSON  
AND GABRIELE STEINHAUSER

**NEW YORK**—In the weeks after Cyril Ramaphosa took over South Africa's scandal-battered presidency in February, the wave of economic optimism that greeted his accession was nicknamed "Ramaphoria."

Now the trade-union boss turned business tycoon is scrambling to shore up investor confidence as Africa's most developed economy has plunged into recession, its rand currency has slid, and pressure is mounting from a dissident faction within his ruling party.

"The economy moved against us....We were too slow with some reforms," Mr. Ramaphosa said in an interview on the sidelines of the United Nations General Assembly. "But I like the long game. Now the reforms are coming fast and furious."

A one-time favorite of South Africa's first black president, Nelson Mandela, Mr. Ramaphosa ousted his predecessor, Jacob Zuma, after defeating Mr. Zuma's ex-wife in a bruising race for the leadership of the African National Congress. He fired state officials at the center of allegations of escalating government corruption that plagued Mr. Zuma's time in office and promised to end years of economic stagnation.

But since then, amid a sell-off in emerging-market assets, rising oil prices and a historic drought that cut agriculture



South African President Cyril Ramaphosa, left, with U.N. Secretary-General Antonio Guterres Tuesday.

next month, the government will have to implement new spending cuts or tax increases if it wants to come close to its target of a deficit of 3.6% of gross domestic product for the fiscal year ending March 31.

The changing economic backdrop has aggravated the challenges for a president known as a cautious deal maker who must now bridge investor support, growing frustrations from South Africa's poor and the ruling African National Congress, which remains bitterly divided. At stake is the prosperity of Africa's most developed economy and its most storied liberation party.

Nearly two decades on, the president is leading the ANC's biggest move away from the compromise that ended apartheid—that economic inequalities would be corrected by a free market reined in by affirmative-action laws rather than more aggressive redistribution.

Mr. Ramaphosa said that land redistribution was necessary to maintain economic stability.

According to farm-lobby group AgrisA, white South Africans, who make up around 8% of the country's population, still own 73% of agricultural land.

"I see a resolution of this problem—like we did when we solved the apartheid problem," he said. "I can see it and smell it. Once again South Africa will surprise the world."

—Dan Keeler contributed to this article.

production, the 65-year-old has spent much of his time defending plans to speed up the redistribution of land from the white minority to the black majority. President Trump, South African banks and white farming groups have all attacked an ANC proposal to start expropriating land without compensation—despite Mr. Ramaphosa's assurances that this would be done without hurting the economy or

agricultural production.

Mr. Ramaphosa insisted that South Africa's economy would return to growth in the third quarter, after shrinking an annualized 0.7% and 2.6% in the first and second quarters.

Last week, the government proposed a stimulus package, made up mostly of shifting existing spending and policy overhauls, such as easing visa rules for visitors and foreign workers.

Yet the package, along with a new 400 billion rand (\$28 billion) infrastructure fund, has failed to revive the rand, which is down nearly 20% since the beginning of the year. Fitch Ratings, which already ranks South Africa's debt as junk, said Tuesday that the new measures won't significantly boost the country's growth prospects. The South African Reserve Bank expects a meager 0.7% growth this year. In its budget review

**Pope Francis Urges Reconciliation With China's Catholics**

By FRANCIS X. ROCCA

long resisted it.

"I now invite all Chinese Catholics to work toward reconciliation," he wrote in a message released by the Vatican, urging them to "overcome the divisions of the past that have caused, and continue to cause, great suffering in the hearts of many pastors and faithful."

The Vatican and Beijing on Saturday signed an agreement

ending a decadeslong struggle over who chooses the leaders of Catholicism in the world's most populous country—and drawing sharply divided views about its implications for religious freedom.

In his message, the pope wrote that "many conflicting reports" had "caused a certain confusion" about the agreement.

China's estimated 10 million

Catholics legally are supposed to worship only in churches approved by the state-controlled Chinese Patriotic Catholic Association, but many attend unregistered churches in so-called underground communities led by bishops loyal only to Rome. The Vatican and Beijing have cooperated informally to agree on most appointments of bishops in re-

cent decades, but the government has periodically named bishops without the pope's approval.

Pope Francis' pursuit of the deal largely has reflected his desire to end divisions between Catholics who worship at state-appointed churches and those in the underground church.

—Josh Chin in Beijing contributed to this article.

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# Married Truckers Hit Road

Continued from Page One

A married couple driving can command a joint income of over \$100,000 a year, or even more as owner-operators of their own trucks.

There are downsides to long-haul love: traffic, fatigue, sleeping through potholes and construction, bad weather, showering at truck stops and navigating relationship challenges posed by close confinement in a tiny space.

Five hundred miles into their recent trip, when Mrs. Lucey expressed consternation that the homemade chicken-stuffed lasagna she reheated at a truck stop didn't taste as good as usual, Mr. Lucey sheepishly admitted he added water to it.

"There's a few times we push each other's buttons," says Mrs. Lucey, who has driven with her husband for eight years. It's

usually in "that time period where we're getting ready to trade off. One person might be tired and really just wants to go to sleep, and really doesn't want to hear about the guy three hours ago that might have cut you off."

Once they deliver their load and pick up a fresh trailerful of products in Jersey City on Thursday, the Luceys drive straight back to California, arriving home on Sunday morning. "It's not a glamorous job and it's definitely a job you have to work at to make a healthy lifestyle," Mrs. Lucey said.

Team drivers are a plus for freight companies. They can deliver loads twice as fast as drivers going solo. One partner drives while the other rests, keeping the truck going nearly all hours. Using team drivers, freight companies can "effectuate air-freight-like speeds without ever paying for jet fuel or pilot time," said Donald Broughton, managing partner of transportation research firm Broughton Capital.

Heather Hutchens, from Waco, Texas, was initially dubious about the idea of living out of a truck cab for months when



HARRETT TORY/THE WALL STREET JOURNAL

**Karen and Paul Lucey during a six-day, roughly 6,000-mile trip.**

she left her job as an optician to join her husband, Jason, driving. "Turns out that we love it," she said. "It's like tiny home living." Some truck stops have pet-grooming facilities, gyms and drivers' lounges.

"We're in each other's face 24/7 sometimes," said Channon Gould, a former police officer from Sumter, S.C., who drives with her husband, John.

"I get to pluck his nerves and he gets to pluck my nerves, and at the end of the night we kiss

and make up," said Mrs. Gould, who drives not only with her spouse but also their 2-year-old daughter, Miracle, whom they recently took to Walt Disney World after dropping off a load in Lakeland, Fla.

For Jeremy Fish, a truck driver since 1997, driving with his wife revived his interest in the job. "Being able to show her all this stuff for the first time and watching the wonderment in her face," like trying deep-dish pizza in Chicago or clam

chowder in New England, "that made it a lot better for me," he said. Mr. Fish's wife, Selena, previously worked as a plumber in Las Vegas and retrained as a commercial truck driver three months after their 2016 wedding. Initially, she found it hard to sleep in a moving truck. "All the noises and the movement, every little thing kept me awake, but now I don't even wake up when he stops to take a rest break." Having "never really traveled," Mrs. Fish described her new lifestyle as "like a paid vacation."

Carl Greene, a former investment adviser, grew bored of retirement and retrained as a driver with trucking company C.R. England Inc. The 71-year-old now delivers food donations around the country, and his wife, Kimberley, a teacher, joins him during summer vacation. While Mr. Greene drives, his wife helps navigate, plays games on her iPad and enjoys the view.

Angela Griffin and her husband, Scott, began team driving as she "ran some figures and I realized that if we did it for two years, we could pay off our house." Mrs. Griffin, a former graphic designer who gained

her commercial driver's license in 2008 before they married, said the lifestyle is "definitely a much larger sacrifice than anybody could ever imagine."

"We're never home, and when we are home I would have to do laundry, get new food to put on the truck and try to get some rest—and then it was right back on the road," she said. They have since scaled back to part-time driving.

On I-80, Mr. Lucey said "no one plans to do this sort of thing forever." Mr. Lucey previously trained truck drivers, including team drivers, and said "the romance wears thin for a lot of couples that were very independent before." He trained his wife when she decided to become a truck driver after they married. "She was the best apprentice I ever had. I tell people that and they never believe me," Mr. Lucey said.

His first shift on the haul to New Jersey ended late in the morning in Nevada, and then it was time for him to get some rest. "Smooches, love you," he said, as he closed the curtain to the bunk. "Smooches, love you," his wife replied as she began her drive.

# China Grabs U.S. Technology

Continued from Page One

include pressuring U.S. partners in joint ventures to relinquish technology, using local courts to invalidate American firms' patents and licensing arrangements, dispatching antitrust and other investigators, and filling regulatory panels with experts who may pass secrets to Chinese competitors.

In DuPont's case, the dispute concerned a process to produce supple textile fibers from corn, a \$400 million business for the company in 2017. The antitrust investigators, say the people briefed on the raid, told DuPont to drop the case against its former Chinese partner.

U.S. companies have long complained that Beijing pressures them to hand over intellectual property. More recently, their concerns have escalated as China turns into an advanced rival in industries ranging from chemicals to electric vehicles.

Coerced technology transfer is a central part of the spiraling U.S.-China trade fight, a standoff that appears to be only more entrenched. The White House estimates China inflicts \$50 billion yearly in damages on U.S. companies. That transfer, U.S. executives regularly complain, weakens American businesses' competitiveness and undermines the incentive to innovate.

Chinese authorities referred questions to a paper by the State Council, China's cabinet, that says: "American companies in China have received huge returns through technology transfer and licensing, and are the biggest beneficiaries of technical cooperation" and that U.S. companies enter partnerships voluntarily.

China's offer "has been straightforward," says a policy maker in Beijing. "Foreign companies are allowed to access China's markets but they would need to contribute something in return: their technology."

U.S. companies have gone into China with eyes wide open, for the most part, and many are wary of going public with complaints. American companies initially brought the idea of joint ventures to China as a way to get access to a market of 1.4 billion people and tap a low-cost workforce. The bargain included helping Chinese firms become more technologically advanced.

At a January U.S. Chamber of Commerce dinner in Washington, executives pressed U.S. Ambassador to China Terry Branstad not to hit Beijing too hard on technology issues, according to dinner attendees. China has many ways to get even, warned Christopher Padilla, a vice president of International Business Machines Corp., which licenses technology to Chinese firms.

"If someone gets knifed in a dark alley, you don't know who did it until the next morning," Mr. Padilla said at the dinner.

"But there has been a murder." DuPont briefed U.S. officials on its problems but didn't want its case raised in trade talks, say some of the people familiar with the case. Its former Chinese partner, Zhangjiagang Glory Chemical Industry Co., continues to sell chemicals used to make fibers that DuPont be-



**For the C919 jet, China made clear it would buy components only from joint ventures whose foreign partners would share technology.**

## Moving Ahead

Beijing is making big technological gains, although some U.S. companies in China say they face coercion.

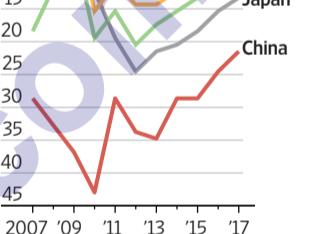
China's annual R&D is gaining on the U.S. by some measures...

### R&D expenditure



...the nation is making big strides in innovation...

### Global innovation index ranking



...and it is paying for more foreign intellectual property.

### Chinese intellectual property payments



\*Purchasing Power parity. Figures for 2017 are estimated, and forecasted for 2018  
Source: R&D Magazine (expenditure); Center for Strategic and International Studies; Global Innovation Index (innovation); SAFE Balance of Payment via Peterson Institute for International Economics (intellectual property payments)

wholly-owned operations or in our joint ventures.

Advanced Micro Devices Inc., a Silicon Valley chip company, entered a joint venture in 2016 with Chinese private and state-owned entities, including the government's Chinese Academy of Sciences. AMD licenses microprocessor technology to the venture and is developing new computer chips with it.

AMD has received about \$140 million in licensing through 2017. "We created a joint venture that was very much a win-win," AMD Chief Executive Lisa Su said at a 2016 conference. An AMD spokesman says the joint venture is "part of our strategy to create a complementary product offering."

Chinese leaders see technologies as forces to propel its industries up the value chain into more sophisticated sectors and the country into rich-nation ranks. To ensure foreigners bring their best, phalanxes of regulatory panels scrutinize foreign investments to make sure they meet government goals.

Huntsman Corp. has singled out these review panels as a conduit for siphoning trade secrets. The Woodlands, Texas, chemicals maker is thriving in China, which accounted for about 14% of its 2017 revenues.

Still, "our competition isn't going to be standing on the sidelines cheering a song," CEO Peter Huntsman told analysts in June. They could be "trying to either steal the technology or develop the technology themselves." Mr. Huntsman declined to be interviewed.

Regulatory panels, packed with industry experts, must approve many chemicals before they can be produced in China and require detailed information on formulas and production processes, say U.S. trade groups and chemical firms.

For Huntsman, these panels have drilled down on specialized knowledge, people close to Huntsman say. Soon after those experts conducted their evaluations, local competitors used the same kind of technology in their own products, they say.

Huntsman is battling over a crown jewel of its business, a black dye used in textiles that is less polluting to make. It filed a lawsuit in Shanghai against a Chinese company for infringing a patent on the dye in 2007. Huntsman then found a court-appointed review panel stacked against it, it said in a 2011 complaint it filed with the U.S. Com-

merce Department.

The panel members included an engineer from the company Huntsman was suing, another from a local dye-research group and a third who once worked at a local dye firm, according to the complaint and people with knowledge of the matter. The experts' work "effectively turned them into allies and 'spokespersons'" for the Chinese competitor, the complaint said. Litigation of the patent-infringement case has dragged on. Huntsman has asked the Trump administration to consider blocking Chinese firms if they set up operations in the U.S. using disputed Huntsman technology.

For foreign auto makers, the review panels have become a battleground over electric-vehicle technology. New vehicles must get government approval before mass production, undergoing a mandatory technology audit that usually lasts several days, foreign makers say.

An audit this year convinced an employee at one foreign auto maker there was "clear evidence

of collusion" between the audit team and Chinese auto makers. When the audit began, the person says, inspectors asked for only the blueprints of the electric-vehicle components the foreign company was striving to protect from its Chinese joint-venture partner. "Somehow they knew exactly the areas to look at," the person says. "There wasn't a single question about any of the other very complex systems on the vehicle."

## Coerced technology transfer is central to the spiraling U.S.-China trade fight.

During August trade talks, U.S. negotiators cited memory-chip maker Micron Technology Inc., which filed a lawsuit in California in December alleging technology theft by Fujian Jinhua Integrated Circuit Co. Jinhua sued Micron in January in a court in Fujian province—whose government partly controls Jinhua—and won a temporary order blocking some Micron subsidiaries from selling products in China that each company claims patents to.

Jinhua declined to comment. In a July statement, it said Micron has "recklessly" infringed on its patents. Micron says it intends "to vigorously protect our intellectual property."

Commerce Vice Minister Wang Shouwen dismissed the concerns in August trade talks, say officials familiar with the talks. Micron and Jinhua "are like brothers," Mr. Wang said, according to the officials, "and brothers fight."

—Trefor Moss in Shanghai contributed to this article.

## Market access

Trading market access for technology dates to Chinese leader Deng Xiaoping's effort to launch the pro-market policies that propelled China's rise.

The idea fit with Deng's desire to obtain Western technology but limit Western influence. China "needs to give up portions of the domestic market in exchange for advanced technologies we need," he pronounced in 1984. The policy was a success, according to a March 2018 paper by economists at the universities of Colorado, Hong Kong and Nottingham, who found that foreign technology "diffuses beyond the confines of the joint venture" and boosts competitors' technology.

As the practice increased,

one U.S. administration after another, with only modest success, pressed Beijing to ease requirements that U.S. companies fork over technology.

China mandates that foreign companies wanting to open or expand in 35 sectors do it through joint ventures, though it announced a plan in April to phase out rules requiring foreign auto makers to share factory ownership and profits with Chinese companies by 2022.

The arrangement has worked for some. When China set out to build its first large commercial passenger jet in 2008, state-owned Commercial Aircraft Corp. of China made clear it would buy components only from joint ventures whose foreign partners would share technology.

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merce Department.

DuPont also shared information with its Chinese partner, Zhangjiagang Glory when it licensed the Chinese firm in 2006 to produce and distribute Sorona, the textile polymers made from corn. Within DuPont, the Glory deal was called a "tolling" partnership—a relationship that serves as a kind of toll to enter the market. DuPont trained Glory to set up a factory to produce Sorona polymers and to spin them into fibers.

Around 2013, say the people

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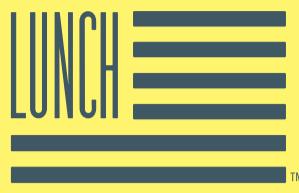


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# GREATER NEW YORK

## Test Scores Show Gaps Among Students

State results reveal 47% of New York City exam-takers passed in English; 43% in math

By LESLIE BRODY

With only one out of three black and Hispanic students statewide passing New York's tests in reading and math last spring, educators and advocates called Wednesday for more urgent efforts to narrow stubborn achievement gaps.

While about 67% of Asian students and 52% of white students passed state tests in English language arts, about 35% of black and Hispanic students were proficient. Similar gaps appeared in math for public-school children in grades three through eight, as they have for years.

Only 34% of low-income students were proficient in math, compared with 62% of wealthier peers, data showed. These scores come despite years of efforts to close gaps

through a mix of steps, including allocating more state aid to schools serving many at-risk children, expanding preschool, adding social services and trying to make curricula more engaging. Many advocates for struggling students say such moves haven't gone far enough.

"These results reinforce the central equity challenge of focusing our attention, urgency and resources to support the groups of students who have been historically underserved in our education system," said Ian Rosenblum, executive director of the Education Trust-New York, which advocates for equal opportunities.

State Education Commissioner MaryEllen Elia cited efforts to tackle the problem through rigorous coursework, teacher training, programs to improve school climates, and services to address students' social and emotional needs.

State tests have changed several times since 2012, making it hard to judge any long-term trends. This year's scores

can't be compared with last year's because testing was cut from three days in each subject to two.

"You can't do it, it's not valid, and I'm not doing it," said the commissioner, adding that the next two years' results will be comparable—before tests change again in the spring of 2021 to reflect evolving standards.

Other tests show few strides in some areas. For example, an exam known as the nation's report card, called the National Assessment of Educational Progress, has found that average reading scores for fourth-graders in New York City and statewide barely budged from 2007 to 2017, and slipped in math.

High opt-out rates in New York continue to muddy the picture from state tests. Last spring, about 18% of eligible exam-takers refused testing, a decline of 1 percentage point from the year before.

Few New York City students skipped the tests this year. Most boycotters came from

### Achievement Gaps

Scores for New York state tests in math and English differ based on students' race and ethnicity, as well as type of school.

#### Proficiency rate statewide by race/ethnicity, 2018\*

	English	Math
Asian/Pacific Islander	66.7%	71.2
Black	34.5	29.3
Hispanic	35.1	31.8
Am. Indian/Alaska Native	38.5	36.3%
White	51.8	54.2

#### Performance by charter schools, 2018



Note: Proficient means scoring at least 3 on a test graded levels 1 through 4.

\*Includes charters

Source: New York State Education Department

middle-income or wealthier districts, state data show. Many argue that testing narrows the curriculum, wastes time and doesn't accurately reflect real learning.

This year 47% of city students overall were proficient in English and 43% in math. Statewide, about 45% of students passed in each subject.

Mr. de Blasio's chancellor, Richard Carranza, said he would be the "Scrooge in the conversation" and stress that the opportunity gap remained too large, with educational attainment too often predictable by students' backgrounds. He has promised to pursue the mayor's agenda of expanding early education, literacy coaching, computer-science courses and other initiatives.

New York City charter schools outperformed traditional district schools, as well as charters elsewhere in the state. At the city's charters, 60% of students were proficient in math, and 57% passed in English. Charter advocates called for lifting a state cap on charters that will soon limit their expansion.

Critics say charters siphon money from public schools and some deter hard-to-serve students from attending.

## Salaries Are Set To Take Off for Airport Workers

By PAUL BERGER

Cabin cleaners and baggage handlers are among the tens of thousands of airport workers expecting a significant pay increase. After years of pressure from airport workers, the Port Authority of New York and New Jersey plans to vote Thursday on raising the minimum wage at its airports to \$19 an hour.

Hector Figueroa, president of Local 32BJ of the Service Employees International Union, said Wednesday that the increase wouldn't catapult his members into the middle class. But it would help some of the estimated 40,000 workers employed by private contractors servicing the airports to better feed their families, buy school supplies and pay bills.

"It makes a big difference," Mr. Figueroa said.

The Port Authority operates John F. Kennedy International and LaGuardia airports, both in Queens, N.Y., as well as Newark Liberty International Airport in N.J. The three airports together served more than 130 million passengers last year.

Because of differences between state minimum-wage laws, many airport workers in New York currently earn \$13 an hour, while many in New Jersey make between \$8.60 and \$10.45. About 20% of workers rely on food subsidies or food stamps, the Port Authority says.

Airport workers have campaigned for a minimum-wage boost since 2014, regularly crowding into monthly Port Authority board meetings. They have implored the Port Authority to force private contractors to raise wages, while telling commissioners of their struggle to survive in one of the most expensive regions of the country.

Commissioners will vote Thursday on a package of annual increases beginning in November, which would raise the minimum wage by 2020 to \$16.20 an hour—the equivalent of about \$32,400 a year, according to Port Authority documents—and ultimately reach \$19 an hour by September 2023.

Port Authority Chairman Kevin O'Toole said in a statement Wednesday that raising

wages should boost workplace morale and productivity, improving passenger experience and airport safety as a result. "People cannot be expected to do their jobs well if they aren't paid well," he said.

The Port Authority was expected to raise wages this summer, but board members hesitated at the last minute, citing a possible legal challenge from companies that service the airport and airlines. On Tuesday, the agency released a 100-page report detailing the rationale for the wage increase, which emphasized safety and security issues.

The report noted that airport workers, some of whom have access to airfields and aircraft, play important roles in spotting suspicious activity

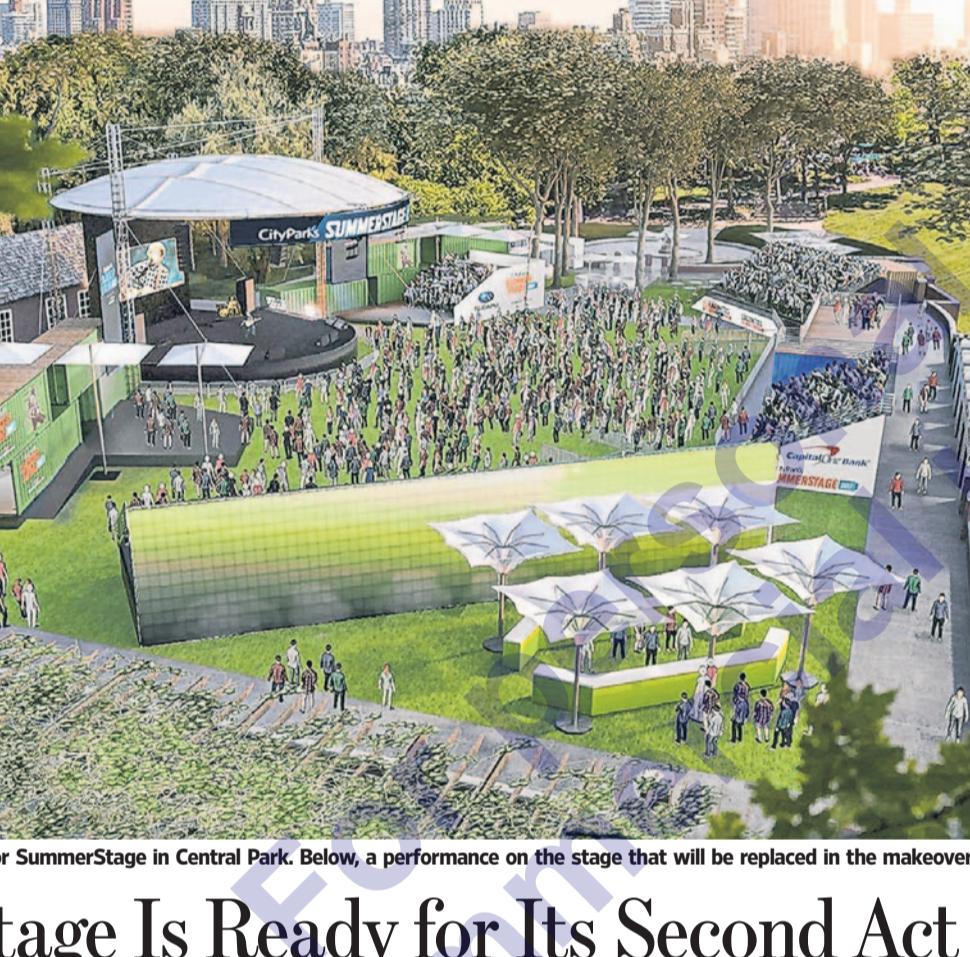
\$19

Proposed minimum wage to take effect in September 2023

and helping in times of crisis, such as a storm response or an airport shooting. But annual staff turnover, currently at about 30%, is so high that many workers lack the necessary experience and training.

Airlines for America, a trade association of U.S. airlines, including American Airlines Group Inc. and United Continental Holdings Inc., wrote to the Port Authority in July, calling the safety and security arguments "mere 'gloss' for social welfare policies." It also warned that the wage increase would "have a direct impact on air carrier prices and services at the three major Port Authority airports."

A spokesman for the group said in a statement Wednesday that the minimum-wage increase exceeds the Port Authority's legal authority. "We have not yet determined next steps, however, we continue to closely monitor any developments with the resolution," the spokesman, Vaughn Jennings, said.



Rendering of a proposed design for SummerStage in Central Park. Below, a performance on the stage that will be replaced in the makeover.

## SummerStage Is Ready for Its Second Act

By CHARLES PASSY

In its 32-year history, the SummerStage in Central Park concert series has built a special reputation based on its bucolic setting and eclectic lineup. The event has played host to hundreds of artists and groups, ranging from Patti Smith to Ladysmith Black Mambazo, Curtis Mayfield to the Metropolitan Opera.

But in recent years, the series, held in the Rumsey Playfield, has had trouble competing with other New York City venues in terms of sound, lighting and other amenities. And that has extended to backstage as well: Artists looking to freshen up before or after a performance often are surprised to learn the facility lacks showers.

All that will change after the series concludes in October and undergoes a \$5 million makeover in time for the start of the new season in May, said officials with City Parks Foundation, the nonprofit that has been behind SummerStage in Central Park since 1994.

City Parks also runs SummerStage programming in



other parks throughout the five boroughs, in addition to athletic and educational activities.

Funding for the Central Park project is coming from public and private sources, said City Parks officials, who noted that they have raised \$4.4 million to date.

Key to the project, said City Parks Executive Director Heather Lubov, is a new stage that can accommodate more lighting equipment and other theatrical elements. The stage

will replace one that is 18 years old and simply no longer meets the full demands of today's touring acts, Ms. Lubov said.

"We've come close to having to turn artists away," she said.

The makeover also will include new bleachers and a general redesign of the space so that concessions and bathrooms will be moved more to the periphery, improving traffic flow. Seasonal turf will also

be added to make the ground more level.

All this is being welcomed by the Bowery Presents, a New York concert promoter that partners with City Parks on roughly 20 ticketed shows each season at SummerStage. (The remaining 30 shows in the venue's annual lineup are free and presented directly by City Parks.)

Jim Glancy, a partner with Bowery Presents, said SummerStage always has held a special place in New York City's concert life by virtue of its "incredible setting." But the venue hasn't kept pace with even festivals that are staged "in the middle of nowhere."

The SummerStage makeover will include the backstage area, too. That means new facilities with, yes, showers.

For the Grammy Award-winning artist and SummerStage veteran Angélique Kidjo, the amenity is a must, particularly because she often arrives at a concert straight from the road.

"When you sit on a tour bus for that long, you need to refresh yourself," said Ms. Kidjo, who will appear at SummerStage on Thursday night.

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Port Authority Chairman Kevin O'Toole said in a statement Wednesday that raising

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## GREATER NEW YORK

# Tenants Criticize Public Housing

BY KATIE HONAN  
AND MELANIE GRAYCE WEST

Hundreds of New York City Housing Authority residents testified in federal court in Manhattan on Wednesday, decrying the persistent problems in their homes, from lead paint to moldy walls, and heat and water issues.

The hearing followed a settlement announced in June between NYCHA and the U.S. attorney's office for the Southern District of New York in which the city acknowledged misleading the federal government about the agency's compliance with lead-paint safety regulations.

The city has agreed to invest more than \$2 billion over a decade to make the needed repairs and to submit to a federal monitor.

Many residents, such as Gladys Figueroa, 61 years old, testified that they remain in their homes despite the worsening living conditions. She told U.S. District Judge William Pauley III that she suffers from severe and persistent asthma and is disabled. She said the mold inside the bathroom of her apartment in the Robert Fulton Houses in Manhattan hasn't been re-

moved, even though she said she has reported the mold problems to NYCHA for years.

"My bathroom looks like there has been a fire in there, it's completely black," she said.

A spokeswoman for NYCHA, Robin Levine, said in a statement that the agency takes "residents' testimony seriously as we transform the Housing Authority. We are working every day to fix problems and put new resources to work to improve public housing."

The authority previously has said that its 325 developments need about \$31.8 billion in repairs.

The June settlement came after a multiyear probe by federal prosecutors who said that local housing officials took measures to hide unsafe conditions at buildings. In July, Judge Pauley questioned whether the settlement and a monitor could fix the long-time problems that have plagued the beleaguered agency.

The judge must approve the settlement between NYCHA and the U.S. attorney's office.

During an unrelated news conference Wednesday, New



*'They'll come and take pictures of the apartment but they won't do the work. My apartment is deteriorating.'*

—Brenda Pratt



*'We have been suffering for three weeks with no gas. People should not have to live like this.'*

—Calvin Drumgo



*'I feel sick all the time in a place where you're supposed to be comfortable...I can't breathe in my apartment.'*

—Kim Ross

KELLYANN PETRY FOR THE WALL STREET JOURNAL (\$)

York City Mayor Bill de Blasio said he understands why NYCHA residents are frustrated. He said the root of NYCHA's problem is decades of disinvestment from the federal government, and added that the city would continue to improve its public housing, investing billions in repairs. "This is going to be a long

battle to get our public housing to where it needs to be," he said.

Nicole Lateese Moore, 37, a resident of the Tompkins Houses in Brooklyn, said her 7-year-old daughter has been hospitalized eight times for her asthma and for chronic headaches caused by mold that she says continues to

grow despite work to correct the problem.

In her building there are gas leaks, chipped lead paint, electrical wires that spark, garbage that sits stagnant for months, and heat and hot water issues, she said.

"Do you know what it's like to not be able to breathe?" Ms. Moore asked the judge.

"We are pleading for help."

Patricia Alston moved to the Boulevard Houses in Brooklyn in 2011. During her testimony, she said her apartment has been flooded four times and her entire bedroom closet is black from the mold.

"This is the worst place I've lived in my entire life," she told the judge.

## GREATER NEW YORK WATCH

## NEW JERSEY

**Charges Dropped in Fake Bomb Case**

An Israeli man found with a fake bomb at a Newark Liberty International Airport earlier this month won't face criminal prosecution.

Port Authority of New York and New Jersey police took 50-year-old Alon Felman into custody at the airport on Sept. 4. He was accused of creating a false public alarm and interfering with transportation after a rep-

lica of an improvised explosive device was found in his carry-on luggage during a screening.

Mr. Felman, who is a defense contractor and had just arrived in Newark from Israel, told police the device was related to a police-training seminar he was attending in Panama City, Fla.

The charges against Mr. Felman were dismissed after authorities determined he had a legitimate purpose for possessing the device and that it wasn't something that could explode, Essex County prosecutors said.

—Associated Press

## CONNECTICUT

**City Might Ditch Manafort Name**

A Connecticut city is considering whether to change the name of a street that honors the father of Paul Manafort.

The Republican mayor of New Britain last month changed the name of Paul Manafort Drive to Paul Manafort Sr. Drive, clarifying that it refers to the city's three-term mayor and not his son, the former chairman of Donald Trump's presidential campaign who

has been convicted of financial crimes. City council Democrats want to do away with it. The council is expected to vote on a plan to name the road for Ebenezer D.C. Bassett, an African-American 19th century educator and diplomat.

In a letter, the Manafort family said Paul Manafort Jr.'s problems don't have anything to do with the legacy of their patriarch who died in 2013. His service as a mayor, state public works commissioner, World War II veteran and philanthropist have earned him the honor, they say.

—Associated Press

## LONG ISLAND

**Pair Accused of Fraud In Labeling of Squid**

The father and son owners of two Long Island food-processing and distribution companies have been charged with selling over 113,000 pounds of squid falsely labeled as octopus.

Federal prosecutors on Wednesday announced the indictment of 58-year-old Roy Tuccillo Sr., 31-year-old Roy Tuccillo Jr., both of Jericho,

and their two Westbury-based companies, Anchor Frozen Foods Inc. and Advanced Frozen Foods Inc.

The two defendants are facing charges including conspiracy to commit wire fraud.

Telephone numbers listed for the father and son weren't in service.

Prosecutors say the pair imported giant squid from Peru and marketed it in grocery stores across the country as octopus, which generally has a higher retail price.

—Associated Press

## Cuomo Blames Cold Weather For New York's Population Drain

BY JIMMY VIELKIND

New York's weather, not its economy, has helped push more than a million residents to leave the state since 2010, Gov. Andrew Cuomo said this week.

"People will make demographic choices about where they want to live. Some of them are climate-based," Mr. Cuomo said, adding that policies are no longer "chasing" residents away. "If someone wants to move to Florida because they want to move to Florida, God bless them."

Mr. Cuomo, a Democrat seeking a third term, offered the explanation on Tuesday after addressing an annual meeting of the Business Council of New York State at a resort on Lake George. Mr. Cuomo painted a rosy picture for the executives, in contrast to his Republican challenger, Marc Molinaro, who on Monday said taxes and regulations were driving people out of New York.

Census data analyzed in 2017 and 2018 by the Empire Center for Public Policy, a fiscally conservative think tank, shows that 1.02 million more people left New York for other states than moved here between 2010 and 2017. That represents 5.3% of the state's 2010 population. Percentage wise, that negative net migration was greater than any

**Moving Away**

States with the biggest population declines due to migration to other states 2010-2017

-5.3%	Alaska
-5.3	New York
-5.0	Illinois
-4.5	New Jersey
-4.3	Connecticut

Source: Empire Center analysis of U.S. Census Bureau data

THE WALL STREET JOURNAL.

state except Alaska.

Net foreign migration increased the state population by 869,570 during the same period, and natural growth—the difference between births and deaths—was 625,484, according to the Empire Center's analysis.

As a result, the state's population increased by 2.4%. Foreign immigrants concentrated in downstate areas, and the upstate counties of Jefferson, Tioga, Allegany, Chenango and Orleans had the greatest percentage of negative net migration.

After the governor's initial comment, a Cuomo adviser, Howard Zemsky of Empire State Development, clarified that out-migration has been a longstanding occurrence, and the loss of young people in previous decades meant up-

state New York's population "is older," and more likely to move at retirement.

Empire Center Research Director E.J. McMahon said the experience of other states in the Upper Midwest belied Mr. Cuomo's explanation. He pinned the negative net migration on a lack of economic opportunity upstate and on a high cost of living downstate.

"They've been called the cold, old places," Mr. McMahon said in an interview. Minnesota, Michigan and Ohio all had net negative migration of less than 2.5%; North and South Dakota, which have cold temperatures but are booming due to oil extraction, had positive net migration.

Mr. Molinaro, the Dutchess County executive, seized on Mr. Cuomo's comment and said Tuesday on Twitter that, "The Governor seems to be confusing NY's miserable business climate for the weather." On Wednesday, the Tax Foundation, a nonpartisan tax-policy nonprofit, said New York had the 48th worst business climate in the nation.

Mr. Cuomo dismissed Mr. Molinaro's criticism after his speech, which touted a higher number of private-sector jobs in the state, lower income-tax rates since he took office and young people who are returning to upstate cities such as Buffalo. "This is reality," Mr. Cuomo said. "These are numbers."

## Comptroller Admits Report Error

BY KATIE HONAN

New York City's top fiscal officer issued a mea culpa on Wednesday for a major calculation mistake in a report on the rapid decrease of affordable housing.

Comptroller Scott Stringer's report, "The Gap is Still Growing," this month stated that the city lost more than 1 million apartments renting for \$900 or less between 2005 and 2017.

But the actual number is less than half that: 425,492

houses, according to the updated report.

"While it remains true that affordable housing is declining at an unsettling rate and the gap is still growing, we overstated the pace," Mr. Stringer's spokeswoman, Ilana Maier, said.

The fub was tied to human error, according to the comptroller's office. One of the staffers working on the report mistakenly multiplied a number in a formula instead of dividing it.

The incorrect formula

caused multiple numerical errors throughout the report, which had adjusted numbers for inflation, Mr. Stringer's office said.

The data for the report was taken from the Housing Vacancy Survey done by the U.S. Census Bureau.

Although the comptroller's office originally said that the number of apartments renting for \$2,700 a month increased by 238,000 between 2005 and 2017, the actual increase was just 111,000 units, the updated report said.

### WORK MEETS WORKOUT

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# LIFE & ARTS

## HEALTH

## A New Push Targets Pediatric Cancer

World Health Organization and St. Jude seek partners for \$15 million drive to improve treatment for young patients in poor countries

BY LUCETTE LAGNADO

**W**HEN Pascale Yola Gassant went to work as a pediatrician at a children's hospital in Haiti in 2003, she saw patients with cancer—but could offer no specialists, drugs or radiation therapy to tackle their disease.

Distraught, Dr. Gassant says she warned her manager at St. Damien Pediatric Hospital in Port-au-Prince: "These children were left on their own and they would die without care and without treatment."

Improving those conditions, which are common in other low-income countries, is the focus of a campaign to treat childhood cancer globally that will be unveiled this week in New York. Led by the World Health Organization in collaboration with St. Jude Children's Research Hospital in Memphis, Tenn., the effort aims to improve the care of young cancer patients in countries such as Haiti, bringing it more in line with places like the U.S.

That is good news for Dr. Gassant, who in 2004 was desperate for cancer-care expertise at St. Damien Pediatric Hospital. She read oncology books, emailed an American cancer specialist for advice and bought medicine.

In early 2010, a catastrophic earthquake rocked Haiti and the recovery helped Dr. Gassant's effort. Representatives from St. Jude, which specializes in pediatric cancer, met Dr. Gassant when tending to Haiti's ravaged medical system. St. Jude funded more staff, including a social worker, for her fledgling cancer unit and sent Dr. Gassant to study pediatric oncology in Guatemala. It began paying for cancer drugs and for send-

ing some patients to the Dominican Republic for radiation. St. Damien still has a ways to go: chemotherapy drugs have to come from El Salvador, more than 1,000 miles away.

In recent years the U.S. and other nations have had breakthroughs treating children with cancer. According to doctors at St. Jude, 50 years ago, in well-off countries, most children with the illness died. Now, 80% or more of them survive. "We have advanced care at supersonic speed," says Carlos Rodriguez-Galindo, a pediatric oncologist at St. Jude, who sees the progress at his hospital and others in affluent countries.

Sadly, he says, the reverse is true in poor countries, where 80% of cancer-stricken children don't survive. Basic tools to diagnose and fight cancer are lacking, he says: "There is not one single radiation [therapy] center in Haiti—and that is the problem around the world."

Health organizations and charities have lowered infant mortality and improved child survival around the globe by targeting communicable diseases such as tuberculosis and malaria. But pediatric cancer, which annually afflicts about 300,000 patients worldwide, from newborns through age 19, "has not been a priority in the public health agenda," except in high-income countries, says André Ilbawi, a cancer surgeon and a WHO technical officer for cancer.

"In the West, we understand cancer," he says. But in some countries, when a child shows up with a fever or abnormal blood count, doctors don't recognize leukemia, and "presume they have malaria." The child will be given malaria drugs that "categorically do not work" against cancer, Dr. Ilbawi says.

Others are on the case. The



Dr. Pascale Yola Gassant, above, with patients at St. Damien Pediatric Hospital, below, in Port-au-Prince, Haiti where pediatric cancer care is improving but has a ways to go. St. Jude's Dr. Carlos Rodriguez-Galindo, left, is part of a campaign to improve cancer treatment for children in poor nations. (RODRIGUEZ-GALINDO)



Hospital for Sick Children in Toronto has paid for doctors from the Caribbean to come to Canada for fellowships in pediatric hematology-oncology. Doctors at the hospital consult with their counterparts in the Caribbean, says Victor Blanchette, co-chairman of the SickKids-Caribbean Initiative.

Texas Children's Hospital in Houston has focused on sub-Saharan Africa, where every year more than 100,000 children get cancer and 90% of them die, says David Poplack, a professor of pediatric oncology at Baylor College of Medicine. The initiative he started in 2106 targets three countries: Malawi, Botswana and Uganda—a nation of more than 44 million that two years ago didn't have a single pediatric oncologist, Dr. Poplack says. A priority of the program, called Global HOPE, is training local pediatricians to become pediatric oncologists. These countries are taking so-called Centers of Excellence—clinics created during the AIDS epidemic—and expanding

them to diagnose and treat children with cancer.

Before his program, Dr. Poplack says, in Uganda, "70% of the children who came to the hospital died in the first month." Now, "85% are surviving one month and over 50% are surviving more than a year and a half."

St. Jude officials say they have been fighting childhood cancer overseas for more than two decades, and recently implemented a five-year, \$100 million plan. "I am sure that investment will escalate," says Dr. James Downing, St. Jude president and chief executive.

St. Jude is joining forces with the WHO to "open the second chapter" of the campaign, says Dr. Rodriguez-Galindo, who is chairman of global pediatric medicine at St. Jude. On Sept. 27, the two organizations will announce a \$15 million push against pediatric cancer. They plan to train doctors and nurses to care for young cancer patients and establish global and regional alliances. WHO hopes to

coax governments on board while St. Jude and others will contribute cancer know-how. WHO also will work with other partners, Dr. Ilbawi says. WHO seldom has partnered with outside entities, sources say, so this venture with St. Jude is a new model.

In Haiti, Dr. Gassant says, cancer care remains a struggle. One patient, 5-year-old John Shivesky Delice, has been hospitalized since April with leukemia. He and his mom, a street vendor, came from a city almost 40 miles from Port-au-Prince, and she hasn't left his side. She believes her son will be cured.

John has put on weight, but Dr. Gassant isn't very hopeful. Since 2010, she has cared for 27 children with his form of aggressive leukemia. One is considered to have survived the illness; a handful of others are in treatment or remission. "In America, he would have every chance to survive," Dr. Gassant says. "He would get a bone-marrow transplant, but there are none in Haiti."

## BURNING QUESTION | By Heidi Mitchell

## HOW SHOULD YOU GET RID OF PILLS YOU DON'T USE?

**MOST OF OUR MEDICINE** cabinets are filled with prescription medications—some benign, some fairly toxic, some quite expensive. Bottles typically state how to properly store these drugs. But they don't specify how to safely dispose of unused or outdated pills.

So what's a patient to do with those orange bottles filled with leftover meds? One expert, Karen Bastianelli, associate professor of pharmacy at the University of Minnesota College of Pharmacy in Duluth, Minn., discusses where those pills can wind up and when flushing them down the toilet is actually an option.

The Environmental Protection Agency estimated in 2015 that nursing homes across the country toss out about 740 tons of medications each year. The way they and others had gotten rid of unwanted pills varied, since the original Controlled Substances Act didn't address disposal until lawmakers amended it in 2014. Still, rules vary by state, and regulations usually don't provide a particular method of destruction.

"Some states have medical-waste providers where they ship

the waste to that corporation or non-profit, who destroy them by incineration. Others donate to programs where the drugs get used in a medicine repository for redistribution to the needy," Dr. Bastianelli says.

As of mid-2018, 38 states and Guam had passed laws for donation and reuse of medications from pharmacies, charitable clinics or hospitals.

Dr. Bastianelli says there are five ways to get rid of unwanted prescription drugs. The best, she says, is medication take-back events. The Drug Enforcement Administration has run these for 15 years, and this May took back nearly 1 million pounds of drugs during its annual National Prescription Drug Take Back Day.

Dr. Bastianelli says her local sanitation department holds these sorts of events quarterly, and that

they are quite effective. Before turning in the meds, she says, "keep them protected from heat and light and out of reach of kids."

The professor also suggests looking into police departments and medication disposal boxes that have been popping up at pharmacies across the country in recent years. While drugstores' drop boxes tend to be open only during business hours, police departments typically will accept prescription drugs at all hours. "These boxes

are good, because once you put them in, they are irretrievable, like with a postal box," she says.

Before dumping, Dr. Bastianelli says to black out your name with a permanent marker, but leave the medical information visible in case the police or drugstores need to identify them.

"This will ensure your privacy but let

experts know what

is in the bottle," she says.

A third option is to pick up envelopes at your local pharmacy

into which you place the meds and ship them off for incineration. "Incineration is better than landfill for the environment, since it makes certain these toxic drugs are not getting into our wastewater," the professor says.

She is more concerned about unused lethal prescription drugs getting into the wrong hands. Just tossing unused or unwanted pills

into the trash is an easy option, though Dr. Bastianelli has a few tips.

"We want you to remove the label, add kitty litter or coffee grounds to make it unpalatable, and pour liquid into the container to make it icky," she says. "Then seal it up with a strong tape and hide it in an opaque container so it's not obvious that there is a vial in there," the professor says.

The last option is to flush your meds down the toilet, Dr. Bastianelli says. While this does enter the water systems, a study published in the journal Science of the Total Environment in 2017 showed that the eco-toxicological risk was negligible.

"The only things we want people to flush are those very potent meds that could kill a person who has never used a narcotic before with one dose," she says. The 15 medications on the Food and Drug Administration Flush List are mostly opioids and other controlled substances that have caused an unprecedented epidemic in this country. "We don't want these getting into the hands of kids, especially, so just flush them immediately," she says.



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## LIFE &amp; ARTS

## FASHION

# Building Buzz off the Runway

BY MATTHEW DALTON

Paris

**GUCCI HAS COME** to dominate fashion season social media with its mix of pop culture and high fashion—like a new Mickey Mouse head handbag the brand unveiled here Monday. But rivals are rapidly ramping up their efforts to challenge Gucci's buzz-building crown.

Gucci's Paris show demonstrated its conversation-starting savvy: A model walked the runway with a large white cockatoo named Kiki sitting on her shoulder. A photo of a denim jacket featuring a portrait of country singer Dolly Parton generated 140,000 likes on Instagram. And the brand's post of its Mickey Mouse bag—a hard plastic head that opens at the top—garnered more than 300,000 likes.

Other brands are scrambling to catch up. This month, Calvin Klein gave Instagram followers a look behind-the-scenes at its New York show; a video of a preshow fitting for the rapper ASAP Rocky in New York generated 150,000 likes. In Paris earlier this year, Chanel and Louis Vuitton won millions of likes and comments with lavish sets: Chanel built a "forest" in the city's Grand Palais, while Louis Vuitton built a runway in the Louvre courtyard that resembled a spaceship.

The brands are competing for more than just digital bragging rights. A brand that gains share of social-media buzz relative to competitors can expect a corresponding increase in market share over the next year, according to Tribe Dynamics, a San Francisco-based company that measures social-media engagement.

Overall, brands typically earn 10 times more digital-media exposure—including buzz on social media as well as blog posts and traffic to their brands' websites—during fashion week than they do in a normal month, says Michael Jaïs, chief executive of Launchmetrics, a social-media consulting firm for fashion brands. Fifteen minutes on the runway can create social-media buzz that lasts for months.

Gucci's Paris buzz came on the heels of its February show in Milan, where the label lit up social media with a collection set in a mock operating room featuring models holding baby dragons and replicas of their own heads. The striking images helped Gucci rack up much more social-media engagement—counting mentions of the brand, likes and other factors—for the month than the next



Above: Chanel's Karl Lagerfeld acknowledges the audience at a Paris show earlier this year. Below, left to right: Gucci generated social media buzz at its recent Paris show, which featured a model walking the runway with a large white cockatoo named Kiki sitting on her shoulder, and new Mickey Mouse head handbag.

closest brand, French couture house Chanel, says Tribe, which ranks social performance.

Robert Triefus, Gucci's chief marketing officer, says the brand's social-media team carefully curates its accounts on Instagram, WeChat and other online platforms to amplify the shows. But he emphasizes that the point is to support the creative director Alessandro Michele's fashion, rather than guide it.

Social-media analysts say that Gucci's use of the medium has helped fuel the brand's growth. Its revenue has doubled over the past three years, reaching €6.2 billion in 2017; Gucci is now the world's third-largest luxury fashion brand by sales after Louis Vuitton and Chanel.

Gucci's spectacle is too much for some in the industry. "Fashion can't be a means to have the media talk about you," said rival Italian designer Giorgio Armani. "We have to move and excite but without go-

ing overboard—it's too easy."

Many shoppers devour the images. Annemarie Beck, a 26-year-old who was recently browsing a Gucci store in Paris, watches shows on Instagram and Twitter. "I'm yearning for a pair of Gucci loafers or a Gucci belt," she says.

Chanel secured second place in Tribe's social-buzz rankings at fashion week earlier this year by transforming the interior of the Grand Palais in Paris. The catwalk was covered with leaves and models walked amid real trees. A video of the show posted to Chanel's Instagram account was viewed 1.5 million times. A photo of the forest just before doors to the venue opened was liked 250,000 times.

A social-media splash during fashion week can be even more important for smaller brands that lack the resources to buy large amounts of traditional advertising. Balmain, the Parisian fashion house led by digitally-savvy designer Olivier Rousteing, gives fol-



lowers behind-the-scenes looks at show preparations. Balmain is much smaller than the likes of Gucci and Chanel. But in March, a video posted by Mr. Rousteing to his Instagram account taking viewers backstage at the most recent Balmain show received more than 800,000 views.

"Whenever Olivier thinks about the show, he's not thinking about the front row that's actually watching the show in the space," said Txampi Diz, Balmain's chief marketing officer. "He's thinking about the bigger audience."

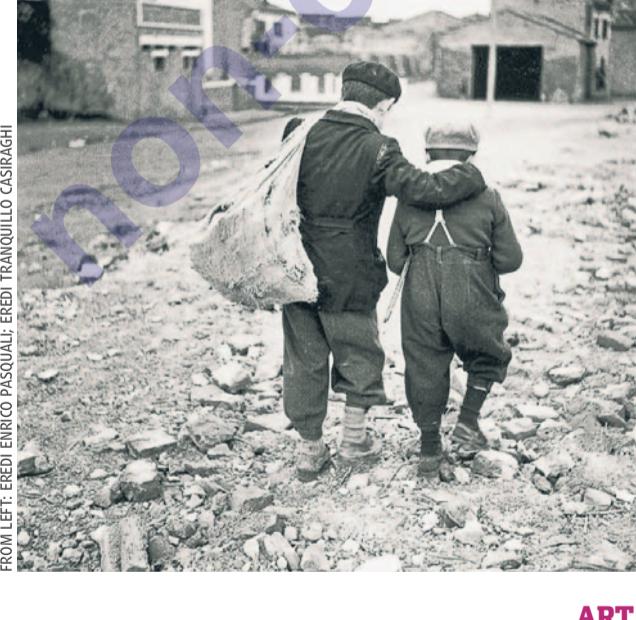
BY WILLIAM MEYERS

New York

**ENRICA VIGANÒ**, an independent curator, spent nine years searching through the archives of individual photographers to assemble the 174 prints in "NeoRealismo: The New Image in Italy, 1932-1960." There are no institutions in Italy that, like the Center for Creative Photography in Tucson, Ariz., hold the archives of important photographers, so Ms. Viganò sought out her subjects one by one. In fact, the point of the exhibition is to establish photography as a significant art form in a country where it has never ranked with painting, literature, music or, more recently, film. "NeoRealismo" was first displayed in Milan, then several other cities in Italy, then elsewhere in Europe, and is now making its one appearance in the U.S. at the Grey Art Gallery.

Well into the 20th century, Italy remained fractured socially, economically and culturally. Poverty and widespread illiteracy limited the development of popular magazines. Although the cultural elites saw little value in photography, Benito Mussolini and his Fascist Party, who came to power in the 1920s, did. Like the Communists in the U.S.S.R. and later the Nazis in Germany, they sought to use photography and film for propaganda. The first section of "NeoRealismo" is "Realism in the Fascist Era."

Fedele Toscani's "The Duce inspects the ranks...the results of the demographic campaign" (1938) is what the Fascists wanted. Mussolini in a snappy military uniform, and followed by a gag-



Enrico Pasquali's 'Children, Outskirts of Comacchio Emilia-Romagna' (1955), far left; Tranquillo Casiraghi's 'People of the Torretta Sesto San Giovanni, Milan' (c. 1950), left

recognition of neorealismo in film, posters from "Ladri di Biciclette (Bicycle Thieves)," "Roma Città Aperta (Rome, Open City)" and others are on display. Televisions show snippets of the films.

The Grey's exhibit is broad enough to include Mario De Biasi's playful "Sunday in August, Milan" (1949), an overweight woman lifting her legs as she rides her bicycle through a puddle, and his "Love in the Suburbs, Milan" (1952), a couple—the man straddling a motorcycle—kissing outside a factory. The radiant woman in "Rosarno," Franco Pinna's 1953 picture from the commune in Calabria, is pregnant and holds a mound of dough in her hands; unlike the women in "The Duce inspects the ranks...," she knows the child will be her baby, not the state's.

Except for the five images by Mario Giacomelli, whose work is always recognizable, the pictures in "NeoRealismo" tend to be uniform in style. Unlike, say, the 16 artistically ambitious photographers in Jane Livingston's book on the contemporaneous New York School, the 60-plus photographers in the current exhibition were more concerned with content than individual distinction. That was neorealismo's mission.

**NeoRealismo: The New Image in Italy, 1932-1960**  
Grey Art Gallery, through Dec. 8

Mr. Meyers writes on photography for the Journal.

## A LENS ON THE REAL ITALY

gle of officers, walks past a long row of women standing behind baby carriages turned so he can see their infants, the results of his pronatalist campaign. "The Duce in Foggia, Apulia" (1934)—taken anonymously by someone connected with the Instituto LUCE, which was founded in 1924 to produce propaganda—shows an immense crowd in the town square, at the back of which hangs a profile three stories tall of the dictator in a military helmet. But Italians have a knack for subverting authority, and many photographers sent to take pictures showing a modern, industrial and prosperous Italy—the Fascist "realism"—co-

vertly took pictures that showed something else.

There are four such pictures by Cesare Barzacchi that he kept under wraps until after the war and the fall of the Fascist regime. "The Gypsy Girl, Pisa" (1938) could hardly be further from politics: The sweet girl, maybe 10 or 11, stands on the tongue of a gypsy wagon and is engaged in conversation with a parrot.

The task for photographers after the war was to show Italians the real Italy, *neorealismo*. In sections titled "Poverty and Reconstruction," "Ethnographic Investigation" and "Photo-journalism and the Illustrated Press," pictures show

the good and the bad. Four men stand in the gutted ruins of what had once been a house in Tullio Farabolà's "Bombings, Milan" (1946). The same photographer shows two men at a table in "Soup Kitchen in Viale Monteroso, Milan" (1946). One seems to be a laborer; the other, wearing a suit and fedora, appears out of place.

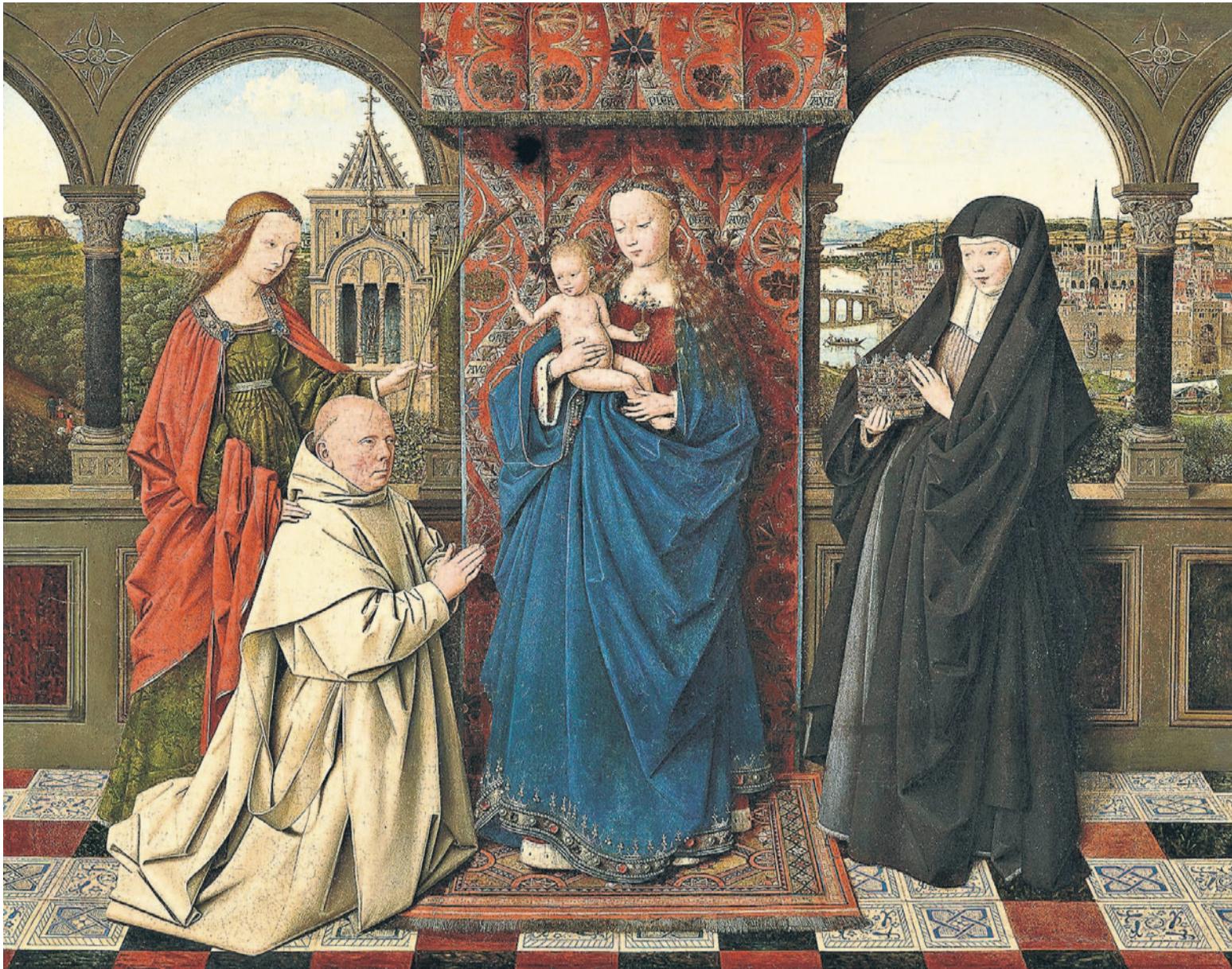
The young boy in bed in a picture from Chiara Samugheo's series "The Children of Naples" (1955) is being spooned food from a tin cup and is covered by a jacket that is incredibly filthy. The "Reapers Waiting for Work, Sicily" (1954) in Giuseppe Leone's picture are mostly sleeping on the sidewalk.

The men in Sante Vittorio Malli's "When Snow Means Bread" (1956) walk down the road with their shovels on their shoulders looking for work. "Dante Agropoli, Former Worker at the Piombino, Tuscany" (1955-56) is one of a series of portraits taken by Renzo Chini investigating the consequences of a factory closing. Caio Garubba's "Country Doctor, Calabria" (1955) is listening to his patient's heart while smoking a stogie.

Magazines and newspapers proliferated after the war; vitrines in the Grey exhibition have examples, many open to articles showing the pictures on the walls as they first appeared. In

FROM TOP: ALAIN JOCARD/AFP/GTY IMAGES; PASCAL LE SEGRETAIN/GTY IMAGES (2)

## LIFE &amp; ARTS



'The Virgin and Child With St. Barbara, St. Elizabeth and Jan Vos' (1441-43), by Jan van Eyck and his workshop, left; 'Prayer Nut for the Carthusian François du Puy' (c. 1517-21), by Adam Dircksz and Workshop

river or seated in boats that float on it. (The museum has several magnifying glasses available in a discreet rack.)

Aesthetically, the combination of a stupefying realism (even the Renaissance Italians were in awe of it when northern masterpieces made their ways south) and hold-over Medieval not-quite-right perspective is powerful and moving. Flemish color, which is a carefully calibrated mixture of red, blue, and yellows muted into the hues of stone architecture, isn't eye-popping, but precise and sturdy. Finally, the less supernatural persons in the works—Vos himself and Christus's lay brother—come across as people we feel we know. They've been dead for centuries, yet they're eerily modern.

The Bruges Charterhouse was devastated twice, in 1578 and again in 1580, by the religious wars rampant in the 16th century. But the devotional paintings by Van Eyck and Christus managed to survive in perfect condition. The word "miracle" somehow comes to mind.

**The Charterhouse of Bruges: Jan van Eyck, Petrus Christus and Jan Vos**

The Frick Collection, through Jan. 23, 2019

*Mr. Plagens is an artist and writer in New York.*

## ART REVIEW

# 'The Charterhouse of Bruges': Preparing for the End

Jan Vos commissioned two devotional paintings for a monastery, both with an eye to the afterlife

BY PETER PLAGENS

New York

**FOUNDED ALMOST** a thousand years ago, the Carthusian Order is among the most severe in Catholic monasticism, rigorously practicing solitude and silence. In April, 1441, the monk Jan Vos was made prior of the Carthusian monastery—also known as a Charterhouse—in Bruges in what is now Belgium. At the time, Vos was probably nearing the age of 60, a point at which many people begin to think seriously about their own mortality.

During his nine years as prior, Vos commissioned two oil paintings for the monastery, both in the interest of his posthumous fate. One was "The Virgin and Child With St. Barbara, St. Elizabeth and Jan Vos" (1441-43), one of the most important works in the entire Frick Collection. It was painted in part by Jan van Eyck, the greatest of the early Flemish masters (who died the year he began it), and was completed by artists in his workshop. The other, bearing the title "The Virgin and Child with St. Barbara and Jan Vos" (but frequently referred to as the "Exeter Virgin") from about 1450, the year Vos left his position (he died about a decade afterward) is a much smaller version of the same subject by Petrus Christus, a younger painter who outlived Van Eyck by more than 30 years.

For only the second time since they were painted both pictures are now on view together, in the small but dazzling exhibition, "The Charterhouse of Bruges: Jan van Eyck, Petrus Christus and Jan Vos," at the Frick Collection. The smaller Christus painting (a mere 7 5/8 by 5 1/2 inches), on loan from the Gemäldegalerie in Berlin, most likely resided in Vos's private quarters as a visual aid in his personal devotion. In the words of the Frick's press material, it helped Vos "visualize [the] divine encounter" that awaited him after death. (That the museum awkwardly attempts to make that seem contemporary by saying the purpose is "not so different from exercises promoted by mindfulness meditation today" is a minor quibble.)

The Van Eyck, which has been transferred to masonite from its original wooden panel, and measures a comparatively huge 18 5/8 inches by 24 1/8 inches, possessed a more practical purpose for 15th-century congregants: While not exactly a get-out-of-jail-free card, it was a sentence-mitigator. Two years after his appointment as prior, Vos managed to obtain from the presiding bishop permission for indulgences to be granted to those who would utter prayers in front of the painting on the prior's

behalf. Vos's importuning letter is worth quoting:

Wishing that the picture be duly venerated by all truly penitent, confessed, and contrite, we, Bishop Martin de Blij, mercifully grant forty days of indulgence from penance already imposed, or to be imposed in the future, whenever, before the picture, one salutes the Mother of Mercy, Queen of Heaven, Mother of God, with the Ave Maria, or honors Barbara or

Now, for only the second time since they were painted, both pictures are on view together

Elizabeth with the Pater Noster and the Ave Maria and devoutly implores their help.

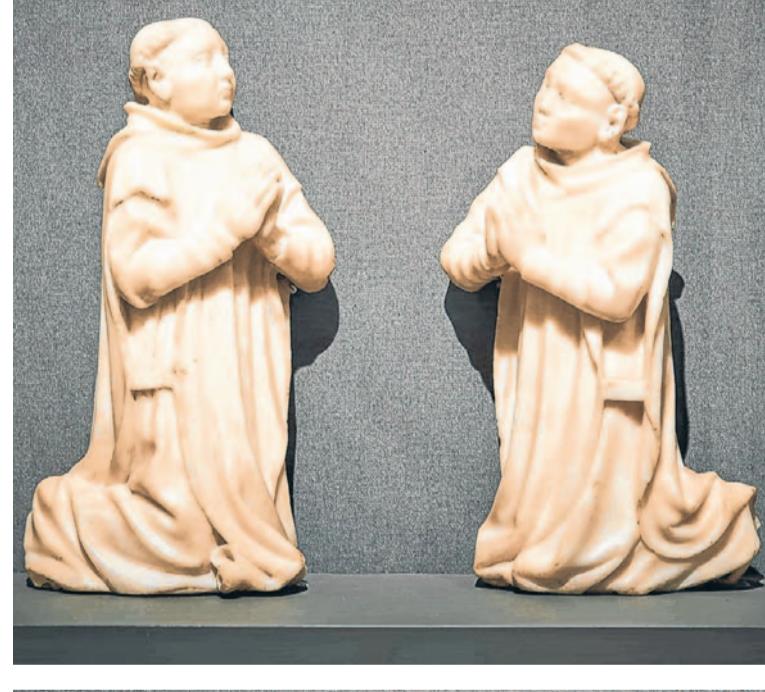
As a non-Catholic, I admit to being a little confused as to how 40 days are to be calculated in such an unearthly environment, but as an art critic who once spent nearly a year in Belgium just to look at the magnificence of early

Flemish painting, I can say that the Van Eyck in the Frick's exhibition is breathtakingly beautiful. And that's an understatement. To me as a contemporary artist—an abstract painter at that—the formal arrangements, plus the sheer care, in early Flemish paintings still ring aesthetically true across the centuries.

In addition to the two paintings, the show contains a silver-point drawing attributed to Christus of a Virgin and Child depicted with the patron who paid for the work, another small Virgin and Child from Van Eyck's workshop, some small contextual sculpture, a tiny wooden Carthusian "prayer nut," an illuminated song book once present in the Bruges Charterhouse, and the exquisite "Portrait of a Carthusian Lay Brother" (1446) by Christus, borrowed—ah, the splendors of New York—from the Metropolitan Museum of Art just a few blocks north.

The loveliness of early Flemish painting—its affectionately obsessive detail, astounding craft with the then-new medium of oil paint, and the convincing piety of its figures—is on full display in this intimate exhibition in a modestly-

sized wood-paneled room. The Frick's claim that the two featured pictures display monumentality (the subjects concern the biggest and most profound questions of God and forgiveness, yet a quiet visual energy radiates from the paintings) and "myriad minute details" is well borne out. One delights in being able to detect the tiniest of distant figures in the Van Eyck—walking alongside the



'The Virgin and Child with St. Barbara and Jan Vos' (c. 1450), by Petrus Christus, above left; 'Portrait of a Carthusian Lay Brother' (1446), by Christus, above right; and 'Burgundy Kneeling Carthusian Monks' (c. 1380-1400), by an unknown artist

## SPORTS

## THE COUNT

DALLAS,  
WE HAVE  
A PROBLEM

BY MICHAEL SALFINO

**IT'S A WORRISOME TIME** in Dallas as the Cowboys offense has struggled through the first three weeks of the NFL season. In Sunday's loss to the Seattle Seahawks, Cowboys quarterback Dak Prescott (pictured) finally seemed to generate a big play, hitting running back Ezekiel Elliott for an apparent game-tying 31-yard touchdown pass. But emblematic of a season where the Cowboys just cannot generate long gains, Elliott stepped out of bounds before catching the ball. So instead of a touchdown, Dallas was flagged for a penalty.

Prescott goes into a Week 4 matchup against the Detroit Lions having failed to throw for 200 yards in five straight games, according to Pro-Football-Reference. Dallas leads the NFL in rushing efficiency but big plays typically come from the passing game, including 180 of 206 this year (87.4%) across the league. Dallas has managed a league-low two plays of 25 or more yards. The Kansas City Chiefs lead the NFL with 14.

It's hard to envision how Dallas finds more explosion in its attack. After releasing receiver Dez Bryant in the off-season, slot receiver Cole Beasley has become Prescott's top-targeted weapon. And Beasley has just five big plays of 25 or more yards among his 123 catches since Prescott ascended to starting quarterback in 2016.



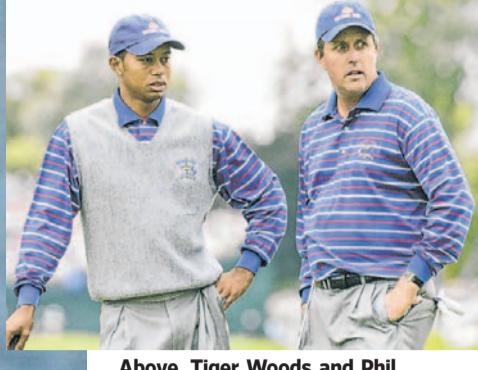
## Small Gains in Big D

Number of plays that have yielded 25 or more yards, through Week 3:

TEAM	PLAYS
1. Chiefs	14
2. Buccaneers	11
3. Steelers	10
3. Texans	10
3. Falcons	10
3. 49ers	10
7. Saints	9
7. Bengals	9
32. Cowboys	2

Source: Pro-Football-Reference

JAMIE SQUIRE/GETTY IMAGES; AL MESSER SCHMID/WIREIMAGE/ASSOCIATED PRESS (INSET)



Above, Tiger Woods and Phil Mickelson struggled as a tandem during the Ryder Cup in 2004.

Friday pairings on Thursday—Mickelson was open to the idea after playing a practice round with Woods, Patrick Reed and Bryson DeChambeau on Tuesday.

"I think we would both welcome it," Mickelson said.

There is more reason for Mickelson to feel that way than Woods at the moment. Woods is coming off his first win in more than five years. He and the rest of the American team left on a charter plane from Atlanta just hours after Woods won the Tour Championship there on Sunday.

Mickelson said this is the best he has ever seen Woods swing the club, including the early 2000s when Woods was at the peak of his dominance.

By contrast, Mickelson finished last in the 30-player field and hasn't had a top-10 finish since May. He won the WGC-Mexico Championship in March, his first title since 2013, but his selection as captain's pick had more to do with past accomplishments than recent form.

Still, the mere plausibility of the two of them playing together represents a change for the U.S. And it is rooted in the Ryder Cup.

After another U.S. loss in 2014, Woods and Mickelson were among eight players appointed to a task force to improve the selection process for captains, vice captains and players. Woods was recovering from back surgery in 2016, but as a vice captain that year, he immersed himself in the Ryder Cup strategy and planning process as never before.

Players who were far from chummy with Woods before were suddenly deluged with calls and texts from him in the build-up to the U.S. victory at Hazeltine. For a player who once appeared somewhat indifferent to the Ryder Cup and to team golf in general, it was a noticeable change. And it gave him and Mickelson a greater sense of shared purpose.

"I think we realized that we both have a lot more in common than we thought," Mickelson said. "The way we look at details, our minds work a lot more similarly than what we might have thought."

They are the only American Ryder Cup players in their 40s—Mickelson is 48; Woods is 42—and it's more than possible that this will be the last one they play in together. Neither of them has won a Ryder Cup in Europe. But as their budding bromance proves, these are new, strange times for the Americans.

## RYDER CUP

## Tiger and Phil: The Bromance

Woods and Mickelson have evolved from cold rivals to friendly peers

BY BRIAN COSTA

**Saint-Quentin-En-Yvelines, France** PHIL MICKELSON pulled out his driver, looked out at the fairway and hesitated. He was about to tee off on the third hole at Le Golf National on Tuesday, but someone was blocking his path. It was Tiger Woods, who was playing with him in a practice round and was still making his way over from the previous hole.

"Any other week, I'd hit it right at him," Mickelson told fans behind the tee box, "but not this week."

There was a time when such a statement might have been taken seriously, fuel for more headlines about the chilly relationship be-

tween Mickelson and Woods. But it was clear that Mickelson was joking, and not just because he smiled as he said it.

The evolution of the U.S. Ryder Cup team from doormat of Europe to defending champion and favorite to repeat this weekend can be traced to many things. A better system and a wave of young talent are foremost. But another notable difference in the U.S. team dynamic from much of the 2000s is that the two most recognizable figures in American golf actually seem to like each other.

"It definitely doesn't hurt," said U.S. captain Jim Furyk.

Since 2012, the last time they played on the same Ryder Cup team, Woods and Mickelson have evolved from distant rivals to friendly peers. They're even business partners, with a \$9 million made-for-TV duel between them set for Thanksgiving weekend in Las Vegas.

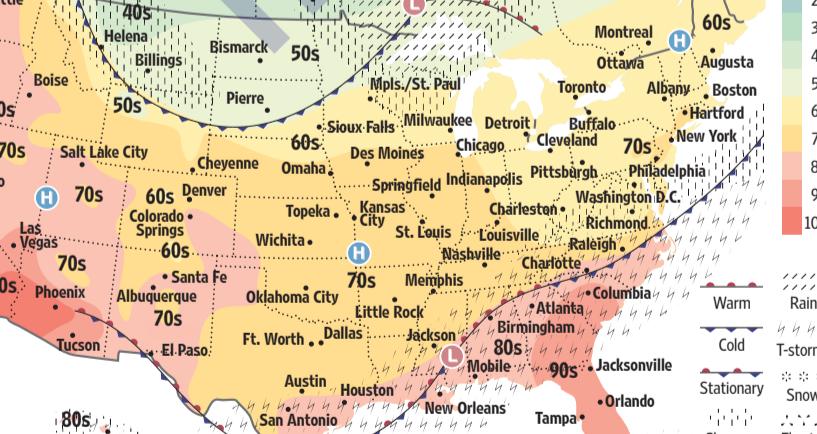
Though Woods and Mickelson

long played on the same Ryder Cup and Presidents Cup teams, the unions were brief, forced and sometimes awkward. The biggest thing they shared was losing. Between 1997 and 2012, Europe won six of the seven Ryder Cups that both Woods and Mickelson played in. Both players had losing records.

The one time that a U.S. captain dared to pair the two—the first two days of the event feature 2-on-2 formats—went so badly that no captain has tried it since. Woods and Mickelson lost both matches they teamed up for on the first day of the 2004 Ryder Cup, the start of a blowout loss for the U.S. It struck a nerve with Mickelson as recently as 2016, when he blamed the outcome on not being informed of the pairing until two days prior.

But another Woods-Mickelson tandem didn't seem so far-fetched earlier this week. Though Furyk said Wednesday that he is unlikely to pair the two—he'll announce the

## Weather



## U.S. Forecasts

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

Today Hi Lo W Today Hi Lo W

Anchorage 52 43 sh 57 47 pc

Atlanta 82 71 t 82 70 c

Austin 79 64 c 86 71 t

Baltimore 67 58 sh 72 59 c

Boise 82 51 s 69 52 s

Boston 67 58 pc 64 57 pc

Burlington 66 52 s 68 52 pc

Charlotte 83 70 t 83 69 sh

Chicago 70 54 pc 65 42 pc

Cleveland 69 52 pc 72 52 s

Dallas 76 61 pc 81 64 pc

Denver 78 40 s 59 43 s

Detroit 68 51 pc 69 46 pc

Honolulu 84 77 t 86 77 t

Houston 81 70 t 85 72 t

Indianapolis 70 50 pc 73 50 s

Kansas City 72 50 s 64 44 pc

Las Vegas 99 75 s 100 77 s

Little Rock 71 55 pc 78 60 c

Los Angeles 88 67 s 87 66 pc

Miami 90 79 pc 90 80 t

Milwaukee 68 52 pc 62 42 sh

Minneapolis 62 42 c 54 34 pc

Nashville 73 60 c 80 60 pc

New Orleans 85 74 t 86 74 t

New York City 70 61 pc 66 58 r

Oklahoma City 72 56 s 78 59 pc

Today Hi Lo W Today Hi Lo W

City

Frankfurt 73 46 s 65 40 c

Geneva 76 50 s 75 49 s

Havana 89 72 pc 89 73 pc

Hong Kong 88 77 s 88 75 s

Istanbul 70 62 pc 76 65 pc

Jakarta 93 76 pc 93 75 pc

Jerusalem 82 65 s 86 65 s

Johannesburg 85 60 s 84 58 c

London 74 51 s 63 42 pc

Madrid 83 56 pc 87 58 pc

Manila 89 80 sh 88 80 c

Melbourne 73 47 s 59 41 sh

Mexico City 73 55 t 71 56 t

Milan 76 56 pc 80 55 s

Moscow 54 43 r 57 34 r

Mumbai 92 81 pc 92 82 t

Paris 78 52 s 69 44 pc

Rio de Janeiro 88 75 t 82 74 pc

Riyadh 104 74 s 104 74 s

Rome 76 56 pc 77 58 s

San Juan 88 77 sh 86 77 sh

Seoul 76 57 s 73 59 p

Shanghai 81 67 s 82 69 pc

Singapore 88 78 pc 90 79 pc

Sydney 68 55 s 80 58 s

Taipei City 80 75 r 80 74 r

Tokyo 68 64 r 76 66 s

Toronto 65 51 c 69 49 pc

Vancouver 66 51 pc 69 52 s

Warsaw 65 52 pc 62 43 s

Zurich 73 44 s 72 46 pc

## The WSJ Daily Crossword | Edited by Mike Shenk



## SPELLING BEE | By Dan Fisher

- | Across                                       | 23 Sweetener understood only by a few chemists? | 47 Show with Miami, NY and Cyber versions |
|--|---|---|
| 1 Cavatelli coating                          | Geneva  | 15  |
| 6 Convention-mocking movement                | Havana  | 16  |
| 10 Paltry pencil                             | Istanbul  | 17  |
| 14 Dominant                                  | Jakarta   | 18  |
| 15 Just ___ on the map                       | Jerusalem                                       | 19  |
| 16 Prime                                     | London  | 20  |
| 17 Meager                                    | Madrid  | 21  |
| 18 Sign of exertion by the Flintstones' pet? | Manila  | 22  |
| 20 Chinatown society                         | Melbourne                                       | 23  |
| 21 Zeus trapped Typhon under it              | Mexico City                                     | 24  |
| 22 Minor criticism                           | Montreal  | 25  |
|  | Paris   | 26  |
|  | Rio de Janeiro                                  | 27  |
|  | Singapore                                       | 28  |
|  | Tokyo   | 29  |
|  | Vancouver                                       | 30  |
|  | Warsaw  | 31  |
|  | Zurich  | 32  |
|  | Geneva  | 33  |
|  | Havana  | 34  |
|  | Istanbul  | 35  |
|  | Jerusalem                                       | 36  |
|  | London  | 37  |
|  | Madrid  | 38  |
|  | Melbourne                                       | 39  |
|  | Mexico City                                     | 40  |
|  | Montreal  | 41  |
|  | Paris   | 4   |

## OPINION

# The Kavanaugh Standard

**WONDER LAND**  
By Daniel Henninger

Judge Brett Kavanaugh's nomination to replace Anthony Kennedy on the U.S. Supreme Court is a watershed event that will define America's politics for years. If the Kavanaugh nomination fails because of the accusations made against him by Christine Blasey Ford and others, America's system of politics, indeed its everyday social relations, will be conducted in the future on the Kavanaugh Standard. It will deepen the country's divisions for a generation.

The Kavanaugh Standard will hold that any decision requiring a deliberative consideration of contested positions can and should be decided on just one thing: belief. Belief is sufficient. Nothing else matters.

Rape is already a prosecutable crime. Definitions of sexual harassment are undergoing a reconsideration that may yet produce new legal standards to determine liability or suitability for employment. Right now, we are not close to a consensus.

Once the decades-old accusations had been made against Judge Kavanaugh, with no corroboration available or likely, the Senate Judiciary Committee had no practical or formal basis for enlarging the discussion about his nomination. For everyone, the way forward was into a fog.

Then something new happened. Half of the Senate Judi-

cacy Committee created this standard: "I believe Christine."

It is an inescapable irony that the Kavanaugh Standard—"I believe"—is being established inside the context of a nomination to the highest U.S. court. This new standard for court nominees (and surely others in and outside politics) would be that judgment can be rendered in the absence of substantive argument or any legal standard relating to corroboration, cross-examination or presumption of innocence.

In fact, the Kavanaugh Standard would have less intellectual content than liberalism's previous judicial gold standard—agreement with the Supreme Court's decision in *Roe v. Wade*. The new, operative standard, assuming two Republican senators abandon Judge Kavanaugh, will come down to a leap of faith.

For a political cynic, like Chuck Schumer or Dianne Feinstein, all these considerations are pointless and irrelevant. Just win, baby. A bloodless political actor such as Sen. Schumer would say: Look, if there's a problem of some sort with compromised legal standards, we can make adjustments later. They won't do that.

If Democrats regain control of Congress and the presidency, this is how they will govern—with belief alone sufficient as justification for imposing policy.

Something like a politics-by-belief emerged with the Obama presidency's remarkable number of broadly applicable executive orders issued

by the Labor, Education and Justice departments and the Environmental Protection Agency. But even these orders, however coercive, permitted challenge as a misreading of available facts. The defeat of this Supreme Court nominee would be simply asserted. It would have about as much political legitimacy as a one-man-rule decree.

**A defeat based on these accusations will divide the country for a generation.**

I have been wondering what the rest of the nation's sitting judges are making of the Kavanaugh proceedings. Or more specifically, what Justices Stephen Breyer and Elena Kagan think of what they imply for the future of the law's role in the U.S.

Looking at what has happened recently to university professors accused and then abandoned by their schools and colleagues for alleged racial offenses, or at the spectrum of proof in #MeToo incidents, it is clear that the political and academic left are contesting centuries-old standards of evidence.

Liberal jurisprudence and its arguments with conservatives, for example over Fourth Amendment search cases, is being displaced by a Democratic left—there is no other way to describe it—that pre-

fers rough justice.

Rough justice is what the political left and the media left, notably the New Yorker and New York Times, is meting out to Brett Kavanaugh. Hawaii's Sen. Mazie Hirono has emerged from this hearing as a hero of the new rough justice.

Professors at Yale Law School canceled classes this week so that much of the student body could travel to Washington to support Ms. Ford's allegations, which suggests that the most popular class at Yale these days must be "Legal Principles from the Stone Age to the 10th Century." It's not a joke. In 20 years, a President Ocasio-Cortez will be naming these advocates of faith-based reasoning to the federal appeals courts.

In a more conciliatory atmosphere, one might say that even if the claims of a high-school offense were true, surely there is a case in adulthood for forgiveness. But these are unforgiving times, and that virtue is out the window.

Ultimately, this drama comes down to the choices about to be made by Republican Sens. Jeff Flake, Susan Collins and Lisa Murkowski. The question is whether the Senate's advice and consent for appointment to the U.S. Supreme Court should be reduced to simple secular belief. More important is that the entire country is watching now, and we'll find out soon what the American system of law is going to look like for the next 25 years.

*Write henninger@wsj.com.*

## Democrats Disgrace the Senate

By Karl Rove

Thursday will be an immensely consequential day for America. As of this writing, Christine Blasey Ford is scheduled to appear in the morning before the Senate Judiciary Committee, followed by Judge Brett Kavanaugh. They both deserve to be heard, but the hearing could devolve into a circus.

Sen. Dianne Feinstein could have avoided this chaos if she'd acted properly in July after receiving Ms. Ford's letter alleging Mr. Kavanaugh sexually assaulted her at a party of teenagers in the early 1980s. Mrs. Feinstein could have promptly delivered the letter to the FBI so agents could interview Ms. Ford, Judge Kavanaugh and the people she claims were present. Their responses would have been included in the judge's confidential background check.

The Judiciary Committee could then have privately considered all the facts—including that Ms. Ford can't remember when or where the alleged assault took place, and that the three people Ms. Ford claims attended the party all deny any recollection of it. Ms. Ford would have kept her anonymity and Judge Kavanaugh his reputation.

But Mrs. Feinstein—who finds herself in a difficult re-election campaign—placed venomous partisanship above fair play and professionalism. She has brought dishonor to her decades in the Senate.

**Their effort to smear Kavanaugh would be unworthy of a Third World country.**

was the one who exposed him-self, asking them to confirm it. (According to the New Yorker story, Ms. Ramirez "was at first hesitant to speak publicly, partly because her memories contained gaps because she had been drinking." She "felt confident" of her story only "after six days of carefully assessing her memories and consulting with her attorney.")

Judge Kavanaugh had already undergone two extensive FBI background checks, one when he joined the White House staff and another when nominated to the U.S. Circuit Court of Appeals for the District of Columbia. None of these allegations were raised either time.

Senate Democrats seem to be competing to debase themselves most. Shouting at Chairman Chuck Grassley, Sen. Kamala Harris looked like she's already campaigning for president. Sen. Cory Booker (D., Thrace) repeatedly and defiantly boasted that he'd make public confidential documents—whose release the committee had already authorized. Sen. Dick Durbin vacuously praised lawbreakers disrupting the hearing as the "noise of democracy."

When running for the Senate in 2010, Richard Blumenthal falsely told constituents he had served in Vietnam. He now claims Judge Kavanaugh lacks credibility and so has "a responsibility to come forward with evidence" rebutting Ms. Ford—that is, responsibility to prove a negative.

But when it comes to recklessness it's hard to outdo Sen. Mazie Hirono, who told male colleagues and the men of America to "shut up" and "do the right thing for a change," which is to believe Ms. Ford regardless of facts. Like the Queen of Hearts, she believes "Sentence first—verdict afterwards." When asked about Judge Kavanaugh's denials, Ms. Hirono suggested he's not entitled to the presumption of innocence because of his conservative judicial philosophy.

She then signed a fundraising appeal for MoveOn.org to help make Judge Kavanaugh's nomination "an electoral issue... to make sure this costs Republicans extra seats."

Senate Judiciary Democrats have endorsed as acceptable (1) disruptive tactics unworthy of even a Third World country, (2) the presumption of guilt instead of innocence, and (3) determining a man guilty by accusation alone, even if the weight of evidence points the other way, so long as it suits their ideological agenda. Republicans should refuse to bow to such methods. They should also decline to resort to them when the tables are turned.

Both parties will suffer politically if they lose. The Republican base will be furious at its leadership if Judge Kavanaugh is defeated or his nomination withdrawn. The Democratic base will be demoralized if he is confirmed—although it will also use his presence on the Supreme Court to gin up turnout among liberal women and attack the GOP.

I know Brett Kavanaugh, who is a former White House colleague. In hard times for our nation after 9/11, I came to deeply admire Brett's character, intellect and integrity. His reputation was spotless until Democrats began acting like a mob. Judge Kavanaugh deserves better than this sordid process. More importantly, the country does.

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

## Laugh at the U.N., Not With It

By Elliot Kaufman

Oh, how they laughed. When President Trump told the United Nations General Assembly Tuesday that "in less than two years, my administration has accomplished more than almost any administration in the history of our country," the delegates of the world couldn't contain themselves. "I didn't expect that reaction," Mr. Trump responded to the laughter ringing through the hall, "but that's OK."

Mr. Trump's boast merited an eye roll, but I'd laugh right back at the U.N. It deserves it.

Who but the U.N. would elect some of the world's leading human-rights abusers—Saudi Arabia, China, Venezuela, Pakistan and others—to run a Human Rights Council and lecture the rest of us? In 2016 many of these members even tried to silence

Hillel Neuer, executive director of UN Watch, in midsentence as he exposed their hypocrisy.

Who but the U.N. would elect the Islamic Republic of Iran to the executive board of its agency "dedicated to gender equality and the empowerment of women"? The World Economic Forum ranks

**The world body's record on human rights is a cruel joke.**

Iran 140th out of 144 nations in parity between the sexes for a reason. Its regime arrests and beats women who peacefully protest for their rights. It imprisons and tortures women for removing their headscarves. Discrimination is written into every area of Iran's civil code, from marriage and divorce to employment.

Who but the U.N. would hold a World Conference Against Racism, only to have supporters of Israel harassed, intimidated and booed off the stage with chants of "Jew! Jew! Jew!"? In 2001 the conference was "overflowing with copies of 'The Protocols of The Elders of Zion' and pamphlets featuring pictures of Jews with long hooked noses and evil smiles, their serpent fangs soaked in blood and their military uniforms decorated with swastikas," according to a correspondent for the New Republic. As of June 2016, the Human Rights Council had condemned Israel more than every other nation combined. It has since passed 10 more anti-Israel resolutions, for a total of 78.

Who but the U.N. would elect Syria to a leadership post in the Special Committee on Decolonization, which fights "subjugation, domination and exploitation," as the regime was slaughtering its

own people with chemical weapons? Instead of correcting its mistake, the U.N. then re-elected Syria in 2016 and again in 2018.

Who but the U.N. would hold an official minute of silence in recognition of the death of Fidel Castro, Cuba's murderer, torturer and jailer in chief? In fact, one wasn't enough. The U.N. gave Castro two separate minutes of silence and then a third tribute. Under Castro, Cuba sometimes served on the Human Rights Council but never allowed inspectors into the country—except once. U.N. official Jean Ziegler, a Castro admirer and the cofounder of the Al-Gaddafi International Prize for Human Rights, visited Cuba in 2007. He liked what he saw.

The U.N. laughs. If it had any shame, it would cry.

*Mr. Kaufman is the Journal's Joseph Rago Memorial Fellow.*

BOOKSHELF | By Rinker Buck

## To Live and Die A Pirate King

### Black Flags, Blue Waters

By Eric Jay Dolin  
(Liveright, 379 pages, \$29.95)

There's always been something contradictory about the romantic appeal of pirates. Ever since the "golden age" of piracy (roughly 1650 to 1735), pirates have been celebrated in books and film—not to mention in our Walter Mitty daydreams—as gallant outlaws, in much the way that, later, we hero-worshiped Western gunsmen or Prohibition Era bootleggers. But who really were these nautical thugs, and why did they enjoy such popular support and the protection of so many powerful nations?

Eric Jay Dolin adroitly addresses these themes in "Black Flags, Blue Waters: The Epic History of America's Most Notorious Pirates," an entertaining romp across the oceans that shows how piracy is an inseparable element of our past.

Here, as in his earlier books "Leviathan" (2007), about whaling, and "Brilliant Beacons" (2016), about lighthouse keepers, Mr. Dolin explores a dreamy occupation and then shifts our focus to the gritty, perilous realities of leading such a life.

Piracy became entrenched almost from the day the Americas were colonized by the European powers in the late 15th century. The rival courts of England, Spain, France and Holland were perpetually at war with one another, and parcelling up the riches of the New World became an extension of their Continental conflicts. England was particularly envious of the lucrative system developed by Spain for returning gold and silver to the mother country after the Spanish plundered the Aztec and Incan empires in 1521 and 1532.

In the late 1570s, Queen Elizabeth of England addressed this royal income inequality by putting her government in the business of grand theft, secretly commissioning explorer Francis Drake to attack Spanish ships and settlements along the South American coast. In the next century, another famous sea captain, Henry Morgan, was turned loose on the Spanish possessions by the British colonial governor of Jamaica. These arrangements were sealed under the guise of "letters of marque," essentially a royal license to assault and rob foreign vessels. This practice was common at the time and given legitimacy by calling the robber ship captains "privateers," but, as Mr. Dolin notes, the distinction between officially sanctioned plundering and outright piracy was frequently blurred. Operators like Morgan and Drake were hailed as national heroes, knighted, and allowed to keep hefty shares of the gold bullion and coins they had seized from the Spaniards.

These privateering expeditions were massive efforts. In one 1671 raid, Morgan commanded a fleet of 50 ships and almost 2,000 sailors. Periodically rivals like England and Spain would officially kiss and make up, promising to respect each other's ports and shipping rights, but such truces left thousands of seafaring thieves suddenly unemployed. (Thousands more were idled when European armies and navies demobilized after wars.) Not surprisingly, the privateers simply continued their old ways, now as freelancers. The governments of Europe, in short, had provided the on-the-job training for the pirates they later condemned as scoundrels.

In their day, British 'privateers' like Francis Drake and Henry Morgan enjoyed state sponsorship and kept hefty shares of their booty.

Mr. Dolin has a keen eye for detail and the telling episode. Readers will learn fascinating tidbits of language, habits and cultural assimilation. In the 1630s, a melting pot of European deserters, pirates, shipwreck survivors and escaped sugar plantation workers had settled on the island of Hispaniola, now Haiti and the Dominican Republic. The indigenous Taino people taught them how to preserve meat by smoking it over fires of green wood. These new islanders shared a corrupted French patois, and the word in French for smoking meat was *boucanier*. In English this became "buccaneer." The enormously popular "Treasure Island" by Robert Louis Stevenson introduced the idea that pirates buried their treasure. But as Mr. Dolin points out, the pirates had spent their loot on liquor and women long before they had a chance to bury it.

Pirates played a sordid, interdependent role in the development of the English colonies of North America. By the 1650s, English privateering had legitimized maritime robbery and smuggling in the eyes of many colonists. But the British government further encouraged piracy with the passage of a series of hated Navigation Acts that required the colonies to purchase molasses, sugar and manufactured goods only through British merchants.

A lively trade in contraband, mostly carried by pirates, quickly sprang up, buoying the colonial economies. Coastal towns from Charleston to Boston hosted pirate ships and waterfront buccaneer communities. Pirates returned from their Caribbean and African cruises to provide the American colonies with cut-rate goods, foreign currency and recruits for the Atlantic Coast's emerging merchant fleet. The colonies in return supplied the pirates with repair docks, fresh water and food. Boston and Newport banks were skilled money launderers, and their waterfronts offered some of the best prostitutes and grog houses in the world.

Under the corrupt English system, the job of colonial governor was essentially a license to steal. In return for a share of the profits from the next cruise, colonial governors, particularly the notoriously greedy Benjamin Fletcher of New York, issued bogus letters of marque and sheltered pirates at hidden wharves or in "fishing villages" that were open pirate havens. Mr. Dolin observes that American antipiracy laws were full of loopholes so large that a whole fleet of sloops could be sailed right through them.

"Without such support, pirates couldn't have survived, much less thrived," Mr. Dolin writes. "Therefore, the colonies were, in a very real sense, the pirates' partners in crime." Most of us are more comfortable remembering a textbook America, the one of rugged individualists and lofty ideals. But surely today, as Mr. Dolin reminds us, it's also useful to recall an America that prospered with the help of outlaws and thieves.

*Mr. Buck is the author of "The Oregon Trail: A New American Journey."*

## OPINION

## REVIEW &amp; OUTLOOK

## Democrats Endorse Avenatti

**N**ow comes a third accuser against Brett Kavanaugh, this time claiming the Supreme Court nominee was part of a gang of high school boys who spiked the drinks of teenage girls in order to assault and rape them. Really? Does even Mazie Hirono believe this?

The charge comes from Julie Swetnick, a Washington-area woman elevated to accusatory fame on Wednesday by Michael Avenatti, the lawyer for porn actress Stormy Daniels. She claims that Mr. Kavanaugh and high school friend Mark Judge drank to excess at numerous parties and then assaulted girls and women with abandon. She says in a sworn statement that the gang would "target" particular girls who were alone or shy for serial rape.

So we are supposed to believe that the boys at Georgetown Prep, amid their dreams of Yale, conspired to commit drug and sex crimes on multiple occasions over many years. Yet word of this rape gang at an elite Jesuit high school never made it to anyone in authority. None of the rape victims spoke up—not to a teacher, parent or other official—then or since. None of the boys bragged about it to friends who spoke to a parent or priest.

As for Ms. Swetnick, she says in her statement that she was personally assaulted in 1982 at one of these parties, yet she admits that she attended "well over 10" of these parties from 1981-1983. This means she would have returned to these parties even after she was gang-raped. She suddenly recalls it all now after 35 years, though somehow this never came up during FBI investigations of Mr. Kavanaugh's background over more than two decades.

Messrs. Judge and Kavanaugh deny the accusation, with Mr. Kavanaugh calling it "ridiculous and from the Twilight Zone." But that's unfair to the late Rod Serling, who was more subtle than this kind of character assassination. We wouldn't even report the details of this latest smear if Democrats and the left weren't treating the accusation as disqualifying for the Supreme Court.

Within hours of the Avenatti-Swetnick claim, every Democrat on the Senate Judiciary Committee called for Mr. Kavanaugh to withdraw as

a nominee. This would be politically convenient because it would let them suggest that Mr. Kavanaugh must have been guilty. It would also spare their fellow Democrats running for re-election this year from having to vote on the nomination.

But if this is the new confirmation standard, then we have entered a politics in which anyone can be destroyed by anyone making an incendiary charge, even without supporting evidence. All an opposition Senator has to say is that the accusation seems "credible," and a nominee can be disqualified. The new political standard will be the presumption of guilt.

Senate Minority Leader Chuck Schumer says this traditional due process standard doesn't apply to Mr. Kavanaugh because a nomination isn't a criminal trial. But due process for the accused is rightly employed as the standard across nearly all of American public and private life. The burden of proof is on the accuser.

This holds for charges of scientific fraud, legal malpractice, or violating the standards of a professional society. It even holds, tenuously, for sexual-assault cases on most college campuses where at least an accuser has to meet a 50.1% "preponderance of evidence" standard. If "J'Accuse" is the new standard of proof, then we have a long list of Democrats who should be summarily dismissed from public life. This is one reason we wrote that former Democratic Senator Al Franken should have defended himself after he claimed he was unfairly charged with mistreating women.

Keep all this in mind as you watch the Senate hearing Thursday with Mr. Kavanaugh's first accuser, Christine Blasey Ford. She's been treated respectfully by Republicans even after ranking Democrat Dianne Feinstein withheld her accusation from fellow Senators for six weeks this summer while it could have been vetted. Instead it was dropped, like the other two accusations, at the last minute.

If new facts show that Mr. Kavanaugh committed the acts that Ms. Swetnick alleges, he can be impeached. But accusations alone, without corroboration or evidence, do not amount to proof by any standard of fair due process—no matter how many times Democrats assert it.

## The Fed Gets Optimistic

**T**he Federal Open Market Committee raised short-term interest rates for the third time this year, while signaling one more to come in December and perhaps three or four more next year. That was no surprise. More interesting is that the Fed is getting a little more optimistic about economic growth.

The FOMC's participants raised their median forecast for growth in 2018 to 3.1%, which may seem like a gimme putt given that there are only three more months left in the year. But in June the Fed's median growth estimate was 2.8%, in March it was 2.7% and last September it was only 2.1%. The Fed has now made upward revisions for growth in each of its last four quarterly projection periods.

The monetary maestros are even getting slightly more optimistic about 2019, lifting their

growth projection to 2.5% from 2.4% in June. The central bankers return to their downbeat ways with 2% in 2020 and 1.8% beyond that, which reflects the Fed staff's Keynesian formulas that put short-term demand-side stimulus effects above the supply-side impact of tax reform and deregulation.

Still, even this modest optimism is a reversal of the first eight years of this expansion when the Fed overestimated growth year after year. The FOMC regularly overestimated the stimulus impact of government spending while underplaying the damage from oppressive regulation and higher taxes.

Federal Chairman Jay Powell mentioned the benefits of recent supply-side policy changes in his post-meeting press conference, so maybe some of that insight will spread to the bank's economists.

## Silicon Valley's Supreme Salvation

**S**ilicon Valley companies lean left, but they should empathize with Judge Brett Kavanaugh over liberal drive-by. Uber is a case in point, and a Ninth Circuit Court of Appeals ruling on Tuesday underscores the importance of a conservative Supreme Court majority as a safeguard against regulatory and litigation depredations.

Plaintiff attorneys led by Boston-based Shannon Liss-Riordan have been ganging up to loot "gig economy" start-ups with class actions for misclassifying workers as independent contractors, which are exempt from state and federal labor laws. Uber has been sued for failing to compensate drivers for expenses and provide benefits, among other things.

Most Uber drivers sign contracts agreeing to arbitrate claims individually, but federal Judge Edward Chen has repeatedly refused to enforce these agreements and allowed class actions to proceed. After the Ninth Circuit overruled Judge Chen in 2016, Ms. Liss-Riordan ran another class action up the flagpole.

In her latest pleading, the Boston attorney contended that Uber's arbitration agreements should be invalidated because they included class-action waivers that violate the National Labor Relations Act. But as a Ninth Circuit panel on Tuesday declared, the Supreme Court "rejected Plaintiffs' argument in *Epic Systems Corp. v. Lewis* (2018)."

Unions and trial lawyers argued that the NLRA's protection of workers' right to organize and bargain collectively extended to class actions. But a 5-4 Supreme Court majority found no such right in the law and reaffirmed the Federal Arbitration Act. The four liberal Justices would have invalidated employment agreements that have class-action bans.

Uber lucked out with a conservative three-judge panel because the liberal Ninth Circuit frequently flouts Supreme Court precedent and attempts to rewrite law. For instance, this

spring the appellate court ruled en banc that employers may not use workers' salary history to justify paying women less than men.

This ruling conflicts with several other circuit courts that have held that prior salary may be considered among multiple factors in setting pay, so the case could be headed to the Supreme Court. One interested party may be Google, which was slapped with a class action in January for discriminating against women by using prior compensation to set starting pay.

The class action cites a Labor Department complaint last year against Google that found "systemic compensation disparities against women pretty much across the entire workforce." Google has denied the charges, and plaintiffs' earlier lawsuit failed to overcome the high hurdle set by the Supreme Court in *Wal-Mart v. Dukes* (2011) requiring parties in class actions to demonstrate a commonality in "questions of law or fact."

Because of their deep pockets, tech businesses are increasingly targeted by plaintiff attorneys and aggressive regulators. The Equal Employment Opportunity Commission is investigating IBM for age discrimination, and last week Ms. Liss-Riordan filed a class action against the company for "systematically laying off older employees in order to build a younger workforce."

In June the Supreme Court agreed to hear a class action that accuses Apple of monopolizing the market for apps and inflating prices by charging developers a commission on each purchase. The Trump Justice Department has sided with Apple, and the case has far-reaching implications for other online retailers including Amazon, eBay and StubHub.

A conservative Court majority is the best protection businesses have against such shake-downs, and we wouldn't be surprised if some in Silicon Valley are secretly hoping that Judge Kavanaugh is confirmed.

## Brett Kavanaugh's opponents will believe anything.

## LETTERS TO THE EDITOR

## South Korea's Different Take on North Korea

The summit between North Korean leader Kim Jong Un and South Korean President Moon Jae-in in Pyongyang was more successful than you describe ("Moon Shot in Korea," Review & Outlook, Sept. 20). It is one more step on the road to what should be the ultimate U.S. policy objective: peace and reconciliation on the Korean Peninsula.

We shouldn't be shocked that Mr. Moon is attempting to restore economic and political ties with the North. South Korea's biggest concern isn't transforming North Korea into a nonnuclear weapons state—it is avoiding a war that could kill millions of Koreans on both sides of the DMZ. Given the threat North Korean artillery poses to Seoul, this is an imminently reasonable, prudent and effective approach for Mr. Moon to take.

The Trump administration can still capitalize on this goodwill opening but it will require President Trump to

make a bold calculation and adjust his strategy. As it stands, the White House refuses to discuss any peace or stability arrangements with Pyongyang before Kim Jong Un demonstrates his commitment to denuclearization. But Mr. Kim won't consider denuclearizing—if at all—until he is confident that U.S. policy isn't predicated on forceful regime change.

The administration should delink peace and denuclearization so both are more likely. That means supporting Mr. Moon's deft inter-Korean diplomacy. While denuclearization may be possible years down the road, peace is available right now. If President Trump continues to moderate some of the hostility with the North, the once unthinkable—peaceful denuclearization of the Korean Peninsula—will become possible.

DANIEL R. DEPETRIS  
Defense Priorities  
Sag Harbor, N.Y.

## Fed Should Slowly Unwind Excess Reserves

Regarding your editorial "Sharing the Wealth of Markets" (Sept. 21): Yes, recent stock price increases aren't creating new wealth as broadly as most would like because the market isn't providing adequate liquidity for the kind of firms that drive economic growth. We believe that much of the blame rests with Federal Reserve policy.

The New Keynesian model the Fed uses led, in part, to paying banks interest on excess reserves in 2008. Before 2008 excess reserves were virtually zero but now hover near \$2 trillion. This is no longer a rational response to the financial panic of 2008-09. Interest payments made by the Fed on those reserves have helped make major banks richer by not issuing loans from reserves but instead earning interest at no risk.

Before 2008, competition between banks forced them to loan out or otherwise invest excess reserves. This produced new economic activity that produced economic gains outside the banking sector. If the Fed began reducing the interest paid on excess reserves, the excess reserves would begin to enter the system and make capital available to startups by increasing liquidity.

erwise invest excess reserves. This produced new economic activity that produced economic gains outside the banking sector. If the Fed began reducing the interest paid on excess reserves, the excess reserves would begin to enter the system and make capital available to startups by increasing liquidity.

If the near \$2 trillion of excess reserves entered circulation tomorrow, it would soon expand the money stock, igniting a major inflation. Interest rates paid on excess reserves should therefore be cut in several stages. But if there ever was a compelling argument for paying banks to hold on to excess reserves, that time is past. The sooner the Fed unwinds this practice the sooner we can avoid frustrating the emergence and expansion of a new generation of wealth-creating firms.

PROFS. MAX GILLMAN AND DAVID C. ROSE  
University of Missouri-St. Louis

## Sanders's Bill Will Harm the Working Poor

Andy Puzder's "Stop Bezos From Hiring Poor People?" (op-ed, Sept. 18) on Bernie Sanders's Stop Bad Employers by Zeroing Out Subsidies Act notes the bill's purpose of taxing job creators for employing welfare recipients. Mr. Puzder is right to point out that businesses will hire fewer welfare recipients if they are taxed for doing so.

If an individual welfare recipient has chosen the path of "dignity of work," the individual may not want his employer(s) tangled up in his or her personal need for transfer payments. So much for the pride of workers when HR calls to clarify some Bezos Act compliance issues involving another employer's tax share on its workers' food stamps. The bill focuses on Jeff Bezos's Amazon, but it really applies to employers with 500-plus employees. This is many companies. Why 500-plus? Was there a thorough economic impact study of the quantity of 500-plus employers who em-

ploy welfare beneficiaries? For companies with 499 employees, should their next employee be an offshore supplier? Five hundred will be a new hard-stop on head count. Should a 500-plus company of low-income employees be saddled with the tax while a same-size accounting firm gets a pass? This blasphemous the socialist god of fairness.

Instead of punishing employers for hiring people, perhaps Sen. Sanders should propose a sliding scale of welfare attenuation with any wage increase to reduce the welfare cliff that beneficiaries notice on wage growth. Alas, this bill is a populist exercise in demagoguery where a socialist attacks a prominent job creator but ends up screwing every business with over 500 employees who dares to bring in entry-level staff who happen to receive welfare benefits.

JEFF MILANOWSKI  
Oakland, Calif.

## Adams Felt Inalienable Rights Require a God

Judge Don Willett's well-taken lament regarding the documented general American ignorance of our Constitution and republican framework is disheartening ("Happy Constitution Day, If You Can Keep It," op-ed, Sept. 17). Benjamin Franklin's 1787 challenge suggests the necessity of an informed and engaged citizenry.

In 1798 President John Adams spoke for the founding generation when he warned his fellow countrymen of an even-more profound challenge to self-government: "We have

no government armed with power capable of contending with human passions unbridled by . . . morality and religion. . . . avarice, ambition, revenge or galantry, [these vices] would break the strongest cords of our Constitution as a whale goes through a net. Our Constitution was made only for a moral and religious people. It is wholly inadequate to the government of any other."

The acknowledged relationship of creator and creature—the moral universe necessary as the foundation for the "unalienable rights" announced in the Declaration of Independence—is often discarded today in favor of the "freedom" of a nativist and secularized nihilism that drifts remorselessly from personal tragedy to a dying sense of community. John Adams might have been on to something.

TOM JODZIEWICZ  
Irving, Texas

## Voting Your Interest May Include the Broader Interest

I am proud of the people in Westchester who vote against their own financial interests. What Bobby Jindal doesn't understand is that many people with enough don't mind paying taxes so that others can have food stamps, health care, housing or Social Security ("What's the Matter With Westchester?", op-ed, Sept. 19). It is shameful that someone with a full-time job cannot afford insulin in the richest country in the world. So those of us who can afford it take our dividend checks and paychecks, pay our taxes and support soup kitchens and candidates who will fight for a living wage and will support the safety nets. It isn't always about self-interest. Sometimes it's about doing the right thing.

ANNA STERNE

Dobbs Ferry, N.Y.

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## Pepper ... And Salt

THE WALL STREET JOURNAL



"It was close, but I was within the margin of error."

## OPINION

# The Attack on Kavanaugh Is Un-American

By Libby Locke

**A** reputation is a fragile thing. Last week was a testament to that simple truth. Within hours of being accused of an unsubstantiated and uncorroborated three-decades-old assault, Judge Brett Kavanaugh's reputation as a highly respected jurist with an unblemished personal record was permanently damaged. Many rushed to declare Judge Kavanaugh guilty merely because he had been accused. Democrats all too happily called for him to withdraw his Supreme Court nomination, while his accuser's lawyer basked in the left's glory for slowing a Supreme Court nomination that seemed a sure thing.

**The Rolling Stone rape hoax illustrated what happens when we adhere to preconceived narratives.**

As the #MeToo tidal wave crests, it is crucial to remember what happens when we blindly assume the truth of allegations rather than require evidence and adhere to the notion that people are innocent until proven guilty. I have seen firsthand what happens when people mindlessly follow preconceived narratives, disregard evidence, and indiscriminately believe accusers. I represented Nicole Eramo, a dean at the University of Virginia, who was victimized by one of the most notorious false rape accusations in recent history.

Rolling Stone magazine claimed in 2014 that Ms. Eramo had tried to

cover up a horrific gang rape at a UVA fraternity. The campus exploded in protest, and Ms. Eramo—who had dedicated her career to helping survivors of sexual assault and had supported the purported victim—became a national villain, receiving public condemnation and death threats.

Although we were ultimately able to vindicate Ms. Eramo publicly, winning a \$3 million jury verdict for defamation, we faced the tremendously difficult task of proving what had *not* happened: that the reported gang rape did not occur, and that Ms. Eramo did not dismiss the accuser's allegations. That required months of litigation—not to mention the public backlash my law firm endured by daring to ask a purported victim of sexual assault questions about her allegations.

Judge Kavanaugh finds himself in a similar unenviable position: being expected to prove a negative. To vindicate himself in the eyes of those who assume his guilt, he must show that something else happened, for example that he was somewhere else when the incident—whose location is itself unspecified—allegedly occurred. To make matters worse, the purported assault took place before cellphones, text messages, emails—making it hard to find contemporaneous documents to demonstrate the falsity of the claim.

That's precisely why Democrats have latched onto these allegations—because they are unprovable. It is her word against his. And how dare a white man, from a privileged background, confront his accuser—either himself or through his lawyer. Even if that lawyer is a woman. The left tells us that to do so would be "insensitive" and would "revictimize" her. But with that approach, due pro-



Foes of Judge Brett Kavanaugh at the Hart Senate Office Building, Sept. 24.

Debra Katz, has only referenced—or produced portions of—very self-serving documents. The American people should be permitted to hear from these witnesses and to review these documents. And they are entitled to answers to other relevant questions to determine whether this is—as many Republicans suspect—merely a political hatchet job.

When did Ms. Ford retain Ms. Katz? Who referred Ms. Ford to Ms. Katz? If this is not a political attack, why did she choose Ms. Katz as her lawyer? What communications did she, or Ms. Katz, have with Senate Democrats before publicly making these allegations? Why did Ms. Ford report her allegation to a Democratic politician, rather than to local law enforcement or to the FBI?

The controversy erupting around the Kavanaugh nomination underlines the power of the #MeToo movement, which is predicated on the idea that the dynamics between the sexes rob women of their power. But anyone still holding to that Victorian notion should have been disabused of it last week.

The circus this process has become demonstrates not only the power of #MeToo but also its potential as a weapon—and how an audience eager for victim narratives and sinister power dynamics can be galvanized without proof to shatter a man's reputation built over a lifetime of hard work. When preconceived narratives replace the demand for facts and evidence, accusations become self-proving. Don't be surprised when people with ulterior motives invent false accusations that destroy the innocent.

*Ms. Locke is a partner in the law firm Clare Locke LLP, based in Alexandria, Va.*

## The Dollar, Not the IMF, Can Save Argentina

By Steve H. Hanke  
And John Greenwood

**T**he International Monetary Fund's \$50 billion agreement with Argentina is failing. Earlier this month a scheduled \$3 billion payment was postponed while the IMF and the country's government continued to haggle in Buenos Aires. The peso extended its precipitous fall against the greenback.

The backdrop to this misery is President Mauricio Macri's weak reform program combined with the IMF's misdiagnosis of Argentina's problems. Mr. Macri replaced the left-wing populist Cristina Fernández de Kirchner in December 2015. He inherited a rapidly growing public sector, huge fiscal deficits due to massive subsidies for key products, annual inflation of more than 30%, capital controls, and a dual exchange-rate system. With a slim majority in the National Congress, and facing midterm elections in October 2017, Mr. Macri adopted a gradualist approach to reform.

This strategy has yielded little. The purchasing power of the lower middle class—Mr. Macri's main supporters—has deteriorated along with the economy. In a scramble to raise revenue, the government imposed a tax on nonresident holders of debt issued by Argentina's central bank, effective April 25. This sparked capital flight and a cascade of events that have again put Argentina and the peso in the tank. By our measure, the annual inflation rate is now 123%.

In June Argentina did what it has repeatedly done—called in the IMF. The country has embarked on 20 such programs during the past 60 years. History doesn't offer much reason for optimism about the current deal.

Consider the last program, which ended badly in 2001. Then-IMF Managing Director Horst Köhler delayed the disbursement of \$1.3 billion scheduled for November 2001, even though Buenos Aires had complied with the IMF's fiscal target for the third quarter. The IMF's delay poured fuel on a raging fire. This ul-

timately resulted in the suspension of the IMF program, the collapse of the economy, and general political chaos. With its current postponement of payments, the IMF is again playing with fire.

The IMF traditionally obsesses over all things fiscal: the funding of debt rollovers and the trajectory of deficits. True to form, the IMF's diagnosis has again focused mainly on Argentina's fiscal shortfall. The organization has offered a standby loan agreement to underwrite a gradual closing of the deficit. While the loans are subject to conditionality, the IMF has overlooked the bulk of Argentina's problems. Consequently, the country has signed up for a gradualist fiscal squeeze and a standard dose of IMF antigrowth medicine.

Yet what Argentina needs is sound money and pro-growth policies. For sound money we, like Nobelist Sir John Hicks, think there is nothing more important than a balance sheet. Consider the 2001 collapse of Argentina's convertibility system. That system, unlike a true currency board, allowed the Central Bank of Argentina a great deal of discretion, which it used with reckless abandon. Its net domestic assets fluctuated wildly, which is incompatible with a truly fixed exchange rate. Inevitably, the balance sheet foretold the coming storm.

Delving into the central bank's current balance sheet, we find three acute problems. The first is that its monetary liabilities—that is, the monetary base—have grown at excessive rates. From 2008 until Mr. Macri took the reins in 2015, base money grew at an average annual rate of 26%. With Mr. Macri's arrival,

**The country will never get out of its dependence loop without a drastic turn toward pro-growth reform.**

that rate accelerated to 29%. These rates have made taming inflation to meet the central bank's inflation targets a fantasy. It's no wonder that Argentines have no confidence in their monetary system.

The second problem: The central bank engages in many activities that go well beyond the scope of its traditional monetary functions. The institution plays a large role in directly funding the government and acting as the government's agent in the sourcing of foreign exchange to meet Argentina's external obligations. This, in turn, has required the central bank to sterilize the creation of pesos resulting from those foreign-exchange operations. The larg-

est single item on the liabilities side of the central bank's balance sheet is the debt issued to absorb the excess pesos created in its role as the government's agent in the foreign-exchange market.

The incestuous relationship between the federal government and the central bank shows up on the asset side of the balance sheet, too. The largest asset class is credit to the government—the result of the Kirchner government's theft of the central bank's foreign-exchange reserves for domestic spending and their replacement with peso-denominated government debt. More recently, it is the result of the Macri government's quest to fund bloated government spending programs.

The third problem is simply the gigantic size of the balance sheet. Normally, central-bank balance sheets are only slightly larger than the monetary base and typically between 10% and 25% of broad money. In Argentina, the bank's total liabilities are almost five times as large as the monetary base. And if that isn't enough, the central bank's balance sheet is larger than the broadest definition of money in Argentina.

The balance sheet has been abused for generations. Consider the horrendous results. Argentina's average annual inflation rates in the 1950s, 1960s, 1970s, 1980s and

1990s were, respectively, 27.6%, 22.6%, 107.3%, 319.2% and 58.1%. Argentina experienced a bout of hyperinflation in 1989–90, when monthly inflation peaked at 197%. Multiple peso devaluations also accompanied that horrible inflation record.

It's time to make official what Argentines embrace every time they sense a storm: dollarization. The central bank and the peso should be mothballed and moved into a museum.

Dollarization would guarantee a rapid return to growth in Argentina. At the same time, it also could solve Argentina's debt overhang problem. To ensure success, the peso-dollar exchange rate employed in the dollarization process should be set at a level that undervalues the defunct peso. This pro-growth exchange-rate would make the economy highly competitive. Once assured of monetary stability in dollar terms, capital would flood in. Couple it with a 20-year debt pay-down schedule during which the government would be prohibited from borrowing at home or abroad, and Argentina would grow rapidly and could become debt-free.

*Mr. Hanke is a professor of applied economics at Johns Hopkins University. Mr. Greenwood is chief economist at Invesco in London.*

## What Ever Happened to Howard Johnson's?

By Bob Greene

**T**hey are ghosts of America's past, hiding in plain sight on

September afternoons along pre-interstate-era highways and small-town main drags.

"I've never had anyone come in here and mention the connection," said Jason Hill, general manager of SuperNatural Brewing and Spirits in Livonia, Mich. "But that's probably because we get a younger crowd."

"It comes up with our older customers," said Debbie Baker, a sales executive at MountainOne Insurance

in Williamstown, Mass. "They'll look at the outside of our building, and that will start a conversation."

"There's still a faded logo on the floor tile here," said Beth Hovan, a bartender at the Double Wide Grill in Irwin, Pa. "Most people don't know what it is."

Some of the buildings still have the old orange roofs. But even where the roofs have been painted over with drabber colors, there is a look to the exteriors—vaguely colonial, with cupolas that once hoisted metal weather vanes bearing the image of Simple Simon and the Pieman—that is the tipoff.

These were Howard Johnson's restaurants. In the middle of the 20th century they were arguably the most popular places to eat in the United States: ubiquitous on the national landscape, as recognizable as the Washington Monument, as familiar and welcoming as a grandma's hug.

"Howard Johnson was the Henry Ford of the hospitality industry," said Richard Kummerlowe, 53, of Gonzales, La. Mr. Kummerlowe is one of a small coterie of amiable amateur gumshoes who track down the buildings the restaurants once inhabited. Why such devotion to Howard Johnson's? "It's American history," he said. "Wherever you went, you knew exactly what you were going to get."

Even ardent HoJo's aficionados will admit that what you were going to get was food that was good enough, if not great. Most items were prepared in a central commis-

sary and shipped to more than 1,000 restaurants, at Howard Johnson's peak. Consistency was king, right down to the waitresses' turquoise-and-orange uniforms.

Today the old buildings house banks, dental clinics, veterinary hospitals, jewelry stores—anything but HoJo's. The big mirrors that bore the names of the restaurants' 28 ice-cream flavors have been torn out. The unmistakable fragrance of all-you-can-eat fried-clam night has long since drifted away.

**The once-ubiquitous restaurant chain belonged to a time before America got in a hurry.**

So what doomed HoJo's? Ray Kroc, mainly. The McDonald's impresario understood that Americans were in a perpetual hurry. Kroc's sales pitch—burgers delivered faster and cheaper than what Howard Johnson's table service and broad menu could provide—made HoJo's suddenly feel stodgy and helped drive it off the map. Now only a hotel brand bearing the name remains; the sole restaurant still carrying a Howard Johnson's sign is in Lake George, N.Y., and the land on which it stands was put up for sale last year.

HoJo's archaeologists say that when founder Howard Deering Johnson died in 1972, his son, Howard B.

Johnson, could not maintain the magic (he presided over the introduction of the medicinal-tasting HoJo Cola, which was only slightly more palatable than a mouthful of liquid soap). By contrast the elder Johnson had known how to make any meal item inviting, said Glenn Wells, 62, of Halfmoon, N.Y.: "Even the lowly hot dog, elevated to a new standard as a 'grilled butter Frankfort' served on a toasted square New England-style bun."

The restaurants' secret, Mr. Wells said, had been to vie mightily to be "all things to all people" in a country that still embraced such a concept. That world isn't coming back, and neither are Howard Johnson's restaurants, as even the die-hards concede. So when they're scouring the countryside for the shells of the former restaurants, what, really, are they seeking?

"Something that can take your thoughts out of the turbulence of today," said Walter Mann, 53, of North Haven, Conn. He still gets a pleasant jolt when, out of nowhere, he spots one of those old orange roofs.

"They were happy places," he said. "Wherever in the country you and your parents might be driving, they were waiting for you. When you were a child and you went inside, you felt safe and calm, and even though you'd never been in that particular one before, you somehow felt like you were home."

*Mr. Greene's books include "Chevrolet Summers, Dairy Queen Nights."*

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, September 27, 2018 | B1

**Sale of shares worth \$15 billion comes after weekend auction ended bidding war**

By STU WOO AND BEN DUMMETT

LONDON—**21st Century Fox** Inc. said Wednesday it would sell its 39% stake in **Sky PLC** worth roughly \$15 billion to **Comcast Corp.**, after losing a weekend auction for full control of the European pay-TV giant it had long coveted.

The move, for which Walt Disney Co. gave its consent, comes after Comcast on Saturday won the right to buy Sky after its offer of £17.28 a share

(\$22.78) topped Fox's bid of £15.67 a share.

Despite losing the auction, Fox still benefited by forcing Comcast to increase its bid and thus the value of Fox's stake in Sky, which has more than doubled since Fox launched its attempt to buy the remainder of the U.K.-listed company in December 2016.

Fox has already agreed to sell most of its assets to Disney for \$71 billion. The Sky sale, along with a divestiture of Fox regional sports networks required by the U.S. Justice Department, would reduce the cost of the overall Fox deal to Disney by about \$30 billion, according to a person familiar with the matter.

The deal to sell the Sky stake ends Rupert Murdoch's

years-long quest for full control of the company. In 2011, Fox's predecessor ended a previous attempt to buy the 61% of Sky it didn't already own after a phone-hacking scandal at one of Mr. Murdoch's British newspapers sparked government resistance to the deal.

Mr. Murdoch and his family are major shareholders in Fox and in News Corp., which owns The Wall Street Journal.

In December 2016, Fox again tried to buy the rest of Sky by offering about \$14 billion, or £10.75 a share, but regulatory and political hurdles delayed the effort.

That gave Comcast, led by Chief Executive Brian Roberts, the chance to make a surprise

offer for Sky at £12.50 a share in February.

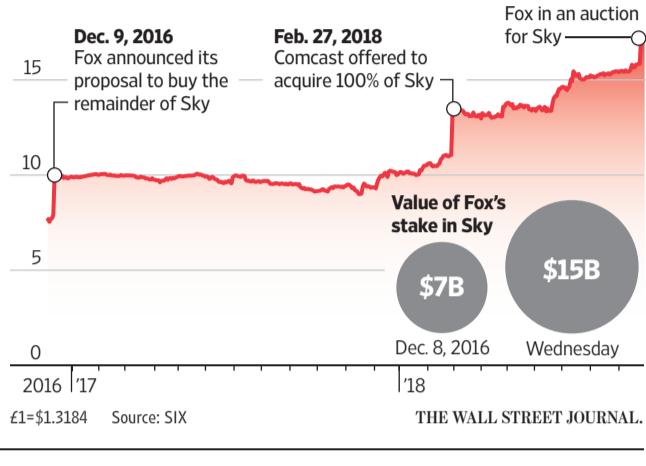
Both Fox and Comcast raised their bids again in July, so U.K. regulators, in an effort to stop a never-ending game of one-upmanship, held a rare sealed-bid auction for Sky. Comcast's bid valued Sky at close to \$40 billion, setting a record for such an auction in Britain.

Comcast, Fox and Disney all wanted to buy Sky to boost their international footprints, and because of what they considered to be Sky's attractive business model. Not only is Sky a media company that produces its own news, entertainment and sports programming, but it also sells TV, phone and internet services to 23 million customers.

## Losing but Winning

Fox didn't succeed in taking full ownership of Sky, but will sell its stake to Comcast at a premium.

£20



# Cadillac Heads Back to Detroit

By MIKE COLIAS

**General Motors** Co. is moving its Cadillac headquarters back to Detroit, nearly four years after relocating the luxury brand's home base to New York City's SoHo neighborhood.

Steve Carlisle, a longtime GM executive who took over Cadillac in April, confirmed the move, saying he wants the brand's leaders to be closer to GM's vehicle design and engineering hub in suburban Detroit, especially as GM prepares to roll out several new Cadillac models in coming years.

"We have a huge number of launches ahead of us," Mr. Carlisle said in an interview. "We've got to think about how we take inefficiencies out of the communication process between the Cadillac team and the GM partners."

The return to Detroit walks back a move initiated under former Cadillac head Johan de Nysschen to give the 116-year-old premium brand more autonomy from GM's Detroit headquarters and to help Cadillac's employees better understand what makes luxury buyers tick. About 110 people work at Cadillac's Manhattan headquarters, mostly executives and marketing personnel.

Mr. de Nysschen was pushed out in April after nearly four years leading Cadillac. The former head of Volkswagen AG's Audi of America at times clashed with GM executives in Detroit over strategy and control, people

Please turn to page B2

# Europe Opens Up to Other Gas Suppliers

By CHRISTOPHER ALESSI AND SARAH MCFARLANE

European efforts to import more liquefied natural gas are starting to pay off, moving the region further away from Russia's energy orbit and potentially creating more opportunities for U.S. producers.

Shifting to LNG has been a significant turning point for countries such as Lithuania and Poland, whose energy bills have fallen since they built LNG terminals in 2014 and 2016, respectively.

The new LNG terminals on the Baltic Sea, Russia's former backyard, are expected to prompt the opening of other European facilities that can turn to shipments of natural gas from places such as the U.S. and Qatar, industry experts said.

There are currently about six LNG projects in development or on the drawing board in Europe, most of them in countries that are in Russia's former sphere of influence. Earlier this month, German energy company **RWE AG** signed up to take a chunk of the future capacity of a planned LNG terminal in Hamburg, Germany.

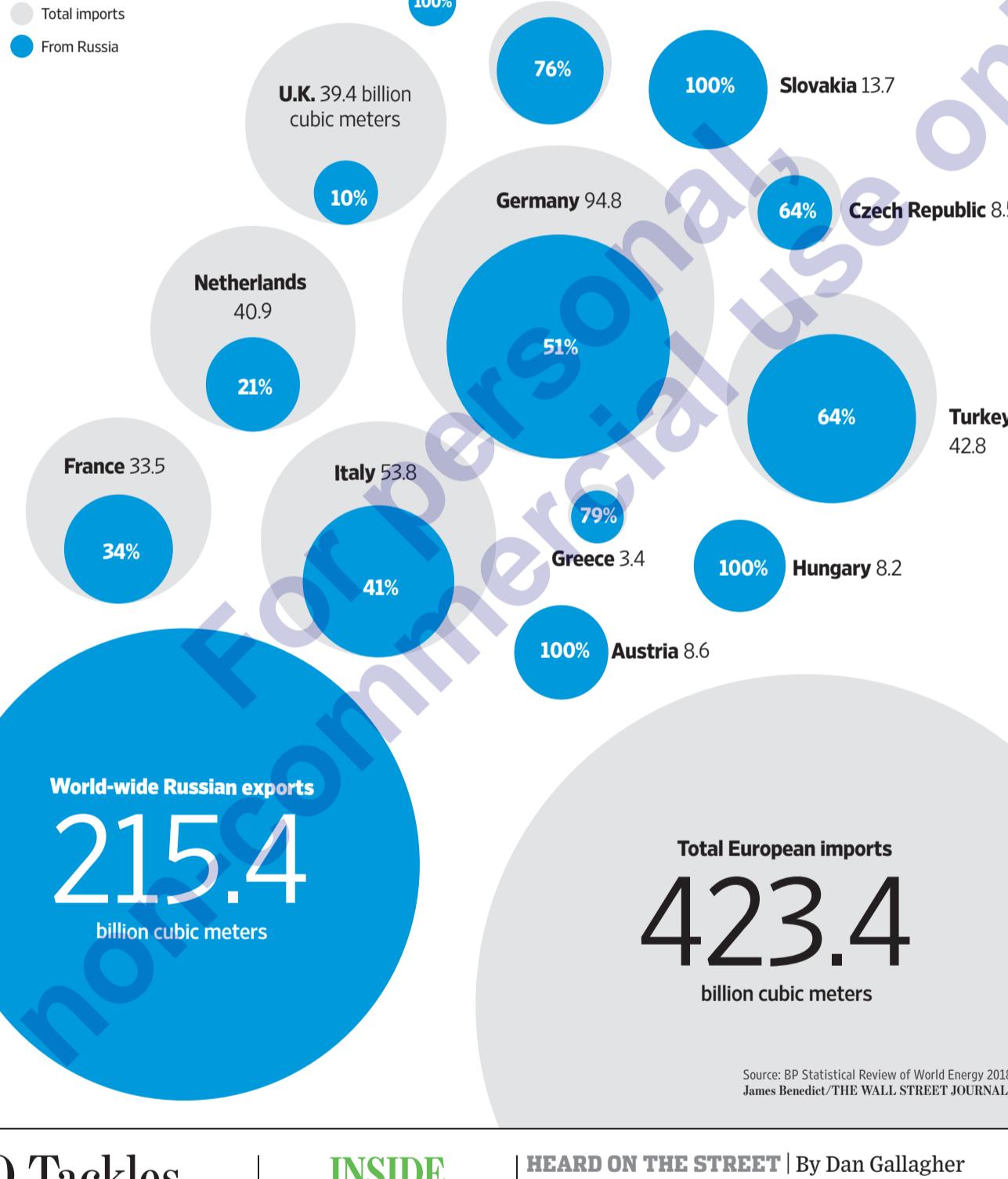
The success of the Baltic terminals should give investors and industry participants more confidence in the economics of these projects, experts said.

More European LNG import terminals would be welcome news for U.S. energy companies such as **Cheniere Energy** Inc., as they have been eagerly awaiting new projects abroad to eat into a glut of natural gas that has kept the U.S. benchmark price below \$4 per million British thermal units for years. Natural-gas futures for Octo-

Please turn to page B12

Share of Russian gas imports by pipeline to European markets

Total imports  
From Russia



# Calpers CEO Tackles Flurry of Challenges

By HEATHER GILLERS

In what was otherwise a lighthearted question-and-answer session at a staff meeting this month, Marcie Frost turned serious.

After rising from a clerical position in Washington state government to head the largest pension fund in the country, the **California Public Employees' Retirement System**, Ms. Frost had been the subject of reports questioning how she had presented her educational credentials.

"I cannot allow this 30-year career to be minimized," Ms. Frost, 54, recalls telling the 900 employees. In an interview, she said she talked about how she had been honest during her hiring process about not having a college degree. The staff had too big a job ahead of them to be distracted, she added.

Calpers, which oversees \$360 billion in assets for 1.9 million police officers, firefighters and other public workers, is dealing with chal-

lenges on several fronts. The largest is financial: Calpers has just 71% of what it needs to pay future benefits, putting the fund in the middle of America's massive pension shortfall.

Estimates of governments' total unfunded promises to workers range from \$1.6 trillion to \$4 trillion nationwide, and the funding gap is straining taxpayers and putting pension promises in jeopardy.

Ms. Frost also is wrestling with upheaval within the Calpers executive suite. A series of top officials have left or announced their departures during her two-year tenure. The fund on Monday named a former investment director, Yu Ben Meng, to replace its investment chief, who plans to leave by year-end. The fund is set to have three different chief financial officers this year.

Ms. Frost's own history added to the challenges. She has come under scrutiny following an August report from the

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## INSIDE



### MCDONALD'S AIMS FOR NATURAL IMAGE

MARKETING, B3



### ARCTIC ROUTES RECEIVE COOL RECEPTION

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## HEARD ON THE STREET | By Dan Gallagher

# It Is Getting Pricier in the Cloud

Staying competitive in the cloud is expensive. The two largest players in the industry aren't making it any cheaper.

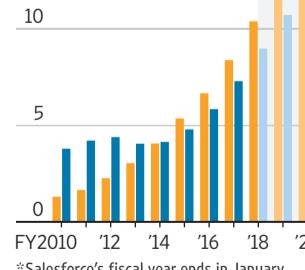
**Salesforce.com** and **Adobe** are the largest software companies that derive all or most of their revenue from subscription-based services. It is hardly a zero-sum game at this point; analysts from KeyBanc Capital estimate that less than 10% of total enterprise tech spending currently goes toward cloud software. But both companies are richly valued by investors, with stock prices that have surged more than 50% so far this year on the premise that they can continue to fuel annual growth rates of 20% or more.

That requires both astute management of their core businesses and some aggressive deal making. The latter, in particular, has been

### Run Rate

Annual revenue\*

\$15 billion



**MuleSoft**, which helps companies build their own cloud-based applications.

Neither was a bargain. Salesforce paid about 16 times forward revenue for MuleSoft—a price so high that many suspected the company had competition on the deal, though a subsequent regulatory filing showed that wasn't the case. Adobe paid about 10 times **Marketo**'s projected revenue for the coming year, according to analyst estimates.

It also provided a nice payday for **Vista Equity Partners**, which took Marketo private for \$1.79 billion barely two years ago. For reference, companies in the S&P 500's Software and Services group now average around 5.5 times forward sales, according to FactSet.

Future deals aren't likely to be cheaper. Cloud stocks have been on a tear, outperforming the rest of the software industry and the broader tech sector by a

Please turn to page B2

on display of late. Last week, Adobe made its largest acquisition ever with its \$4.75 billion purchase of Marketo, a provider of cloud-based marketing software services. That came just six months after Salesforce announced its own record deal with the \$6.5 billion pickup of

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## The Cloud Is Getting Pricier

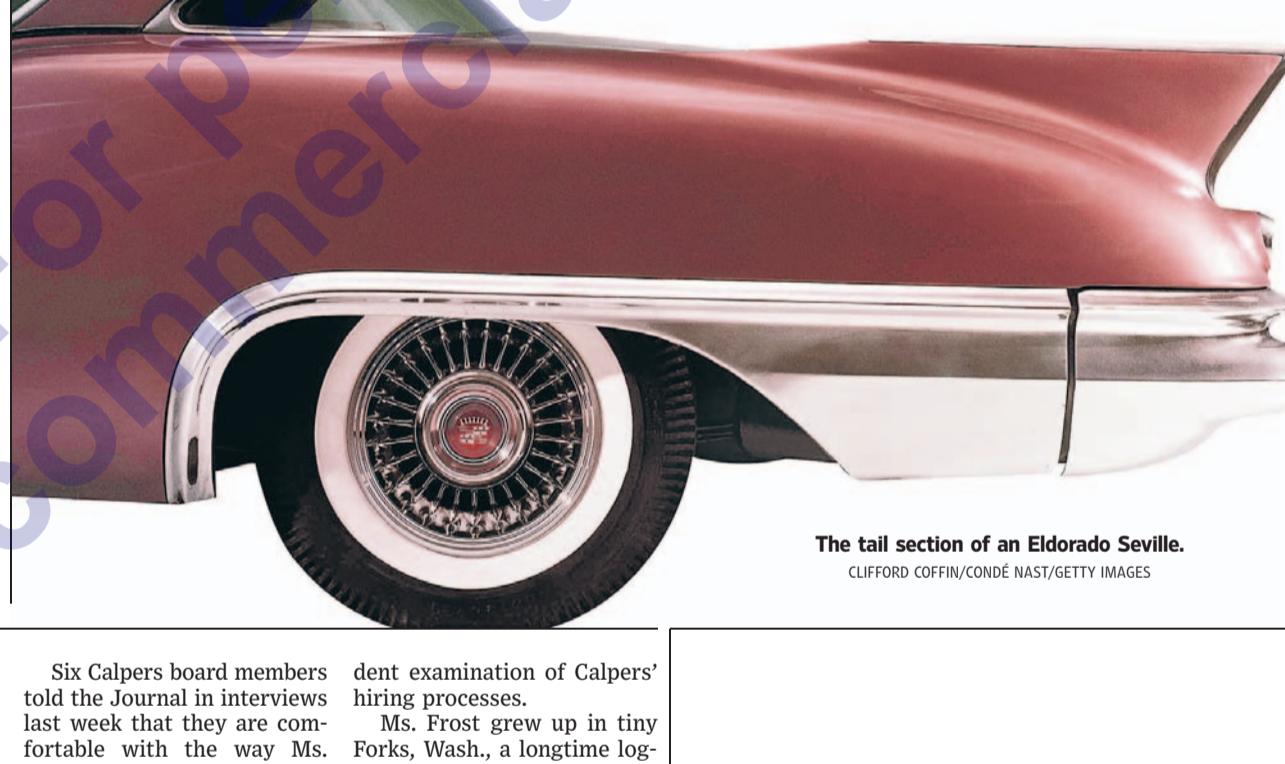
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wide margin. A group of 55 cloud stocks tracked by KeyBanc is up nearly 69% for the year, compared with 19% for the S&P 500's software group. The average multiple among those cloud stocks is 11 times forward sales, according to FactSet, or double the Software and Services average.

Investors haven't objected to high-price deals if they

perceive them as continuing to drive high growth. Salesforce's shares are up 27% since the MuleSoft deal was announced and have picked up further gains this week as Salesforce's annual Dreamforce conference kicks off. The company told analysts Wednesday that it expects annual revenue in the range of \$21 billion to \$23 billion for the fiscal year ending January 2022, which would require growth to average at least 20% a year until then.

Adobe quickly recovered the 2% it lost following last week's Marketo news. But those prices leave little room for error. Even a slight deceleration could put cloud-stock prices on the skids.

Calpers' board members



The tail section of an Eldorado Seville.

CLIFFORD COFFIN/CONDÉ NAST/GATGET IMAGES

## Calpers's Frost Faces Questions

Continued from the prior page  
blog Naked Capitalism that she hadn't been enrolled at the Evergreen State College in Olympia, Wash., when Calpers hired her in 2016. A Calpers news release in July that year stated that Ms. Frost "is pursuing" a dual degree from that school.

The blog cited a document provided to Calpers by a recruiting firm during the 2016 CEO selection process. The document, which was re-

viewed by The Wall Street Journal, said that Ms. Frost was "currently matriculated in a dual-degree program" at Evergreen. Calpers said it based its July 2016 news release on that document, which Ms. Frost now says is incorrect.

The recruiting firm, Heidrick & Struggles, said it doesn't comment on client matters. Ms. Frost in the interview said she attended classes at Evergreen in 2010 and hopes to eventually return. She said she told Heidrick & Struggles about her past coursework and "what I wanted to pursue."

Her lack of a college degree,

Ms. Frost said, is "something that my critics through my career have been able to use against me."

Six Calpers board members told the Journal in interviews last week that they are comfortable with the way Ms. Frost represented her education. Late Tuesday, a board committee set Ms. Frost's compensation for the current fiscal year at \$330,720, a 4% raise, and awarded her an \$84,873 bonus for the past fiscal year. That compares with an \$80,190 bonus for her first nine months in the job.

"We hired Marcie not because she was pursuing any degree but because of her competencies, her skills, her leadership qualities, her experience," said Calpers board President Priya Mathur.

One board member, Margaret Brown, told the Journal she plans to seek an indepen-

dent examination of Calpers' hiring processes.

Ms. Frost grew up in tiny Forks, Wash., a longtime logging town where her grandfather worked as a forester. After graduating from Forks High School, she stayed home with two young children.

"I was a teenage mom and it's one of the reasons I didn't go to college" on a traditional timeline, she said.

In 1985, she took a temporary position at Washington's Department of Labor & Industries, which oversees workplace safety and workers' compensation. She eventually became a manager.

Ms. Frost in 2000 joined Washington's Department of Retirement Systems, which oversees retirement benefits for nearly 758,000 current and former public workers.

She worked as a human-resources director and chief information officer before becoming the department's director in 2013. During her tenure, a measure of assets to cover liabilities never fell below 86%. She also proved she could say "no" at critical times. When Washington Gov. Christine Gregoire in 2009 asked her department to evaluate a proposal to combine two government benefit units, Ms. Frost, then deputy director, recommended against the merger.

At Calpers, Ms. Frost calmed nerves when the fund moved to lower its expected rate of return to 7%, forcing government employers around California to contribute more.



MAX WHITAKER/REUTERS

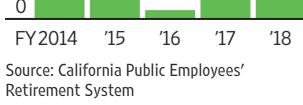
CEO Marcie Frost's educational credentials have been an issue.

## Pension Promises

Calpers, the nation's largest pension fund, aims to earn an average annualized return of 7%.

### Returns for fiscal years ended June 30

20%



Source: California Public Employees' Retirement System

THE WALL STREET JOURNAL

## BUSINESS & FINANCE

### Cadillac Heads Back To Detroit

Continued from the prior page  
familiar with the matter said. Cadillac's U.S. sales also slumped under Mr. de Nysschen despite big gains in China.

While the original move to New York was intended to create separation from the rest of GM, Cadillac still relies on thousands of employees in Michigan to decide on everything from a model's styling and features to how cars are priced.

The planned move is the latest twist in GM's long struggle to revitalize the image of an American product once synonymous with high-end luxury but that has since been passed by foreign brands, such as BMW and Volkswagen's Audi.

GM executives had believed the New York location would set Cadillac apart from the day-to-day operations of GM's mainstream U.S. brands: Chevrolet, Buick and GMC. The idea, first floated in late 2013, was backed by then-GM Chief Executive Dan Akerson and some GM directors, who worried that Cadillac's worldview from Detroit was too myopic for a brand with global aspirations, people familiar with their thinking said.

The relocation had been controversial, criticized by Detroit civic and business leaders and questioned by some industry pundits.

The decision to leave New York marks the first major move by Mr. Carlisle, who previously ran GM's Canada business. He said Cadillac's new headquarters will be in a



GM's headquarters in Detroit before the company moved to another downtown location. The brand's new base will be outside the city near the car maker's technical center.

featured Cadillacs cruising through Manhattan cityscapes.

The brand sponsored fashion shows in the city and hosted several rotating art exhibits at its Cadillac House retail lounge on the street level of its headquarters building. GM will keep the space open after Cadillac relocates.

But Cadillac's U.S. sales continue to slip despite efforts to reposition the brand. It lost market share in each of the last three years, although it has commanded sharply higher transaction prices. Part of the problem is a thin vehicle lineup relative to BMW AG, Audi and other luxury players.

This summer, GM Chief Executive Mary Barra also changed Cadillac's reporting line to Detroit. Mr. Carlisle now reports to GM product chief Mark Reuss, a Michigan native and avid Detroit booster. Previously, Mr. Carlisle reported to GM President Dan Ammann, a former Morgan Stanley investment banker who is spending more time on GM's autonomous-vehicle efforts.

Cadillac also installed a new chief marketing officer in March, bringing in former McDonald's Corp. executive Deborah Wahl to succeed Uwe Ellinghaus, a former BMW executive who left for personal reasons late last year.

Some analysts had backed the initial move to New York as a signal that GM was laying the foundation for Cadillac as a stand-alone company at a time when investors have shown an appetite for luxury car brands such as Italy's Ferrari NV and Aston Martin, which is planning stock-market listing that values the British sports-car maker at \$6.7 billion.

"We continue to see Cadillac as a distinct and highly valuable business that can increasingly justify an independent existence potentially outside" of GM, Morgan Stanley analyst Adam Jonas wrote in recent research note.

He added that GM's move to set up Cadillac as a New York-based business "could be interpreted as vital for transforming the brand."

## CHECK OUT WHO JUST CHECKED IN



(Pictured Cocktail: Sunaysia Mango Bellini, mix it from your hotel minibar)



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## BUSINESS NEWS

# WPP Puts Creative, Digital Together

By NICK KOSTOV

**WPP** PLC is merging its well-known creative agency Young & Rubicam with its digital-ad firm VML, part of the advertising giant's efforts to deal with digital disruption across the industry.

The company said the combined business would be called VMLY&R, employ 7,000 people and be led by Jon Cook, who is currently VML's global chief executive. David Sable, Y&R's global CEO, will be nonexecutive chairman and transition to a new role within WPP.

The combined business will have annual revenue of more than \$1 billion, according to a person familiar with the matter. The move is part of new WPP Chief Executive Mark Read's plan to offer a simpler structure for clients who want more integration across marketing functions such as data, digital, creative advertising and media buying.

Mr. Read has also said he aims to revive sales growth at WPP's creative firms, like Y&R, in part by making them work more closely with the company's stable of digital-advertising and data-science firms.

Mr. Read has said he would unveil a full strategy update by the end of the year.

"This is an important step as we build a new, simpler WPP," Mr. Read said. "VML and Y&R have distinct and complementary strengths spanning creative, technology and data services."

WPP acquired Young & Rubicam as part of a broader \$4.7 billion deal in 2000. The New York-based firm has been credited with some of TV's most popular ads, including a recent remake of a 1977 spot for Xerox about a monk who finds a way to quickly make copies of a handwritten manuscript.

VML is one of WPP's best-performing businesses with a compound annual growth rate of 22% between 2014 and 2017, according to analysts at Kepler Cheuvreux, a broker.

# McDonald's Trims Preservatives

New recipes aim to project a more healthful image; pickles remain a challenge

By JULIE JARGON

**McDonald's** Corp. is stripping artificial ingredients from more food to win over customers who, the burger chain believes, don't want to eat things with names like calcium propionate and sodium benzoate.

Those and other ingredients found in the buns, cheese and sauce on some of McDonald's best-known burgers are gone from its U.S. restaurants, the chain said. The Big Mac, Quarter Pounder with Cheese and burgers in Happy Meals are now among items free from artificial preservatives, flavors and coloring.

The new recipes are McDonald's latest attempt to project a more healthful image and reverse a sales slump in its main U.S. market.

McDonald's this past spring started making Quarter Pounders in the U.S. with fresh beef. The company has replaced high-fructose corn syrup with sugar in its buns, removed artificial preservatives from Chicken McNuggets and reverted to butter instead of liquid margarine in Egg McMuffins.

The company said that since the changes, McNuggets sales have risen and burger sales have increased.

"This really is meant to serve as another proof point of what we're doing at McDonald's to enhance the quality of the food," said Chris Kempczinski, president of McDonald's USA. "We hope it's the cumulative impact of all the changes we've been making that will move perception."

Fresh, natural ingredients are a focus at chains such as Chipotle Mexican Grill Inc. and Panera Bread Co. As interest in more wholesome diets has spread, fast-food chains that have taken sales from McDonald's in recent years have revisited their recipes, too.

Chains including **Yum Brands** Inc.'s Taco Bell and Pizza Hut and Doctor's Associates Inc.'s Subway have eliminated artificial ingredients from menu items. **Wendy's** Co. has



One of the chain's restaurants in Hong Kong. The company is working to reverse a sales slump.

eliminated antibiotics also used on humans from its poultry and introduced salads made with fresh berries and tomatoes grown in greenhouses.

McDonald's and Chick-fil-A have said they would eliminate such antibiotics from their chicken. McDonald's has done so in the U.S. and is working on eliminating antibiotics from its restaurants overseas.

McDonald's hasn't shown its improved food can generate the sales growth that investors are expecting. An increase in U.S. same-store sales of 2.6% in the second quarter fell short of analyst forecasts of 3% growth.

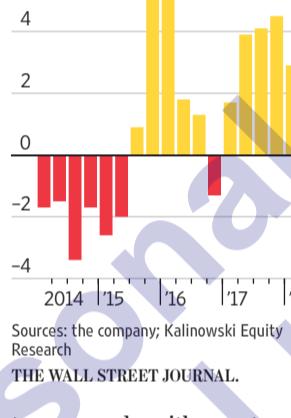
Mr. Kempczinski said investing in the simpler menu would pay off. McDonald's didn't disclose how much it had spent to remove artificial ingredients from its menu.

In the latest changes to its burgers, McDonald's replaced artificial ingredients with natural ones or removed them. That will mean a shorter shelf life for some products or additional refrigeration.

McDonald's switched the American cheese on its burgers

## Cooling Down

McDonald's quarterly U.S. comparable store sales, change from previous year



Sources: the company; Kalinowski Equity Research

THE WALL STREET JOURNAL

Some of the sandwiches won't be made with these artificial ingredients

**Buns** Calcium propionate

**Sauce** Potassium sorbate, sodium benzoate and calcium disodium EDTA



very long shelf life, it was really unnecessary because McDonald's sells a lot of food, and they sell it quickly," said Mike Haddad, president and CEO of Schreiber Foods, the chain's American cheese supplier.

Pickles remain a challenge. Executives said it could take them two more years to find a

pickle with the same sour taste sans artificial preservatives.

"For us, pickles are extremely important," said Marion Gross, senior vice president of supply chain management for McDonald's USA. "We're not willing to change to a preservative-free pickle that has a different dill profile."

# Claims About Executive Tested Uber Overhaul

By GREG BENINGER

## Data Breach Brings \$148 Million Penalty

Ride-hailing company **Uber Technologies** Inc. has reached a nationwide settlement to pay a \$148 million penalty to settle allegations it intentionally concealed a 2016 data breach.

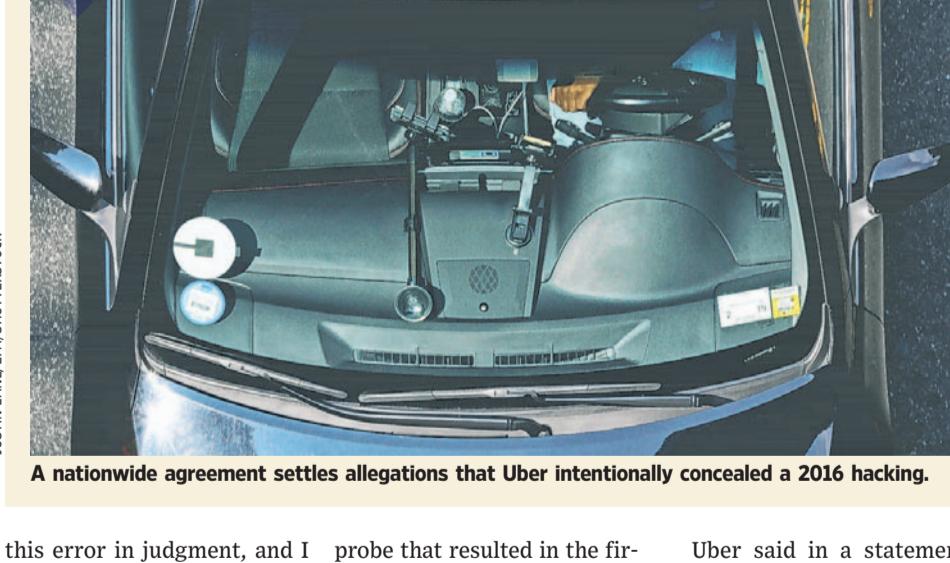
The settlement was reached with all 50 states and the District of Columbia to settle alle-

gements that Uber violated state data-breach notification laws, New York Attorney General Barbara D. Underwood and the company said Wednesday.

In November 2017, Uber disclosed that it paid hackers \$100,000 to conceal a cybersecurity incident one year earlier in which names, email addresses and mobile phone numbers belonging to some 57 million riders and drivers around the world were stolen. Of that

figure, about 7.7 million were Uber drivers. License numbers of 600,000 Uber drivers were also obtained by outsiders.

Uber's chief legal officer, Tony West, wrote Wednesday, in a post on Uber's website, that the company decided to disclose the incident in accordance with principles including transparency and accountability. "An important component of living up to those principles means taking responsibility for



A nationwide agreement settles allegations that Uber intentionally concealed a 2016 hacking.

this error in judgment, and I am proud of how hard everyone at Uber is working to ensure our company is a positive, respectful, and inspiring place to work," he said.

The company's decision of discipline over dismissal, which has drawn criticism from some people familiar with it, is an example of the kinds of choices firms are facing as more complaints arise from employees about the workplace behavior of colleagues.

Uber has been trying to improve the firm's culture and morale after a punishing period in which a former software engineer's allegations of permissiveness toward sexual harassment led to a broad

probe that resulted in the firing of about 20 of its roughly 17,000 employees and included formal warnings and training sessions for others. Law firm Perkins Coie LLP oversaw the broader investigation, as well as Mr. Poetzscher's.

Mr. Poetzscher, who started as CEO in September 2017, was tasked by the board with revamping the company's embattled workplace culture, while also laying the groundwork for an initial public offering. He made "We Do the Right Thing. Period." a mantra around the office and many current and former employees credit him with helping to make Uber a better place to work.

"We take all employee complaints seriously, as we did in this matter from 2017," an

Uber spokesman said, referring to the investigation into Mr. Poetzscher's behavior. "It was fully investigated by outside counsel, and the appropriate actions were taken as a result."

Mr. Poetzscher, who joined Uber when the probe was under way, wasn't involved in the decision and was briefed after the fact on the investigation and the broad outlines of the allegations, according to a person familiar with the matter. Mr. West started in November, as the matter was wrapping up.

"We take all employee complaints seriously, as we did in this matter from 2017," an

# Deal Keeps U.S. Nuclear Plant Alive

By RUSSELL GOLD

Owners of the last remaining nuclear-power plant under construction in the U.S. agreed to keep working, even as rising costs and unpredictable financial risks threaten the half-built project.

After several days of closed-door negotiations, lawsuits and intense political pressure to craft a deal, the owners agreed Wednesday to finish work on the Alvin W. Vogtle Electric Generating Plant in Waynesboro, Ga.

**Southern** Co., the project leader, came to a new deal with co-owners **Oglethorpe Power** Corp., the Municipal Electric Authority of Georgia and **Dalton Utilities**.

Under the deal, Southern agreed to cover a growing percentage of the project's construction costs if the price tag continued to climb. The Atlanta-based utility also agreed to purchase future tax credits from its co-owners at a discounted cost.

The owners have been struggling for the past couple of years after the designer and lead construction contractor filed for bankruptcy.

Led by Southern, the companies opted to press ahead. But earlier this year, Southern said the costs had risen again, this time by \$2.2 billion.

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## MANAGEMENT

# A Silicon Valley Warning

LinkedIn co-founder Hoffman cautions against tighter oversight of tech industry

BY ROLFE WINKLER

America's big technology companies are facing some of their toughest political challenges as they flirt with or surpass trillion-dollar valuations. Before

**BOSS TALK** lawmakers try to rein them in, Reid Hoffman argues government officials better be careful what they wish for.

Mr. Hoffman was chief operating officer of PayPal while it was still a small payments startup before he co-founded the professional social-network LinkedIn. He was also an early investor in Facebook Inc., which gives him insight into its present challenges, including the heightened scrutiny from lawmakers around the platform's handling of misinformation and data privacy.

Today Mr. Hoffman is focusing on investing in startups as a venture capitalist with **Greylock Partners** and has a new book, "Blitzscaling: The Lightning Fast Path to Building Massively Valuable Companies."

Mr. Hoffman recently sat down with The Wall Street Journal. Here are edited excerpts from the interview:

**The Wall Street Journal:** Tech companies—in particular Facebook—are known for moving fast and breaking things, but when it comes to data-privacy problems and fake news, for instance, the rest of us are left to pick up the pieces. Should we regulate them?

**Mr. Hoffman:** If Facebook was restricted and slowed down, maybe what we'd all have is [China's] WeChat. So, instead of having Facebook as our platform, which is a thing we can evolve in, it's actually in fact a Chinese company that's doing it. It's like simply saying, "Oh, we're a monopoly in the whole world, and we're gonna slow down our industry as a way of [solving tech problems]," but that is not a very rational policy.

Tech needs to do a much better job being transparent. But I prefer a pattern where



Reid Hoffman in San Francisco. He now focuses on investing in startups with Greylock Partners.

the government says, "We want you to show you're having the following improving impact on society. If you're doing that, we don't need regulation."

**WSJ:** In your book you propose public-private partnerships as an alternative to regulating tech, without of-

*'I would be cautious because you're trying to allow for continued innovation.'*

fering details. What would that look like?

**Mr. Hoffman:** The Motion Picture Association of America rating system is a partial example. One thing we need to see [on social media] is people responding more to things that are fact-based. Say we're going to set up a truth-seeking code of ethics that says, "We'll research stories and we'll take some liability if we haven't fol-

lowed this process." For example, the tech industry could say, "We'll set this up with objective third-party nonprofits that are rating this stuff, and then we'll pipe those ratings into how we're showing our content." By the way, the implicit threat is, if you don't do better, then the government will regulate.

**WSJ:** Has Facebook or any tech company proposed something like this?

**Mr. Hoffman:** No, but I don't think they've been asked to. Facebook is in this squeeze between the left and the right. Both of them are yelling at Facebook, and Facebook says, "OK, we shouldn't be the autocratic arbiters of this." So my precise advice to government is to go to them and say, "Hey, here's some specific problems that we would like to hear your solutions to." Not, "We'd like to rake you over the coals for political theater."

**WSJ:** How about for data privacy? Should there be rules to help individuals pro-

tect themselves and their data?

**Mr. Hoffman:** Yes, but I would be cautious because you're trying to allow for continued innovation. The rule you have to have is transparency and disclosure. Why is China likely to make a lot of inroads in precision medicine? Because their controls around medical data are nothing. A whole generation of medical products is going to emerge out of there.

**WSJ:** You're vociferously opposed to President Trump. Does Silicon Valley have a problem with liberal bias?

**Mr. Hoffman:** I do think that there is a reflexive bias to liberalism that causes discomfort. I think you have that kind of left bias within the Silicon Valley culture, too, which is, "I'm so convinced that's idiotic, I'm not listening to anything about it." And that's the problem. The problem is not actively listening. But that's human. It's not only here. Part of the reason [for strong negative reactions] to Trump is the flat-out lies.

# Research Chief to Be Next Daimler CEO

BY WILLIAM BOSTON

BERLIN—Mercedes-Benz owner **Daimler AG** said long-time Chief Executive Dieter Zetsche would stand down next year and be succeeded by its research-and-development chief, who has been leading the car maker's push into electric vehicles and self-driving cars.

The appointment of Ola Källenius marks a changing of the guard at the German auto maker at a time when its sales have slowed and, like much of the car industry, it grapples with technology-driven changes and a fragile global economy.

With that challenge in mind, several auto makers have turned to younger executives, closer in age to a new generation of customers who have grown up with the internet.

Mr. Källenius, a 49-year old Swede, would be the first non-German to run Daimler. He succeeds Mr. Zetsche, 65, who with his 12 years as CEO is one of the longest-serving leaders in the industry. Mr. Zetsche will join Daimler's supervisory board and is expected to become its chairman after a mandated two-year cooling-off period.

Mr. Källenius had been viewed by analysts as a likely CEO since he was promoted to Daimler's executive board in 2015. He joined the company as a management trainee in 1993 and has held various executive positions in the U.S. and Germany. He also has experience in the performance-car business with stints at McLaren Automotive Ltd. and Daimler's Mercedes-AMG GmbH.

Daimler Chairman Manfred Bischoff praised Mr. Källenius as a "recognized, internationally experienced and successful Daimler executive."

Mr. Källenius was also welcomed by Carlos Ghosn, chief of the Renault-Nissan-Mitsubishi alliance, which also maintains an alliance with Daimler for sharing engines and technology. Mr. Ghosn, who has had a close working relationship with Mr. Zetsche, said Mr. Zetsche was "rightly admired across the automotive industry" but that the change of

CEO at Daimler wouldn't affect their partnership.

Arndt Ellinghorst, an auto analyst with the brokerage Evercore ISI, said Mr. Källenius "is a charismatic and fresh leader and understands Mercedes Cars very well," but added: "He will need to spend a lot of time dealing with the other businesses and, importantly, shareholders."

The new CEO is set to take over as Daimler faces a number of challenges. Revenue growth has slowed considerably, rising 1% to €80.5 billion (\$94.52 billion) in 2018's first half, while earnings before interest and tax plunged 21% to €5.9 billion.

Daimler warned earlier this year that earnings would be hampered as a result of global



trade disputes and rising costs to meet tougher emissions standards in Europe and to develop technology for electric vehicles and self-driving cars.

The company is also preparing a major reorganization next year that will split its operations into three business units—trucks, cars, and new businesses such as car-sharing—a move that analysts say could lead to one of the divisions being spun off.

Daimler also must deal with Li Shufu, the Chinese billionaire who stunned the company earlier this year by amassing a 10% stake in the auto maker.

Mr. Li controls Zhejiang Geely Automotive, a fast-growing company that is eager to become China's first global auto manufacturer. He has maintained a hands-off strategy with Daimler, but he and Mr. Zetsche have been engaged in talks about developing joint projects.

"The big issue for Daimler is Li Shufu," said Ferdinand Dudenhöffer, director of the Center for Automotive Research at the Duisburg University. "How will they deal with China and Geely?"

## TECHNOLOGY

WSJ.com/Tech

# SVMK Shares Soar 44% In Debut

BY MAYUMI NEGISHI

TOKYO—For Japan's tiny startup scene, space is the bold new frontier.

On Wednesday, **ispace Inc.**, a Japanese company that wants to send hundreds of robots to map, mine and make deliveries to the moon, said it has reserved space on SpaceX rockets due for launch in mid-2020 and mid-2021. Its goal is to build a business around the missions needed to create a 1,000-person industrial city on the moon by 2040.

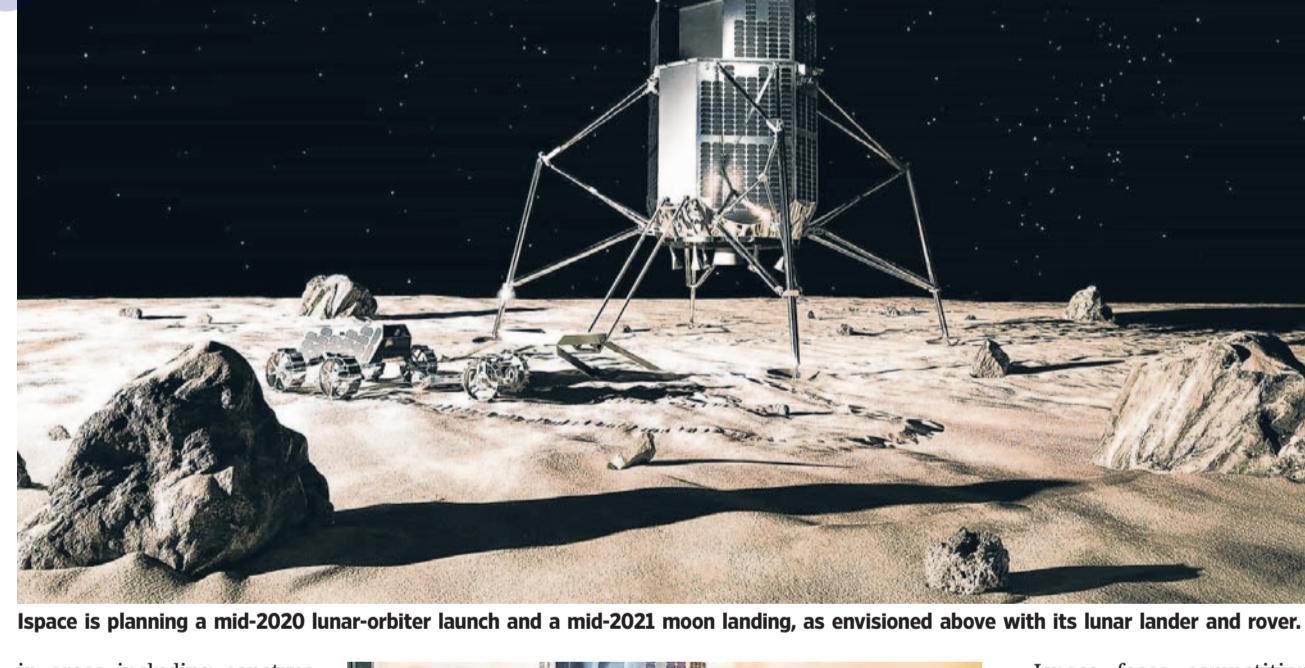
A handful of Japanese companies are jockeying for position in the global rush for business opportunities on the moon, fueled by falling launch costs and growing government spending. The U.S. is studying building a lunar station in the mid-2020s; China plans to send rovers to the far side of the moon this year.

Extraterrestrial ambitions also are propelling outsize valuations for Japan's space-related startups. Last year, ispace's initial funding round raised more than \$90 million—a big sum in a country where venture-capital investments last business year came to just \$1.3 billion, less than 2% of the U.S. total.

Japan is second to the U.S. in the number of companies investing in startup space businesses, according to technology analytics firm Bryce Space and Technology.

ispace is funded by the government-backed Innovation Network Corp. of Japan and Development Bank of Japan, as well as car maker Suzuki Motor Co. and precision-equipment makers Toppan Printing Co. and Konica Minolta Inc.

For Japanese corporations, the investments are long-term bets on moon-related demand



ispace is planning a mid-2020 lunar-orbiter launch and a mid-2021 moon landing, as envisioned above with its lunar lander and rover.

in areas including construction, manufacturing, energy and communications.

The private sector can lower costs by using existing hardware, reducing development needs. Japanese space ventures have access to a range of automotive and precision-equipment companies at home, said Hidetaka Aoki, partner at Tokyo-based venture-capital firm Global Brain Corp.

Mr. Aoki co-founded S-Matching, which helps space ventures meet businesses sitting on large cash reserves, among them blue-chip companies such as Itochu Corp.—an investor in satellite-data analytics company Orbital Insight Inc.—Japan Airlines, construction company Shimizu Corp. and advertising company Dentus Inc.

ispace's two missions will comprise a mid-2020 lunar-or-

biter launch and a mid-2021 moon landing. On that second trip, its robot lander will carry two rovers, 22-pound robots on wheels. The company is now taking orders for other payloads—the lander can haul 66 pounds—and seeking spon-

sorships to help cover operational costs.

After the second mission, the company plans to quickly start deploying robots every month, said Takeshi Hakamada, ispace founder and chief executive.

ispace faces competition from Pittsburgh-based Astrobotic Technology Inc., which plans its maiden launch in late 2020. Customers already are reserving space aboard Astrobotic's Peregrine lander, at \$540,000 a pound. ispace said it is considering a slightly higher price.

Support from the Japanese government for the ispace project reflects the possibility of finding rare earths or water—for turning into fuel—on the moon. Resource-poor Japan has earmarked ¥355 billion (\$3.14 billion) for its space program in the year starting April 2019.

"When resources are found on the moon or on Mars, we want to have a seat at the table," said Susumu Sasaki, director of the JAXA Space Exploration Center at the Japan Aerospace Exploration Agency, the country's space agency.



Takeshi Hakamada, ispace CEO, sees monthly robot deployments.



Special Advertising Feature

# The Agile Enterprise: Crafting a New Approach to Workforce Planning.

*With disruption lurking at every turn, organizations need to create a more agile approach to future-proofing their workforce.*



*By Claudia Saran*

Principal, People and Change Leader, KPMG LLP

Does your workforce strategy have you ready for tomorrow?

Chances are, you're not sure. Disruptive technologies aren't just reshaping business models; they're reshaping the way work gets done—placing a premium on technical savvy, agility, and adaptability.

The workforce itself is changing, too. Millennials are fast becoming the largest generation represented in the workforce, bringing with them new ideas about career paths and work-life balance. Meanwhile, increases in life expectancy suggest we're approaching a time when many workers can expect to live to 100 years of age, and in doing so, pursue multiple careers in their lifetime. In addition, the concept of "workforce" is expanding far beyond employees and outsourcing partners, to include a growing population of gig workers and automation in the form of physical and digital robots.

All this is heightening the challenge for employers seeking the optimal approach to securing not just the top talent, but the right talent. For those that want to find themselves among tomorrow's disruptors rather than the disrupted, they must adopt a new way of thinking about their workforce.

Traditional workforce planning—a point-in-time exercise aimed at matching job-seeker skills to current job openings—won't be sufficient. Not in a world where man and machine, tethered by artificial intelligence and intelligent automation, work ever more closely together. Or where the breakdown of functional silos as a result of technological innovation calls for

a more nimble enterprise, one in which a diverse range of workers are able to collaborate on short notice in agile, project-based structures.

To prepare for this tomorrow, we propose that organizations embrace workforce shaping. A new approach to talent identification, acquisition, and development, workforce shaping calls for visualizing future scenarios, enabled by data models

and market signals, of how the enterprise itself might evolve. It also requires looking at how specific functions might change, down to the task level, and then determining the workforce capabilities those changes will require. How, for example, might the organization's business model have to adapt to meet evolving customer expectations? How will automation impact current employees' tasks? What skills and capabilities will tomorrow's employees need to thrive in this new environment? Armed with answers to questions like these, companies can begin to hire and reskill employees capable of adapting to whatever tomorrow brings.

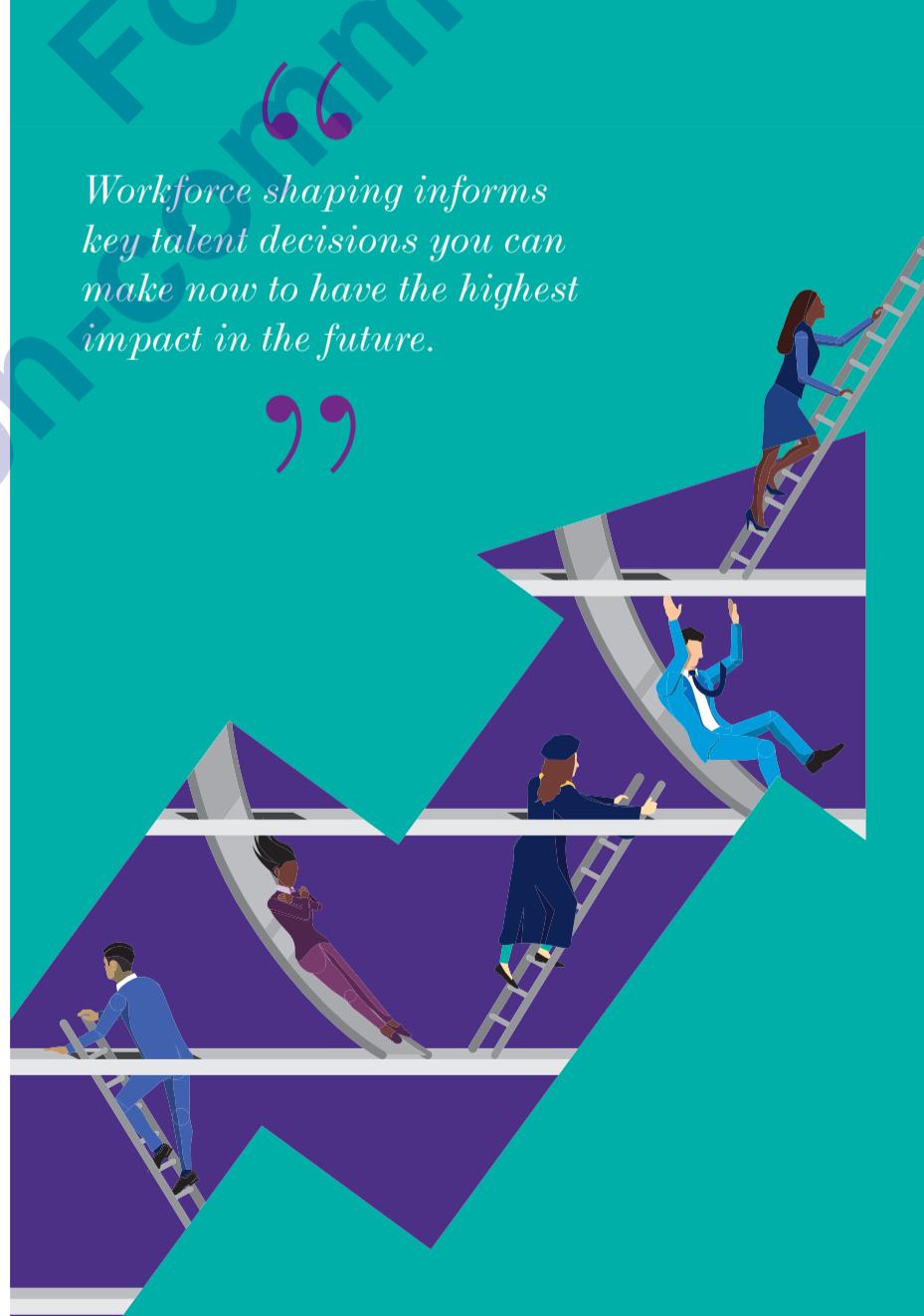
Technology can help, in the form of sophisticated analytics that give business leaders the ability to test their theories and predict talent needs more precisely than in the past. Add in a keen sense of the business's aspirations and its overall strategy, and you can help leadership build a more "fit for purpose" workforce.

More than a one-time undertaking, this needs to be an ongoing exercise in which the business and human resources partner to shape the workforce—an exercise that inextricably ties talent to business strategy. Workforce shaping works from the future backward to inform key talent decisions you can take today to have the highest impact tomorrow.

It is impossible, of course, to know exactly what tomorrow's workforce should look like. But waiting to find out isn't an option. Proactive workforce shaping offers organizations the chance to prepare today for what tomorrow will bring.

To learn more about how workforce shaping can benefit your organization, please visit [read.kpmg.us/people](http://read.kpmg.us/people).

*Workforce shaping informs key talent decisions you can make now to have the highest impact in the future.*



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## BUSINESS NEWS

# Arctic Shipping Faces Cold Realities

By COSTAS PARIS

When the Venta Maersk sailed out of Vladivostok late last month, the container ship was laden with far more than just a load of seafood.

With its progress across Russia's frigid arctic coast, the vessel also carried the promise of a new route across the globe that would shave time off major trade trips and cut the shipping industry's rapidly rising fuel bills.

The reality for vessel operators is more complicated, however, and the economic and operating barriers to predictable, scheduled services may be more difficult to break through than the fast-melting ice along the Arctic Circle.

Arctic routes are drawing greater attention as the global climate warms up and polar ice recedes, potentially opening new paths between Asia, Europe and North America.

The Northern Sea Route, a mostly frozen seaway, is considered a likely lane because it already is used in warmer seasons to move part of Russia's massive energy exports.

The NSR runs from Alaska to the Baltic Sea and is open from July to November.

Moscow now is promoting the lane as the shortest distance to ship containers from Asia to Europe, and a possible rival for routes that now take ships through the Suez Canal.

Cargo volumes along the route grew substantially this year as tankers with ice-breaking capability and lique-

## Changing Lanes

A shipping route along Russia's Arctic coast can save time and expense, compared with a voyage using the Suez Canal.



Sources: Northern Sea Route Administration; National Snow and Ice Data Center

THE WALL STREET JOURNAL.

fied natural gas carriers began to move through the region, carrying crude oil and natural gas from the Russian Far East to Western markets.

Then **Maersk Line**, the world's biggest container line, decided this summer to send its small, 3,600-container ship on the NSR from Vladivostok to St. Petersburg.

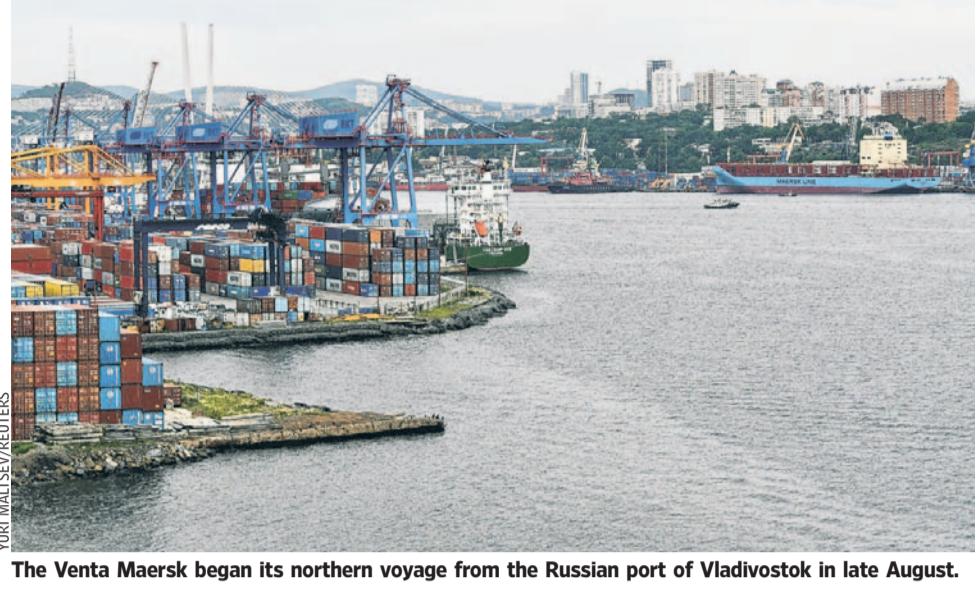
The Venta Maersk reached its destination this week, saving more than 10 days of sailing time compared with travel via the Suez. Maersk said the trip's goal was to collect data and that it doesn't see it "as an alternative to our usual

routes."

The potential sounds enormous: Container shipping carries 98% of the world's consumer goods, and more high-value cargoes would draw bigger investment and still more shipping to arctic routes.

But in today's ocean-shipping world, trade between Asia and Europe is handled by massive ships that can carry some 20,000 containers each. These behemoths sail with enormous economic benefits over smaller ships.

And as more of these ships hit the water, Chinese state-



**The Venta Maersk began its northern voyage from the Russian port of Vladivostok in late August.**

owned companies Cosco Shipping Lines and China Merchants Holdings Ltd. are investing billions into expanding or linking ports with roads and rail to move cargo inland as part on the new Silk Road initiative, seeking to connect the two continents on a route far from the Arctic.

The NSR may be a more direct path, but that doesn't make it smoother.

The route has no transshipment ports to allow the efficient transfer of goods, and has other important operating constraints.

Parts of the route are too shallow for big container ships and issues such as how to contain an oil spill on ice or where to evacuate the crew in an emergency are unresolved.

Before the ice began melting some 20 years ago, the Arctic was the domain mostly of local tribes and visiting scientists and explorers. But it is now a major energy-producing region with easy access to the sea to move crude and liquefied natural gas.

The U.S., Russia, Canada, Denmark and Norway are asserting rights, and China has made investment there a priority to advance its energy and shipping interests, even though it is thousands of miles away from its borders.

Cargo volumes in the eight months to August were up 80% over the year-earlier period, to around 10 million tons, according Norway's Nord University, which monitors the NSR.

Tankers, operated by Rus-

sian state shipping giant Sovcomflot, crossed the NSR more than 100 times this year, handling crude exports from Gazprom's Novy Port oil facility in northern Russia, which has access to the Arctic's Kara Sea. Crude tankers account for about 45% of ship traffic on the NSR.

Other sailings originated at Russia's massive Yamal LNG project, also near the Kara Sea, with five ice-class, purpose-built tankers moving natural gas from the Port of Sabetta to Europe.

Cosco has sent about a dozen general cargo vessels. That leaves the Maersk Venta as the only container ship so far in those waters. It's unlikely the route will see many more such vessels anytime soon.

## Deal Aims To Speed Payments To Truckers

By VIPAL MONGA

Supply-chain finance company **FreightRover** LLC has signed a \$500 million financing deal with New York-based asset-management firm **Crayhill Capital Management LP**, giving it more capacity in its business handling payments for trucking companies.

FreightRover accelerates payments to truck operators by buying their shipping invoices at 99 or 98 cents on the dollar, which is known as factoring. Using the company's app, truck drivers can be paid as soon as they log in to their phones and record their shipments, said Carlos Mendez, principal at Crayhill. "It's a very challenging place for the little guys to access capital," he said.

Mr. Mendez said FreightRover will quickly be able to put the full \$500 million financing package to work and then roll it over every 42 days, meaning the company could put almost \$4.5 billion to work a year.

The service is relatively expensive, working out to an annual percentage rate of between 9.5% and 12% for the carriers. But the technology allows the operators to avoid waiting several weeks to get paid, reduces their paperwork and cuts the number of people they need to process invoices, said Eric Meek, FreightRover's chief executive.

The Crayhill deal comes as shippers continue to have difficulty finding trucks amid a booming economy. Shippers have been paying more to get their loads through the bottleneck created by increasing demand for trucks. Spot van rates measured by DAT Solutions LLC were up almost 20% in the past year to \$2.14 a mile in August, the highest August average on record, from \$1.79 a year ago.

Meanwhile, companies are taking longer to pay suppliers, including trucking companies. The 1,000 largest public companies in the U.S. took an average of 56.7 days to pay their bills last year, according to a study from consulting firm Hackett Group Inc., up from 53.3 days in 2016. That was the longest average payment term in the past decade.

According to the U.S. Department of Transportation, there were just over 700,000 private carriers registered with the Federal Motor Carrier Safety Administration, and almost all of them operated fewer than 20 trucks.

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## CLASS ACTION

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WISCONSIN  
MILWAUKEE DIVISION

STEVEN DUNCAN, et al., Individually and on Behalf of All Others  
Similarly Situated,

Plaintiffs,

vs.

JOY GLOBAL INC., et al.,  
Defendants.

Civil No. 2:16-cv-01229-PP

CLASS ACTION

## SUMMARY NOTICE

TO: ALL PERSONS WHO PURCHASED, SOLD OR HELD JOY GLOBAL INC. ("JOY GLOBAL") COMMON STOCK DURING THE PERIOD FROM AND INCLUDING SEPTEMBER 1, 2016, THE RECORD DATE FOR JOY GLOBAL'S SPECIAL STOCKHOLDER MEETING REGARDING THE ACQUISITION OF JOY GLOBAL BY KOMATSU LTD. AND CERTAIN OF ITS SUBSIDIARIES (THE "ACQUISITION"), THROUGH AND INCLUDING APRIL 5, 2017, THE DATE THE ACQUISITION CLOSED.

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Eastern District of Wisconsin, Milwaukee Division, that a hearing will be held on December 20, 2018, at 2:00 p.m., before the Honorable Pamela Pepper at the United States District Court for the Eastern District of Wisconsin, Milwaukee Division, United States Federal Building and Courthouse, 517 E. Wisconsin Ave., Milwaukee, Wisconsin 53202, for the purpose of determining: (1) whether the proposed Settlement of the Litigation for \$20 million should be approved by the Court as fair, reasonable, and adequate; (2) whether a Final Judgment and Order of Dismissal with Prejudice should be entered by the Court dismissing the Litigation with prejudice and releasing the Released Claims; (3) whether the Plan of Allocation for the Net Settlement Fund is fair, reasonable, and adequate and should be approved; and (4) whether the application of Lead Counsel for the payment of attorneys' fees and any award to Lead Plaintiffs' pursuant to 15 U.S.C. §78u-4(a)(4) should be approved.

IF YOU PURCHASED, SOLD OR HELD JOY GLOBAL COMMON STOCK DURING THE PERIOD FROM AND INCLUDING SEPTEMBER 1, 2016 THROUGH AND INCLUDING APRIL 5, 2017 (THE "CLASS PERIOD"), YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THIS LITIGATION, INCLUDING THE RELEASE AND EXTINGUISHMENT OF CLAIMS YOU MAY POSSESS RELATING TO YOUR HOLDINGS OF JOY GLOBAL COMMON STOCK DURING THE CLASS PERIOD. If you have not received a detailed Notice of Pendency and Proposed Settlement of Class Action ("Notice") and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *Joy Global Securities Litigation, Claims Administrator, c/o Gilardi & Co. LLC, P.O. Box 404067, Louisville, KY 40233-4067*, or on the Internet at [www.JoyGlobalSecuritiesLitigation.com](http://JoyGlobalSecuritiesLitigation.com). If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release by mail postmarked no later than January 14, 2019, or online at [www.JoyGlobalSecuritiesLitigation.com](http://JoyGlobalSecuritiesLitigation.com) no later than January 14, 2019, establishing that you are entitled to recovery.

If you purchased, sold or held Joy Global common stock during the Class Period and you desire to be excluded from the Class, you must submit a request for exclusion so that it is received no later than November 29, 2018, in the manner and form explained in the detailed Notice referred to above. All Members of the Class who do not timely and validly request exclusion from the Class will be bound by any judgment entered in the Litigation pursuant to the Stipulation of Settlement.

Any objection to the Settlement, the Plan of Allocation, Lead Counsel's request for attorneys' fees, and Lead Plaintiffs' request for time and expenses must be received by each of the following recipients no later than November 29, 2018:

Court: Lead Counsel: Counsel for Defendants:

CLERK OF THE COURT ROBBINS GELLER RUDMAN & DOWD LLP ARNOLD & PORTER KAYE SCHOLER LLP

UNITED STATES DISTRICT COURT David A. Knotts Vincent A. Sama 565 West Broadway, Suite 1900 250 West 55th Street San Diego, CA 92101 New York, NY 10019

EDWARDSLIFE FOLEY & LARDNER LLP Bryan H. Rose 777 East Wisconsin Avenue Milwaukee, WI 53202

LAWFIRM, LIPSTON, ROSEN & KATZ Peter C. Hein 51 West 52nd Street New York, NY 10019

WACHTELL, LIPSTON, ROSEN & KATZ Peter C. Hein 51 West 52nd Street New York, NY 10019

PLAINTIFFS: Civil No. 2:16-cv-01229-PP

DEFENDANTS: CLASS ACTION

NOTICE: This notice is being sent to you by first class mail. If you receive this notice and have any questions, please contact Lead Counsel at the address listed above.

DATED: September 14, 2018

BY ORDER OF THE COURT

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

MILWAUKEE DIVISION

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. If you have any questions about the Settlement, you may contact Lead Counsel at the address listed above.

DATED: September 14, 2018

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Featuring:



John Vaske  
Senior Managing Partner  
Temasek

Large state-backed investors are making big and bold plays in venture and private equity. Their ascent as dealmakers means they juggle roles as fund investors and direct investors.

Join this conversation with one limited partner that is navigating its rise as a direct dealmaker and hear how this is changing its relationship with private equity and Wall Street.

### Navigating the New Normal in the Middle Market

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Mike Koenig  
Chief Client Officer  
Hamilton Lane.



Michael Bailey  
Director of Private Equity  
Massachusetts Pension  
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Midmarket funds have enjoyed immense popularity in recent years, but will they become victims to their own success? As fund sizes grow and firms come back to market more quickly, limited partners must judge which managers they believe can replicate past successes.

Our panel of limited partners will discuss how they navigate an ever-evolving midmarket and what factors inform manager due diligence in today's market.

To request an invitation,  
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	Open	High	hi lo	Low	Settle	Chg	interest					
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2,8045	2,8070	2,8025	2,8070	2,0035	.841						
Sept 2,8045	2,8070	2,8025	2,8070	2,8025	2,0045	134,582						
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50
Oct 1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50
Dec 1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50	1,205.50
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<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30	1,222.30
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<b>NY Harbor ULSO (NYM)</b> -42,000 gal.; \$ per gal.	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70	1,230.70
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<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40
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Dec 1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40	1,231.40
<b>Natural Gas (NYM)</b> -10,000 MMBtu's; \$ per MMBtu.	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00
Sept 1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00
Oct 1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00	1,232.00
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50
Sept 1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50
Oct 1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50	1,232.50
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00
Sept 1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00
Oct 1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00	1,233.00
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50
Sept 1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50
Oct 1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50	1,233.50
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00
Sept 1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00
Oct 1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00	1,234.00
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<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00	1,235.00
Sept 1,235.00	1,235.00	1,235.00	1,235.00	1								

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq Global Select.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, September 26, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.75 -0.08

ADT 93.8 0.15

AES AES 13.61 -0.09

Aflac AFL 47.46 -0.66

AGNC Inv AGNC 18.71 -0.09

ANGI Homescvng ANGI 22.9 0.34

Ansys ANSS 184.9 -0.01

ASML ASML 188.81 -1.41

AT&T T 33.35 -0.41

AbbottLabs ABT 72.84 0.64

AbbVie ABV 94.18 0.40

Abiomed ABMD 44.70 3.18

Accenture ACN 172.79 0.15

ActivisionBlz ATVI 81.57 1.04

AcuityBrands AYI 159.41 -2.22

AdobeSystems ADBE 268.47 0.63

AdvanceAuto AAP 169.33 2.01

AdmMicroDevices ADM 32.19 -0.38

Aegon AEG 6.63 -0.11

AerCap AER 57.19 -0.09

Aetna AET 201.76 0.13

AffiliatedMtrs AMG 139.09 -1.42

AgilityTechs AYI 70.33 -0.05

AgnicoEagle AGN 33.75 -1.35

AirProducts APP 167.80 -1.04

AkamaiTech AKAM 72.51 -0.32

AlaskaAir ALK 67.12 0.97

Albermarle ALB 101.32 -1.21

Alcoa AA 40.48 -0.76

AlexandriaREst ADR 122.43 -0.81

AlexionPharm ALXN 135.61 6.62

AMC Networks AMCN 197.45 0.30

Ambev ABEV 4.61 0.11

Amdocs DOX 65.82 -0.62

Americo UHAL 346.29 -3.43

AmericaMovil AM 32.19 -0.38

Aegon AEG 6.63 -0.11

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## BUSINESS &amp; FINANCE

# Lawsuit Against New York Fed Seen As a Policy Threat

By MICHAEL S. DERBY

A lawsuit against the Federal Reserve Bank of New York could complicate the central bank's effort to control short-term interest rates at a time investor scrutiny of those markets is intensifying.

**TNB USA** Inc. contends in a federal suit filed in late August that it has been wrongly blocked in its pursuit of a "master account" at the Fed that would allow it to earn interest on deposits placed on the Fed's books.

Analysts say that if TNB won approval to offer deposit accounts to clients and other banks copy its model, the development could pose a threat to how the Fed has controlled short-term rates since the 2008 crisis.

Instead of targeting a specific short-term rate, as it did before the financial meltdown, the Fed now sets a firm range between the rate it will pay deposit-taking banks at the high end and the overnight reverse repurchase rate that is available to an approved roster of money managers and other institutions at the low end. The fed-funds rate floats in between.

TNB and other banks like it could thwart this system, analysts said, by collecting interest at the higher rate and offering that rate, minus a spread to cover costs and profits, to institutions that deposit money with them.

"I applaud the cleverness of this," said Tim Duy, an economics professor at the University of Oregon. "That spread was sitting out there and somebody found a way to take advantage of that."

The Fed's range for the funds rate now stands at between 2.00% and 2.25%, with the interest on excess reserves rate at 2.20%, following the conclusion of its interest-rate-setting meeting Wednesday.

TNB and banks like it would allow the sort of firms that would otherwise earn the lower reverse repo rate a way to get a higher return. That could render the rate floor moot.

The Fed would still have a lot of control over short-term

rates, but the lower-end floor could cease to be a meaningful rate.

Some Fed watchers say the threat to the rate-control regime may not prove that big a deal. For some time now, there has been little actual interest from eligible firms to earn the reverse repo rate, as those firms have put their money to work in other places, with better returns.

Regardless of market conditions, TNB says it isn't trying to break the system, and it has explained to the Fed how it will limit its activities to accomplish that. The Fed "has a clear statutory obligation" to grant the official account, said James McAndrews, a former Fed research official who is leading TNB. He also believes the TNB model is entirely complementary to the Fed's monetary-policy goals and reinforces what is now in place.

The Fed hasn't said why it hasn't approved TNB's application beyond unspecified policy concerns, TNB's lawsuit says. Central-bank watchers say the denial is essentially without precedent. TNB is operating under a temporary charter that Connecticut banking regulators granted in August 2017 that expires next year.

The New York Fed so far hasn't responded to the suit, and it and the Fed's Board of Governors declined to address the claims.

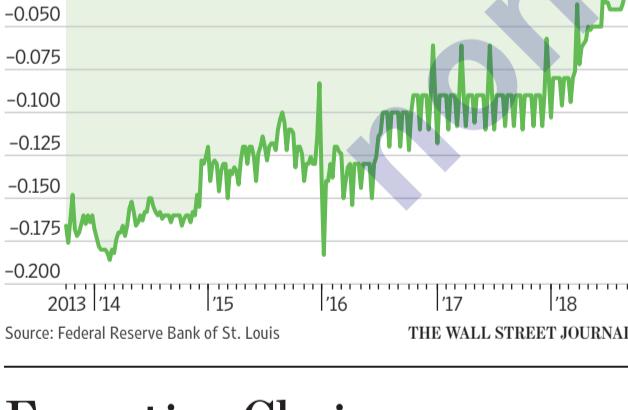
There are longer-term implications of the TNB model. If it proves popular—and there is no way to know yet whether it would—it could serve as the first step on a longer march to connect the public to the central bank more directly. Some academics have argued monetary policy could be made more potent if people and companies were allowed to bank directly with the Fed via interest-bearing accounts.

Fed policy changes could then bypass fickle financial markets and make themselves felt at the consumer level, which would in theory make rate changes more powerful. TNB may not be seeking such an outcome, but a successful performance of its model could start the wheels turning for such a world.

## Narrowing Spread

A new bank seeks to benefit from the Fed's policy of paying interest on reserves, but the spread between the relevant rates has slumped this year.

### Spread between the effective federal funds rate and the rate that the Fed pays on reserves



## Executive Chairman Of Spain's BBVA to Retire

By JEANNETTE NEUMANN

**MADRID—Banco Bilbao Vizcaya Argentaria SA** will replace longtime Executive Chairman Francisco González at the end of the year, a planned succession heralding the end of the career of one of Spain's highest-profile bankers.

Carlos Torres, second in command at the bank, is expected to succeed Mr. González as executive chairman at BBVA by Dec. 31, the bank said in a statement.

Mr. González has led BBVA since 2000, overseeing its expansion from a regional Spanish bank to the owner of Mexico's largest lender, Bancomer, and a majority owner of Turkey's Turkcell Garanti Bankasi AS, as well as other banks around the world including Compass in the U.S.

BBVA said the board would decide in the fourth quarter who will succeed Mr. Torres as chief executive.

The appointment of Mr. Torres, who is 52 years old, was widely expected as Mr. González, who is 73, approached the bank's stated retirement age.

Mr. González promoted Mr. Torres from its head of digital banking to CEO in 2015, signaling the bank's commitment to developing more mobile banking technologies.

Mr. González was at the forefront of bankers who several years ago began extolling the benefits of digital banking for customers and, in turn, for lenders' profitability. During public appearances, he rarely missed an opportunity to detail BBVA's shift toward a more digital bank.

Mr. González wasn't always able to execute that transformation in a way that convinced investors and analysts that BBVA was notably better at digital banking than its peers, or that the shift was significantly boosting profits compared with competitors.



A ceremony marks the Shanghai debut of Foxconn Industrial Internet. Mainland-listed stocks could make up 2.8% of a key index by August.

## Index Firms Upgrade China

### FTSE Russell, MSCI move to increase sway of mainland stocks in products

Two major index providers took steps to boost the influence of mainland Chinese stocks in their widely tracked global

By Shen Hong in Shanghai and Saumya Vaishampayan in Hong Kong

benchmarks from next year—a vote of confidence in a market that has been battered by trade and economic concerns.

The actions by FTSE Russell and **MSCI** Inc. partly reflect how much easier it has become to buy and sell these stocks through a trading link with Hong Kong. The changes could also bring hundreds of smaller Chinese companies to the attention of international money managers for the first time.

FTSE Russell said Wednesday evening U.S. time it will include domestic Chinese shares in its flagship emerging-market index in stages starting next June. Based on current prices, the move means mainland-listed companies will make up more than 5.5% of the benchmark in

March 2020. It estimates this will bring in about \$10 billion from passive investors, whose investments closely follow set benchmarks.

"This is a big step for the Chinese market," said Mark Makepeace, chief executive of FTSE Russell, in an interview. He said the change had been supported by major global investors, but added: "Given the size that the China market will represent in their global portfolios, they want developed market standards. It will take time to achieve that."

FTSE Russell, a unit of **London Stock Exchange Group** PLC, now classifies mainland Chinese shares as "secondary emerging," along with those of countries like Russia, India and Chile. It already offers other benchmarks that include domestic Chinese stocks.

Earlier, rival MSCI proposed sharply increasing the importance of mainland Chinese stocks in its own influential global indexes next year. If it goes ahead, mainland-listed companies could make up 2.8% of the widely tracked MSCI Emerging Index by August 2019 and 3.4% by May 2020, up from about 0.7% now.

"This reflects the broader trend of global investors getting keener to include Chinese assets in their portfolios, because after all we have strong

### Bigger Share

China's domestically traded stocks will claim a larger weighting in MSCI's emerging-markets index under proposed changes.

#### Weighting in current MSCI Emerging Markets Index

#### Weighting in EM Index in May 2020, pro forma

China Ex-A shares	30.6%
South Korea	28.9%
Taiwan	14.8%
India	13.9%
South Africa	12.2%
Brazil	9.3%
China A shares	6.2%
	8.8%
	5.8%
	5.4%
	3.4%

Source: MSCI

THE WALL STREET JOURNAL.

sions with the U.S., the Shanghai Composite Index has fallen 15% in the year to date as of Thursday morning in China.

Chinese companies' contribution to MSCI indexes is capped at just 5% of the market value of their freely traded shares, whereas for more established markets such as South Korea, the inclusion factor is 100%. In a statement late Tuesday, MSCI proposed quadrupling this cap to 20%—in two steps—in May and August 2019.

Full inclusion will probably take five years and could bring about \$350 billion more into China, UBS Global Wealth Management has estimated.

Similarly, by March 2020, FTSE Russell will include Chinese firms at 25% of their "investability weight"—a measure of the shares that can be owned by foreigners, given a company's free float and any restrictions on foreign ownership.

FTSE Russell's selection will include midcap and small-cap companies, as well as those with large market values. Meanwhile, MSCI said it was looking to add midsize stocks in 2020 and proposed making stocks listed on Shenzhen's ChiNext, a Nasdaq-style board that is heavy with tech firms, eligible for the index beginning in May.

—Quentin Webb  
— contributed to this article.

companies that are only listed domestically," said Jacky Zhang, a Shanghai-based analyst at BOC International.

Foreign investors' increasing appetite for Chinese shares is notable in an otherwise dismal year for the country's stock markets. With domestic investors worried about escalating trade ten-

## Big Pension Dives Into Risky Loans

By MATT WIRZ

Canada's government pension plan is investing \$285 million in the riskiest securities of collateralized loan obligations, or CLOs, as large institutions start funneling more cash into a market that has received record sums in 2018.

The Canada Pension Plan Investment Board, or CPPIB, will buy equity in CLOs managed by **Sound Point Capital Management**, a New York-based credit hedge fund founded by former Bank of America investment banker Stephen Ketchum. It is the first such partnership for the pension, which sees CLO equity as an attractive way to boost returns on its leveraged-loan investments, a plan spokesman said. CPPIB independently manages funds for 20 million Canadians who contribute to the plan.

CLOs raise money by issuing bonds and equity to outside investors and use the cash to buy bundles of below-investment-grade, or "leveraged," corporate loans. The money coming in from the

bundled loans pays investors' interest and principal on the CLO bonds in a process similar to mortgage-backed securities. Equity holders typically must cover loan losses above a certain threshold—an arrangement that accounts both for CLO equity's risk and for its higher expected returns.

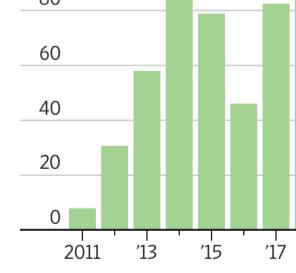
CLO equity has historically

### Record Rise

Investors are buying record amounts of collateralized loan obligations.

#### Issuance of new CLOs, January-September of each year

\$100 billion



Source: S&P Global

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been purchased by hedge funds or private-equity firms. Purchases by large institutions such as CPPIB, with \$275 billion in assets, could give CLO managers significantly more firepower to launch new deals, further boosting demand for leveraged loans and potentially adding to risk in junk debt markets. Managers can borrow about \$9 million of bonds for each \$1 million of equity raised to buy up leveraged loan pools.

"The asset class has increasing acceptance from institutional investors," said Wade O'Brien, a managing director at Cambridge Associates who advises foundations and endowments on credit investments. Cambridge is recommending clients make investments in dedicated funds that buy only CLO equity, which can return about 15% annually in typical market conditions, he said.

The increased appetite for CLOs reflects a decadelong increase in purchases of junk-rated corporate and government debt by institutional investors in response to per-

sistently low interest rates in safer markets. Purchases by CLOs helped push the leveraged-loan market to \$1.22 trillion in June, exceeding the size of the junk-bond market for the first time in 10 years.

The global CLO market has grown by 25% in the past two years to about \$700 billion outstanding, according to data from JPMorgan Chase & Co. Annual returns from the equity have averaged about 18% since 2004, according to re-

search from JPMorgan, but some analysts caution that if leveraged-loan defaults rise, certain CLOs will only have enough cash to keep paying their bonds, leaving equity holders with losses.

Institutional investors routinely purchased CLO bonds in recent years because they pay floating-rate interest—an advantage when interest rates are rising—and have outperformed more conventional corporate debt. CLO bonds rated single-B returned 38% in 2017 compared with 4.27% returned by comparable leveraged loans, according to data from Morgan Stanley.

## Bankruptcy Watchdogs Push for a Raise

By KATY STECH FEREK

WASHINGTON—The legal professionals who ensure people going through bankruptcy aren't hiding assets are pushing lawmakers for their first pay raise since 1994, saying the oversight of the U.S. personal-bankruptcy system is at stake.

In a House hearing, consumer-bankruptcy experts said the pay for the watchdogs, called bankruptcy trustees, should be doubled to \$120 per case. The experts said trustees play a vital role in the bank-

ruptcy process by making sure people don't hide valuable possessions and by returning recovered money to people and small businesses who are awaiting payment. For most bankruptcy cases, they get only a flat fee, currently \$60.

Roughly 1,100 trustees monitor chapter 7 cases, the most widely used form of bankruptcy for individuals. But during the hearing before a subcommittee of the House Judiciary Committee, experts testified they worried the stagnant pay would lead to fewer competent, honest

applicants. Last year, 20 candidates applied for every open chapter 7 trustee position, down from 58 in 2010, according to the Justice Department, which runs the program.

At the hearing, Rep. Tom Marino (R., Pa.) called trustees "vitally important" to the bankruptcy system. Mr. Marino is co-sponsor of a bill that would raise trustees' pay. He said lawmakers agree the increase is necessary but they have "different paths to getting there," referring to who should pay for it.

The legislation would fund

the increase by making bankrupt individuals pay higher fees. Some lawyers and consumer-focused nonprofits are urging Congress to find another source to pay for the increase, such as a new fee for those filing requests for payment from someone going through bankruptcy.

Overall trustee compensation has fallen over the past six years, including an 18% drop in annual pay last year, Justice officials said. The decline comes as the number of people who file for bankruptcy each year has fallen since a 2010 peak.

## MARKETS

# Fed's Gradual Policy Lifts Bonds

By AKANE OTANI

U.S. Treasury prices extended gains Wednesday after the Federal Reserve raised short-term interest rates for the third time this year.

The yield on CREDIT MARKETS 10-year U.S. Treasury note settled at 3.059%, compared with 3.102% Tuesday, notching its biggest one-day decline since August. Yields fall as bond prices rise.

Bond traders said they had already largely priced in the Fed's raising short-term interest rates by a quarter percentage point, something that had helped drive Treasury yields to highs over the past week. What many were watching for Wednesday was whether the central bank would signal a more aggressive pace of interest-rate increases for 2019 and beyond.

The Fed's median rate projections remained unchanged for 2018, 2019 and 2020. That provided some relief for investors, who said they saw

the central bank still signaling a gradual course of interest-rate increases over the next few years.

"I don't think there's a lot of additional downside to Treasury prices given how much [yields] have already risen," said Gene Tannuzzo, senior portfolio manager for strategic income at Columbia Threadneedle Investments.

Shorter-term government bond prices rose after the Fed released its policy statement, removing the word "accommodative" in its description of rates but otherwise keeping its language unchanged.

The yield on the two-year Treasury note, which tends to be sensitive to investors' expectations for Fed policy, settled Wednesday at 2.823%, retreating from 2.843% Tuesday, its highest level in more than a decade.

Federal-funds futures, used by traders to place bets on the course of interest rates, also showed investors largely taking the Fed's latest decision in stride.

Futures on Wednesday af-

## No Surprises

Treasury yields ended Wednesday at their lows after the Federal Reserve raised short-term interest rates as expected.



Source: FactSet

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ternoon showed investors pricing in a 32% chance of the Fed raising rates three more times through June 2019, down from 35% on Tuesday, according to CME Group. Market-implied odds for a December rate increase ticked slightly higher to 87% from 82% Tuesday.

"It was all pretty well telegraphed in the minutes," said Mr. Tannuzzo of the Fed's decision to raise rates and tweak its policy statement.

While the bond market was largely steady Wednesday, some analysts remained wary of the possibility of further rate increases adding stress to

interest-rate sensitive areas of the economy, like housing and the auto sector.

"We think the Fed could invert the [yield] curve if we see two or three further rate increases in 2019," said Dan Heckman, senior fixed-income strategist at U.S. Bank Wealth Management.

So far, the economy has shown resilience as the U.S. and China's tariffs have taken effect and interest rates have nudged higher.

In a press conference Wednesday, Fed Chairman Jerome Powell said that while interest rates have pushed up borrowing costs in a range of categories for consumers, they still remain relatively low.

But Mr. Heckman said he is watching for signs of stress in sectors like housing and autos, which have recently shown some weakness even as the broader economy has shown strength.

"To me, that bears much closer watching than what's going on with the tariffs situation," Mr. Heckman said.

# Unexpected Jump in Supply Hits Oil

By DAN MOLINSKI AND SARAH MCFARLANE

Oil prices fell Wednesday after a report showed U.S. inventories of crude unexpectedly increased last week due to a sharp decline in refinery activity and waning demand for fuel after an active summer.

Light, sweet crude for November delivery ended 1% lower at \$71.57 a barrel on the New York Mercantile Exchange.

**COMMODITIES** ended a three-session streak of increases in the U.S. benchmark that put Tuesday's prices at their highest in more than two months. Brent crude, the global benchmark, declined 0.6% Wednesday to \$81.34 a barrel.

The Energy Information Administration reported crude-oil inventories in the U.S. rose 1.9 million barrels to 396 million barrels in the week ended Sept. 21. That surprised analysts surveyed by The Wall Street Journal, who on average forecast a 1.3 million-barrel decline, and it cast some doubt on a recent view among investors that global supplies were quickly shrinking.

**Crude-oil inventories in the U.S. rose 1.9 million barrels in the week ended Sept. 21.**

Gasoline stockpiles in the U.S. also increased, the EIA said, rising by 1.5 million barrels to 236 million barrels, which is 18 million barrels more than the same week last year.

The EIA also reported that the U.S. refinery capacity-utilization rate plunged by 5 full percentage points, to 90%, as refineries shut down plants for turnaround maintenance during the low-demand fall season. Analysts expected activity to remain near a 95% utilization rate.

Motor gasoline supplied to the U.S. market, considered a proxy for fuel demand, fell to 9 million barrels a day last week from 9.5 million a week earlier, the EIA said.

"Demand is weak, and it's getting weaker amid refinery turnarounds," said Stephen Schork, editor of the energy trading newsletter The Schork Report.

Still, Mr. Schork noted that despite the bearish EIA data, U.S. oil prices remain close to multimonth highs reached in recent days, which he attributed to speculative investors being overly focused on a view that U.S. oil sanctions on Iran will significantly squeeze global oil supplies. "Speculators are in control of the market right now," he said.

# Stripe Gains \$20 Billion Valuation

By PETER RUGEGEAR

Stripe Inc. said Wednesday that a new fundraising round values the financial-technology startup at roughly \$20 billion, vaulting it into the ranks of the world's most valuable private companies.

Hedge-fund firm **Tiger Global Management** LLC led the \$245 million investment, along with Yuri Milner's **DST Global** and **Sequoia Capital**, one of Stripe's earliest investors.

The round gives Stripe a valuation that is more than double the \$9.2 billion it attained in a November 2016 fundraising.

Investors have flocked to payments companies in recent years, betting that the volume of shopping happening over the internet and on mobile devices is poised to skyrocket. They also are wagering that barriers to some types of digital transactions are eroding, like businesses paying other businesses.

—Jon Sindreu

contributed to this article.

# Stocks Drop After Interest-Rate Increase

By AMRITH RAMKUMAR AND DONATO PAOLO MANCINI

U.S. stocks erased gains and closed lower, hurt by drops in financials and materials stocks after the Federal Reserve raised interest rates and signaled a continued gradual path of increases.

The late-session slip came as Treasury yields fell following Fed Chairman Jerome Powell's press conference. Some analysts said the move in the bond market stoked worries about a flattening yield curve. That is historically a negative indicator for longer-term growth prospects that hurts financial stocks because higher yields tend to boost lending profitability.

Wednesday's projections showed most Fed officials expect to raise rates one more time this year and three times next year, a pace in line with many investors' expectations.

While bank stocks fell, materials shares extended their week-to-date declines. Discussions between the U.S. and its trading partners are continuing, adding to anxiety about a growth-hindering tariff fight.

After the S&P 500 and Dow industrials hit fresh records last week, some analysts have said they are re-evaluating trade risks, which could challenge markets at the same time interest rates continue to rise.

"I do feel like markets are largely shrugging them off because there's no way to know what the actual outcome will be," said Peter Lazaroff, co-chief Investment Officer at Plancorp. "If they escalate, it would be negative for sentiment."

The S&P 500 fell 9.59 points, or 0.3%, in a fourth straight session of losses, though it remains near last week's all-time high. The Dow Jones Industrial Average declined 106.93 points, or 0.4%,



A scene from the Netflix show 'Maniac.' Its stock was among the market's best performers, climbing \$8.45, or 2.3%, to \$377.88.

to 26385.28. The tech-heavy Nasdaq Composite shed 17.11 points, or 0.2%, to 9790.37.

On Wednesday, Canada said that any changes to the North American Free Trade Agreement have to incorporate limits on the U.S. use of tariffs on national-security grounds. The move came after the Trump administration's top trade negotiator threatened to move forward with a bilateral accord with Mexico amid a lack of progress with Canada on renegotiating Nafta.

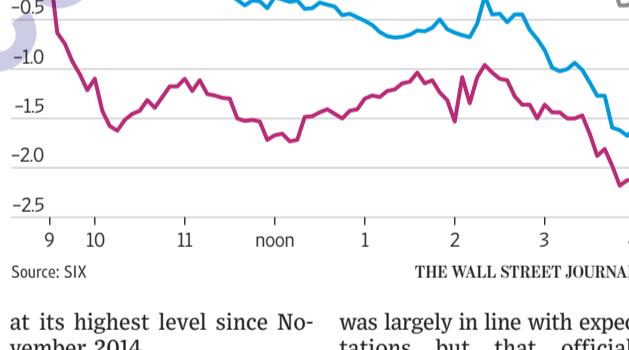
Analysts are also tracking the relationship between the U.S. and China, which canceled trade talks scheduled for this week as a monthslong tariff spat continues.

Worries about a global economic slowdown have hurt commodities this year, and the S&P 500 materials and energy sectors both dropped 1%. Oil prices edged lower after Brent crude, the global benchmark for prices, closed on Tuesday

## Late-Day Drama

Declines in financial stocks, such as PNC, and materials companies, including Nucor, dragged down U.S. indexes Wednesday.

### Performance, in five-minute intervals



Source: SIX

THE WALL STREET JOURNAL

at its highest level since November 2014.

Meanwhile, the drop in Treasury yields sent the financial sector down 1.3%. Some analysts said the Fed decision

was largely in line with expectations but that officials largely sticking with previous projections was a less aggressive stance than some investors had anticipated.

"It signals to investors they think the economy is doing great, but not so great that they're worried about it," Mr. Lazaroff said.

Among individual stocks, Nike fell \$1.09, or 1.3%, to \$83.70 after the sportswear maker said its expenses increased last quarter, though it still topped earnings targets.

Declines in those various sectors offset gains in communications services and health care. Netflix was among the market's best performers, adding 8.45, or 2.3%, to \$377.88.

The yield on the benchmark 10-year U.S. Treasury note fell to 3.059% from 3.102%. Yields, which fall as bond prices rise, have approached seven-year highs lately. The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, fell less than 0.1%.

Elsewhere, the Stoxx Europe 600 climbed 0.3% to its highest level of the month.

# Europe Opens to Suppliers

Continued from page B1  
ber delivery settled at \$3,021 a million British thermal units Wednesday on the New York Mercantile Exchange.

More than a dozen export projects are awaiting regulatory approval in the U.S., according to the Federal Energy Regulatory Commission.

In the first half of the year, the U.S. delivered 9.8 million tons of LNG globally, with 59% of its exports going to Asia and just 4% to Europe, according to Andy Flower, a U.K.-based independent LNG consultant and industry veteran.

LNG has also taken an important role in the trade spats between the U.S. and its major trading partners. In July, the European Union said it would buy more U.S. LNG as part of an attempt to ease trade tensions with President Trump.

Last week, China said it would impose a 10% tariff on U.S. LNG imports as part of its retaliation against the U.S.

pressure on Berlin to withdraw its support.

The U.S. administration has opposed the pipeline over concerns it would boost Europe's already-high dependence on Russian natural gas and give the Kremlin political leverage and substantial revenue.

The LNG terminals offer an alternative supply of natural gas and force Russia to compete, analysts said. Earlier this year, Russia's state-owned gas giant PAO Gazprom agreed to set its prices in line with open

Western European markets after the EU brought an antitrust case against it. A Gazprom representative declined to comment.

Around the world, countries are moving to gas to wean themselves off more polluting energy sources such as coal and oil, and because a glut of new supply from U.S. shale and elsewhere means it is plentiful and cheap.

For Europe, seaborne LNG has also become an alternative to the dominance of Russia's piped gas.

"We have had many historical challenges with Russia, but now gas supply has been depoliticized," said Zygimantas Vaičiūnas, Lithuania's energy minister. The LNG terminal, Lithuania was able to bring Gazprom to the table and renegotiate its contract for pipeline gas, he said.

Lithuania's fuel-import bill fell 22% between 2014 and April 2018, while in Poland it fell 11% in the same period, even as both countries consumed more gas and oil, according to data provider CEIC.

In the past, Lithuania was paying 20% to 25% above most other European Union countries for its Russian pipeline

gas imports, said Mindaugas Jusius, chief executive of Lithuania's terminal operator Klaipedos Nafta. With the LNG terminal, Lithuania was able to bring Gazprom to the table and renegotiate its contract for pipeline gas, he said.

"Since the initial goal was security of supply, I'm not sure if we were expecting such a quick payback," he added.

The EU has made LNG a priority, helping fund the terminals in Lithuania and Poland and one in Malta, while committing money to a project in Croatia. "The objective of the Energy Union strategy is to diversify the energy sources and ensure that no EU member state is dependent on a single supplier," said a European Commission representative.

Other countries also want to use more LNG.

Gas is expected to be 24% of the world's energy mix by 2040, up from 22% in 2016, according to the International Energy Agency. LNG's share of that market is set to rise to almost 40% in 2023, from about 33% in 2017, the IEA forecast.

—Jon Sindreu contributed to this article.



Last week, China said it would impose a 10% tariff on U.S. LNG imports as part of its retaliation against the U.S.

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## MARKETS

# Japanese Stocks on Verge of 27-Year High

BY STEVEN RUSSOLILLO

Japanese stocks have been on a tear, gaining for eight straight trading days through Wednesday and approaching their highest level since the early 1990s.

U.S. stocks are back around records, China is in a bear market and European indexes are muddling along. Lost in the shuffle among global equity markets is the recent strength of the Japanese market, which looks poised to hit a new milestone.

Japan's Nikkei Stock Average has gained 17% in six months, exceeding all other major stock markets. Closing Wednesday above 24,000, the Nikkei is approaching its January high. Before that, the last time the index exceeded that level was 27 years ago.

Analysts point to a number of supporting factors. Economic growth has been solid, at least compared with recent history; the Bank of Japan has stuck to ultra-easy policy; and markets have welcomed Shinzo Abe's recent reappointment for another term as leader of Japan's ruling party. Mr. Abe's administration has been instrumental in pushing companies to improve corporate governance and profitability.

Corporate profits have surged from a low base. Net profits among Japanese-listed companies have risen faster than those in the U.S. not just over the past two years, but also over the past two decades, according to Thomson Reuters Datastream. A weak yen in recent years has helped Japanese companies, boosting profits at large exporters.

Of course, context matters: The Nikkei is still more than one-third below its all-time high reached nearly three decades ago.

And the Nikkei index's recent strength looks considerably less impressive in U.S.

dollar terms, since the yen has tumbled from about ¥105 to about ¥113 per dollar in the past half year.

Referring to the Bank of Japan's aggressive program of bond buying, or quantitative easing, Nicholas Smith, an equity strategist at CLSA, said, "In the euphoria then disappointment about extraordinary QE, markets utterly missed surging Japanese [earnings per share] growth that has significantly outstripped the U.S."

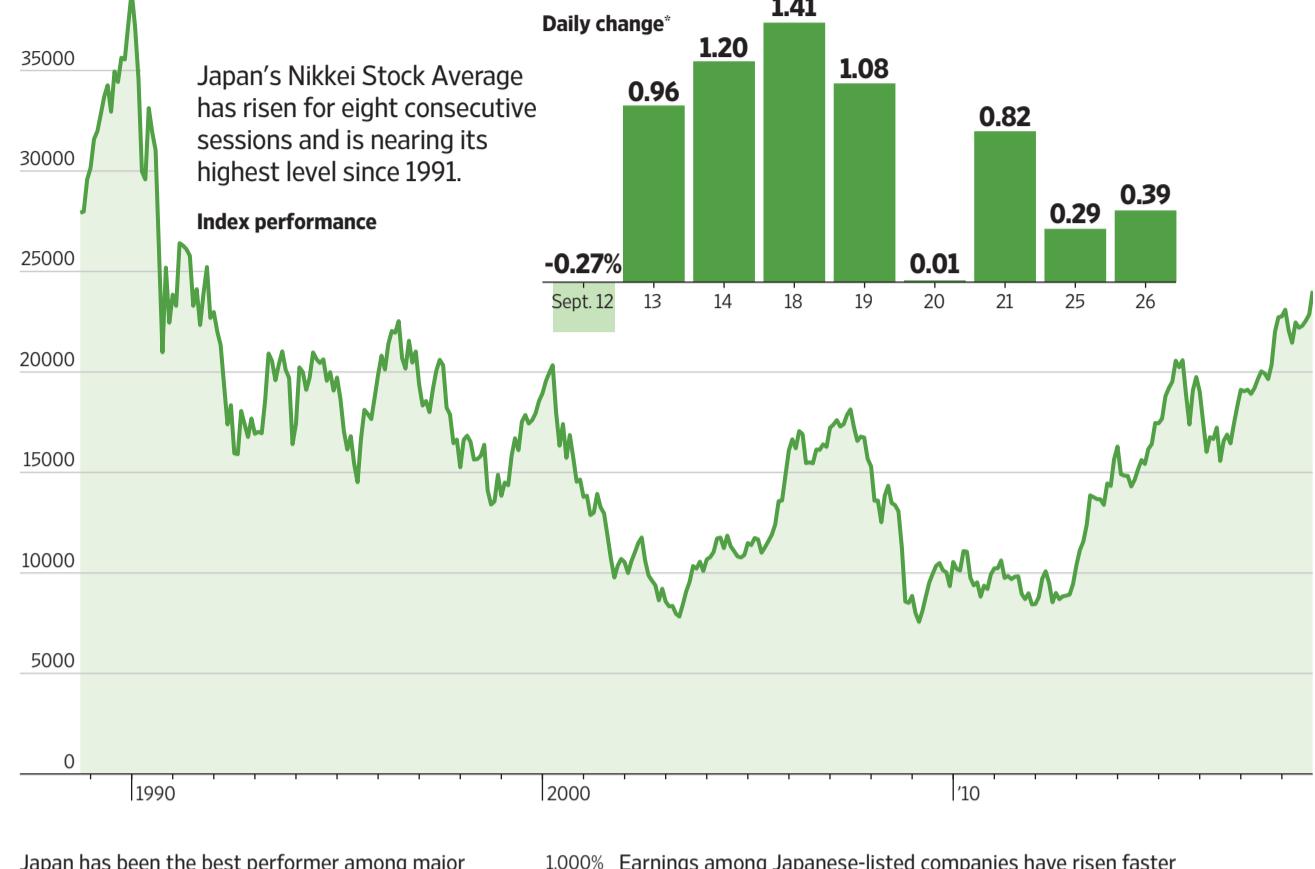
Mr. Smith notes that valuations look appealing, too. About 40% of companies in Japan's broad Topix stock index trade below their tangible book value, about four times the percentage in Europe, according to his calculations.

Global money managers have appeared underwhelmed—but may now be starting to take note. A net 19% of fund managers polled by Bank of America Merrill Lynch this month said they were overweight Japanese stocks, the highest since March.

Other analysts are more measured in their assessments. Kathy Matsui, a strategist for Goldman Sachs in Tokyo, said signs of a stronger economy would be needed before analysts begin lifting their earnings estimates for Japanese companies.

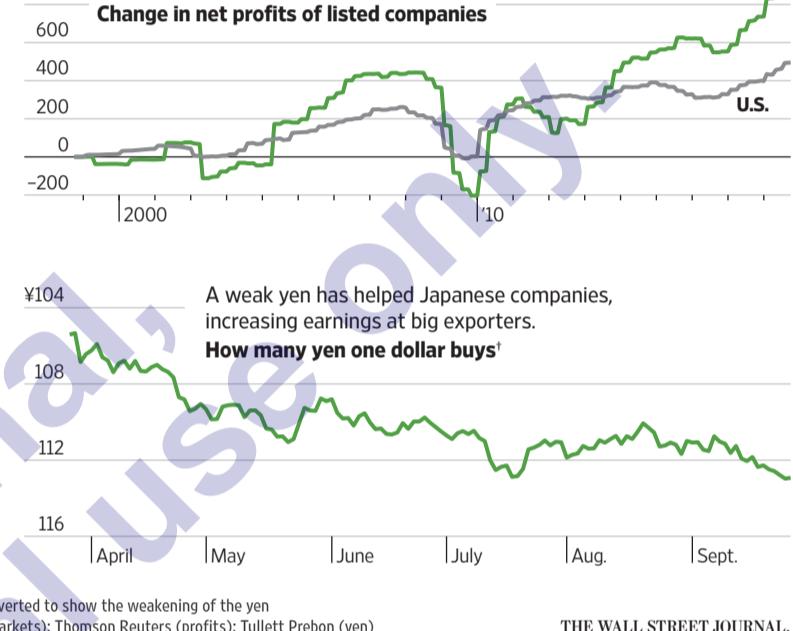
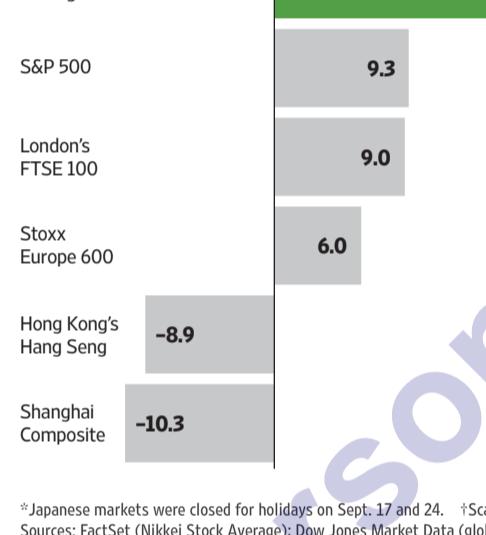
Across the Asia-Pacific region, shares rose on Wednesday ahead of the conclusion of a two-day Federal Reserve meeting, with investors anticipating—correctly, it turned out—that the U.S. central bank would maintain a measured approach as it tightens monetary policy. Indexes in mainland China, Hong Kong and Australia all edged higher.

Early Thursday, the Nikkei was down less than 0.1%, the Shanghai benchmark was down 0.3%, Hong Kong's Hang Seng Index was off 0.2% and Australia's S&P ASX 200 was down 0.1%.



Japan has been the best performer among major stock markets around the world recently.

## Six-month performance



\*Japanese markets were closed for holidays on Sept. 17 and 24. †Scale inverted to show the weakening of the yen

Sources: FactSet (Nikkei Stock Average); Dow Jones Market Data (global markets); Thomson Reuters (profits); Tullett Prebon (yen)

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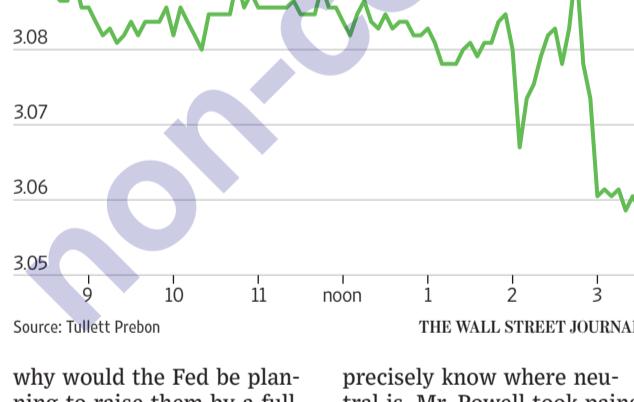
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## Rates Are Rising No Matter What

## Accommodative?

The 10-year Treasury yield fell Wednesday following the Fed meeting.



why would the Fed be planning to raise them by a full point over the next year?

The truth is Fed officials dropped "accommodative" not because they don't want to use the word "neutral," but because they, and Fed Chairman Jerome Powell in particular, are trying to get away from the idea that they

is accommodative.

Not that investors should need the Fed to tell them that. Pushed along by growing confidence, lower taxes and increased government spending, the economy is growing strongly. Absent more rate increases, it is easy to imagine the unemployment rate falling through 3%, and for inflation and financial-market excesses to start causing serious problems.

So the Fed is going to keep raising rates, and will stop not when they reach some preconceived right level but once the increases start to affect the economy and the dangers of overheating are allayed.

One risk is that by the time those signs emerge, the Fed will have raised rates by too much, but at this point that might be better than the alternative of keeping rates too low.

—Justin Lahart

## Disney Gets a Payday To Invest in Streaming

Bob Iger, chief executive of Disney, spoke of Sky as a "crown jewel" in his \$71 billion pursuit of *21st Century Fox* assets. In the end, though, it was a jewel he could do without. For Disney investors, that probably comes as a relief.

On Wednesday, Disney consented to Fox's decision to tender its 39% stake in Sky, valued at \$15 billion, to Comcast. That will put Europe's largest pay-TV group entirely in Comcast's hands.

Sky was the single largest-distribution asset Disney was planning to acquire as part of its deal with Fox. It would have given the company a direct-to-consumer relationship with 23 million European households.

But tendering the 39% stake reduces Disney's leverage from the Fox acquisition and gives it more room to increase spending on its streaming strategy.

Disney also is divesting itself of the Fox regional sports networks, as required by the Justice Department. Together, these sales cut the price of the Fox deal by about \$30 billion for Disney.

The company plans to launch a Disney-branded platform, a kind of *Netflix* competitor, in 2019. Focusing on that is surely preferable to trudging into the European broadband business.

One caveat is that the stake might have allowed Disney to get the film and TV content it licensed to Sky back sooner. Now it will have to wait for those deals to end. Disney may have realized that Comcast was going to get the more than 50% of Sky shares it needs to complete the deal even without Fox's stake, making the 39% worthless as a negotiating chip.

Comcast investors may be less pleased. Now the cable giant will have to fund its stratospheric offer for Sky, worth \$48.6 billion including debt, in its entirety. The acquisition will help Comcast diversify away from the U.S. market, where cord-cutting has threatened subscriber growth. But to justify this price for what is in many ways a legacy media asset, Comcast investors will need a fairy-tale ending.

—Elizabeth Winkler

## Facebook Faces Virtual-Reality Check

## Screen Time

Virtual-reality unit sales, 18 months through June

Samsung Gear VR 2.4 million

PlayStation VR 2.2

Oculus Rift 0.7

HTC Vive 0.6

Oculus Go 0.3

Google Daydream 0.2

Source: SuperData

tether. The new headset should help Facebook expand its share of the nascent VR gaming market, where it has trailed Sony's PlayStation VR by a wide margin.

But the difficult part is

that this is still Facebook. The social network's reputation has taken a big hit this year over controversies involving everything from misinformation to election hacking to user privacy. Those controversies have finally started to weigh on the company's booming user growth, as well as its market value. And while the company is currently focused on games through its Oculus label, Facebook's ultimate aim to make VR a mass-market force on its own platform.

CEO Mark Zuckerberg him-

self introduced the new Quest headset on stage Wednesday, while also reminding the audience of his oft-stated goal of eventually bringing one billion people into VR.

The Oculus Quest and the lower-end Go headset are important steps on that path. The Go, which sells for \$199, already has sold nearly 290,000 units since its launch in May, estimates market-research firm SuperData. But Facebook's ultimate success in VR may hinge on the question of whether consumers will really want to strap themselves into a virtual world run by a tarnished advertising giant. It is a question that can no longer be taken for granted.

—Dan Gallagher

## OVERHEARD

High stakes, abrupt resignations, a woman with that storied, double-barreled surname in the background? It sounds like "Veep," but the saga of *Louis Dreyfus* Co. is very real.

The giant commodities trader saw two more departures at the top Tuesday: Chief Executive *Gonzalo Ramirez Martiarena* resigned to "pursue other opportunities" after what had been a fairly long stretch in office. Coincidentally—or at least the company claims it is a coincidence—the chief financial officer an-

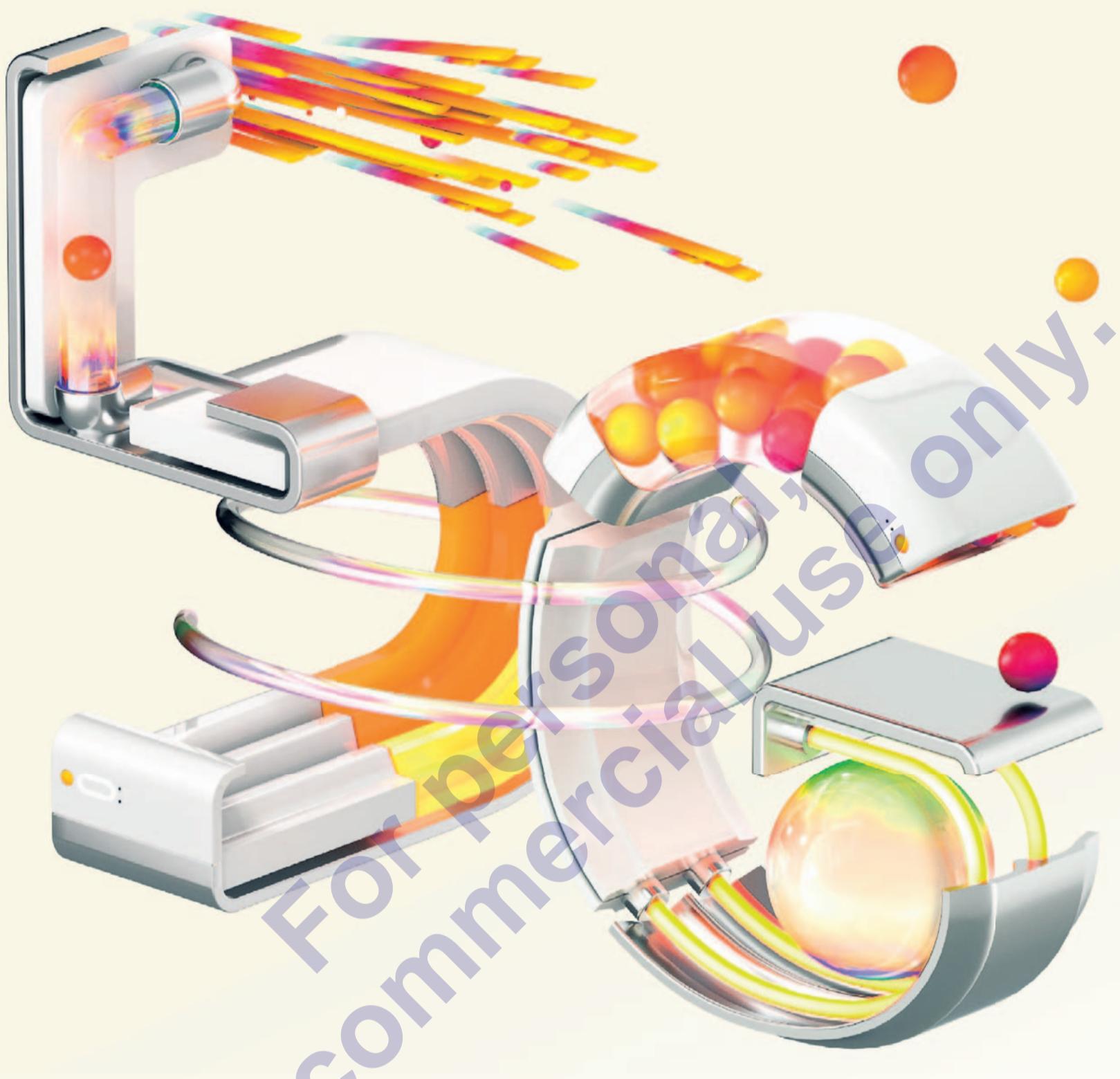
nounced his departure too, for what he said were personal reasons.

The exiting CEO lasted a lot longer than his sort-of predecessor who left before even taking office. Including that episode, his successor will be the seventh since *Margarita Louis-Dreyfus*, the widow of an heir to the firm's founding family, took over as chairwoman, according to the Financial Times.

*Louis-Dreyfus* has identified a successor but, if things don't work out, we hear Selina Meyer is available.

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